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**NICHIREI**

**Business Results**  
**Third Quarter**  
**Fiscal Year Ending March 31, 2007**

(Stock code: 2871)

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## Sales Down, Earnings Up in 3rd Quarter; Full-Year Sales Target Revised Downward



### FY07/3 3Q Consolidated Results and Full-Year Forecasts

(100 million yen; amounts less than 100 million yen are omitted)	3Q		1-3Q		4Q		Full Year		
		Change from FY06/3 3Q (Amount)		Change from FY06/3 1-3Q (Amount)	(E)	Change from FY06/3 4Q (Amount)	(E)	Change from Previous (E) (Amount)	Change from FY06/3 (Amount)
<b>Net Sales</b>	1,229	-40	3,531	-93	1,073	+4	4,605	-130	-89
<b>Operating Income</b>	65	+12	148	+17	32	+3	181	-	+20
<b>Recurring Income</b>	62	+11	142	+14	28	-0	171	-4	+14
<b>Net Income</b>	38	+8	100	+42	10	+5	111	-	+48

Note: (E) denotes current forecast; Previous (E) is forecast announced on November 2.

#### 1. Net Sales

- (i) Third quarter earnings (October–December) were up in Logistics, driven by strong sales in the Logistics Network and Overseas businesses. Processed Foods, where sales promotion costs are being revised, Marine Products, and Meat and Poultry Products, however, all suffered year-on-year declines. Overall sales were down 3% compared with the previous term.
- (ii) Full-year forecasts have been revised downward by 13 billion yen compared with the previous estimate. Sales are down sharply in Processed Foods, and the expected recovery in sales of Meat and Poultry Products has not yet materialized.

#### 2. Operating Income

- (i) Operating income during the third quarter was up sharply by 23% compared with the same period in FY06/3. Marine Products returned to the black, Logistics was up, helped by a rising profit margin in the Logistics Network and ongoing cost cutting measures being implemented in Regional Storage, and Processed Foods also registered a modest increase.
- (ii) Full-year forecasts for Processed Foods are being revised downward, but a recovery in the Overseas business is expected to drive up revenues in Logistics, and prospects for Marine Products and Meat and Poultry Products are also improving. Overall forecasts for the term remain unchanged.

#### 3. Recurring Income and Net Income

- (i) An extraordinary gain of 0.1 billion yen was posted in the third quarter. Net income for the full year is expected to reach an all time high.
- (ii) Dividend policy: It was decided to increase dividend to 8 yen per share. Future dividends are to be determined by taking into account the firm's Dividend on Equity Ratio (DOE), and Dividend Payout Ratio.

# Marine Products Back in the Black, but Full-Year Targets for Processed Foods Revised Downward



## Sales and Operating Income by Segment (1)

### 1. Processed Foods

- (i) Third quarter sales posted a year-on-year decline of 7%. In addition to a fall in demand for household use products, sales of commercial use products, which had been on the rise, leveled off due to price increases and other factors. Sales of frozen vegetables and Acerola beverage were also flat. On the other hand, operating income was up by 0.1 billion yen as an overhaul of sales promotion expenses raised profit margins, and distribution costs continued to decline.
- (ii) Full-year sales forecasts were revised downward by 7.6 billion yen. Operating income was also revised downward by 0.5 billion yen, but more effective use of sales promotion expenses, and reductions in fixed costs are still expected to boost overall operating income by 1 billion yen compared with the previous fiscal year.

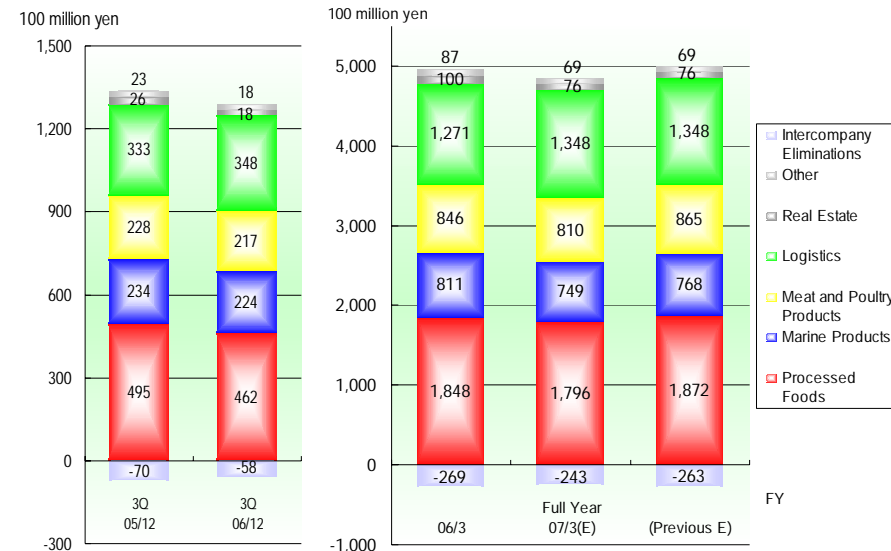
### 2. Marine Products

- (i) Implementation of our Revitalization Plan calling for a 25% reduction in staff, and rationalization of our product line continued during the third quarter. Overall sales for the quarter were down 4% year on year. Operating income, however, was in the black for the quarter as a stronger market for crab, and firm demand for fish egg products generated by our “Product Meister Model” helped improve profitability.
- (ii) Full-year forecasts: Sales forecasts for the year have been revised downward by 1.9 billion yen compared with the previous estimate, a year-on-year decline of 8%, due to the further changes being implemented in the product line up. The forecast operating loss for the full fiscal year was revised upward by 0.1 billion yen.

### 3. Meat and Poultry Products

- (i) Third quarter sales were down compared with the previous year on reduced demand for imported chicken, and sharply increased competition among buyers of imported pork for processed foods. On the other hand, operating income rose on improved profitability due to disposal of excess stocks of Brazilian chicken.
- (ii) Full-year sales targets have been revised downward, however lower prices for imported chicken will continuously contribute to higher profit margins. As a result net sales forecasts have been raised by 0.1 billion yen compared with the previous estimate.

Net Sales by Segment: actual and forecast



Note: The amounts shown in graphs have been rounded off to the nearest unit where necessary throughout this presentation.

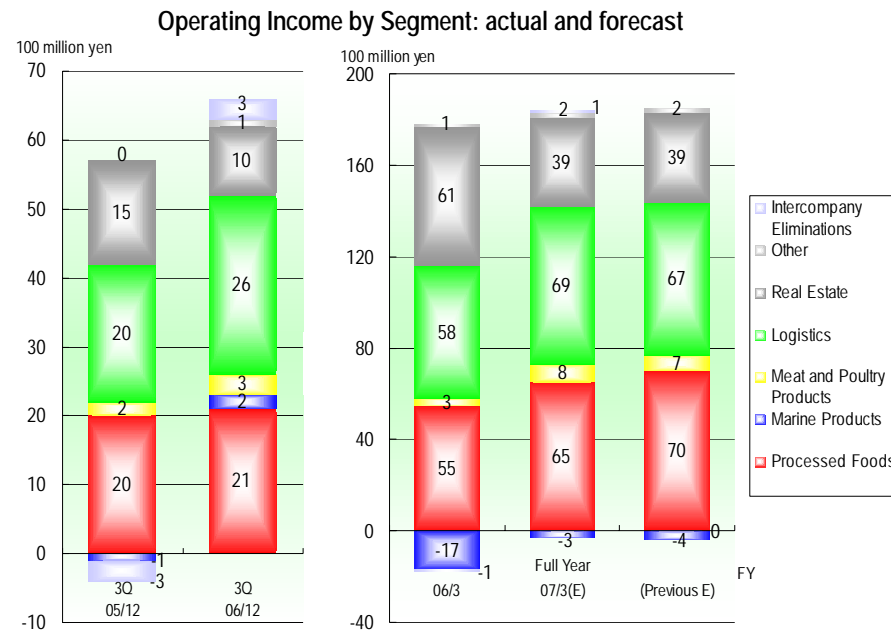
# Earnings Target Revised Upward in Logistics on Recovery in Overseas Sales



## Sales and Operating Income by Segment (2)

### 4. Logistics

- (i) The third quarter saw year-on-year increases in both sales and earnings. New distribution centers helped boost sales in the Logistics Network business, and steady improvements in transportation efficiency have raised profit margins and helped to boost earnings. The disposal of excess stocks has progressed, contributing to a slight decline in sales in Regional Storage, however earnings continued to rise thanks to the implementation of effective cost controls.
- (ii) Full-year forecasts for earnings have been revised upward by 0.2 billion yen. Growth in earnings is being driven by the solid performance of the Overseas sector, where strong transport demand in Europe, a recovery in revenues from the storage of fruit juice, and aggressive cargo booking activities are helping to push up profit margins.



### 5. Real Estate

- (i) Both sales and earnings fell compared to the third quarter in fiscal 2006. Although land development projects were carried out in Ushiku City, Ibaraki Prefecture, and Yaizu City, Shizuoka Prefecture during the third quarter, there was a lack of large-scale projects to drive growth.
- (ii) Full-year earnings forecasts remain unchanged as results from residential land development projects in Hanamigawa-ku, Chiba City, and others should be sufficient to meet initial targets.

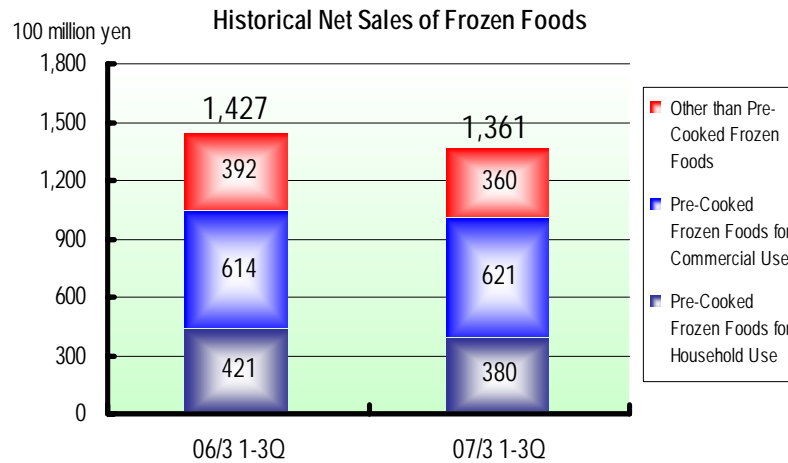
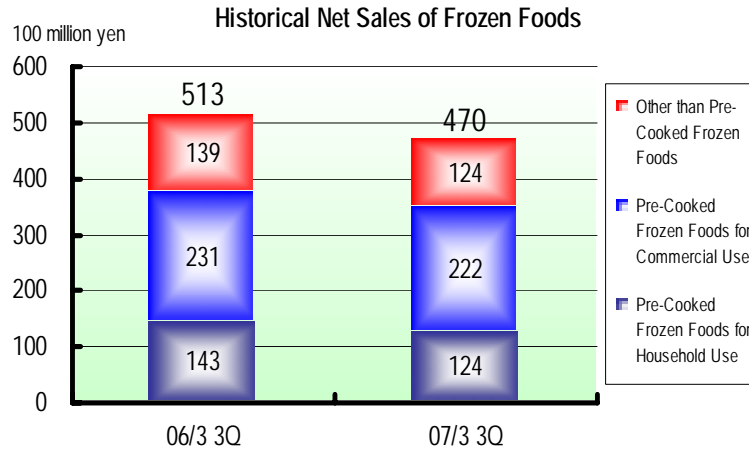
### 6. Other

- (i) Third quarter sales were down as a result of the suspension of business operations at a wholesale food subsidiary at the end of the previous fiscal year. Biosciences posted higher sales and earnings on strong demand for culture media products. Tengu Company in the U.S. continues to operate at a vastly scaled down level of production. Overall sales and operating income targets for the full fiscal year remain unchanged.

# Sales of Pre-Cooked Frozen Foods for Household Use Remain Weak; Commercial Sales Also Sluggish



## 3Q Sales of Frozen Foods



Note: Product categories in Marine Products and Meat and Poultry Products have been changed, and this has affected the range of Marine Products and Meat and Poultry Products included in the “Other than Pre-cooked Frozen Foods” category. As a result, figures for FY06/3 have been retroactively revised. FY06/3 results were adjusted upward by 1.3 billion yen in third quarter, and by 2.3 billion yen for the first through third quarters.

### 1. Frozen Foods Overall

Third quarter (October-December) sales were down 8% compared with the same period in FY06/3, and cumulative sales (April-December) also slipped by 5% year on year. Overall trends in pre-cooked frozen foods, including both household- and commercial-use products, showed continued strong demand for processed chicken products, however sales were down year on year for rice products, hamburgers and other meat products, and croquettes. Sales of frozen vegetables suffered as poor weather adversely affected green soybean (*edamame*) production, and because of sluggish demand for potato products.

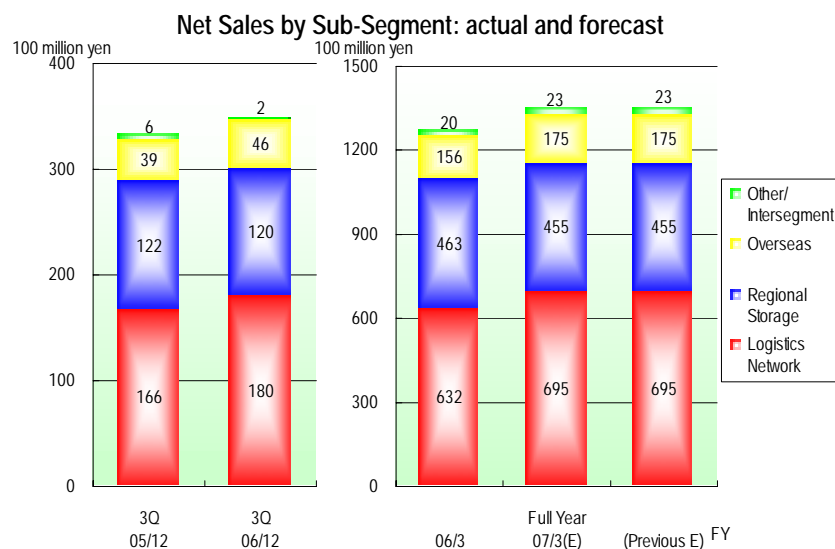
### 2. Pre-Cooked Frozen Foods

- (i) Household use: 3Q sales slumped 13% compared to the same quarter in FY06/3. Amid ongoing efforts to revise prices and sales promotion expenses, sales of major products such as “*Karaage Chicken*” and “*Mini-Hamburg*” fell year on year. Sales of the *Obento-ni-Good!* (Good for *Bento* Boxed Lunches) series were flat overall, although demand was strong for “*Kotekote Sauce no Minchi-Katsu*” and “*Renkon Hikiniku Hasamiage*.”
- (ii) Commercial use: Sales fell 4% in the third quarter, affected by increased prices for chicken and meat and poultry products. By category, fried chicken and other processed chicken products remained strong, whereas sales of hamburger and other processed meat products, and croquettes were sluggish. Demand was strong for “*Edamame to Tofu no Funwari Ten*” and other products in the *Hotto Suru Okazu* Series for ready-to-eat food outlets.

# Logistics Network: Business Expansion Continues Regional Storage: Profit Margins Show Steady Improvement



## Factors of Changes in Performance of the Logistics Business by Sub-Segment and Full-Year Forecasts

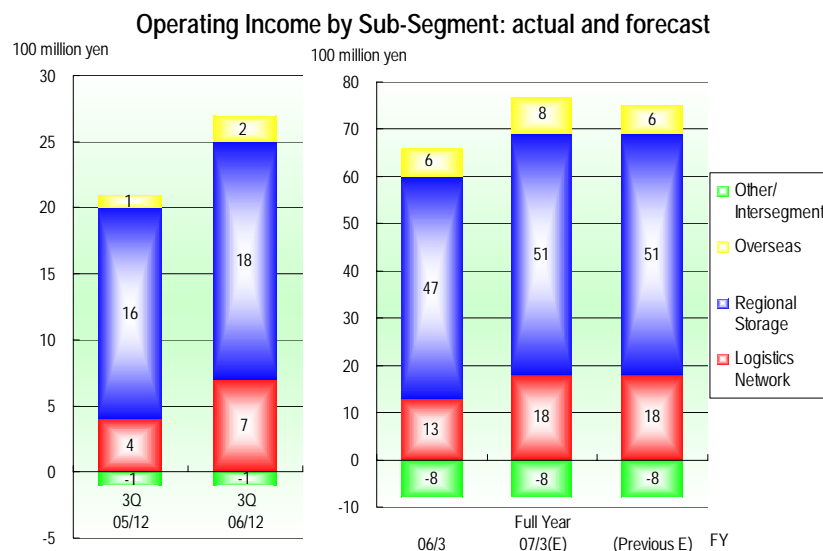


### 1. Logistics Network Business

Both sales and earnings posted gains during the third quarter. Three new distribution centers helped boost sales, and these additional revenues, together with higher gross profit margins in transportation, and steady improvements in the performance of unprofitable facilities, are expected to offset initial setup costs for the new centers. As a result, full-year forecasts for both net sales and earnings remain unchanged.

### 2. Regional Storage Business

Year-on-year sales fell during the third quarter as customers moved to liquidate excess inventories, however, reduced labor costs boosted overall earnings. As a result of ongoing regionally based consolidation of shipments, and implementation of a low-cost operating system, full-year sales and earnings targets remain unchanged.



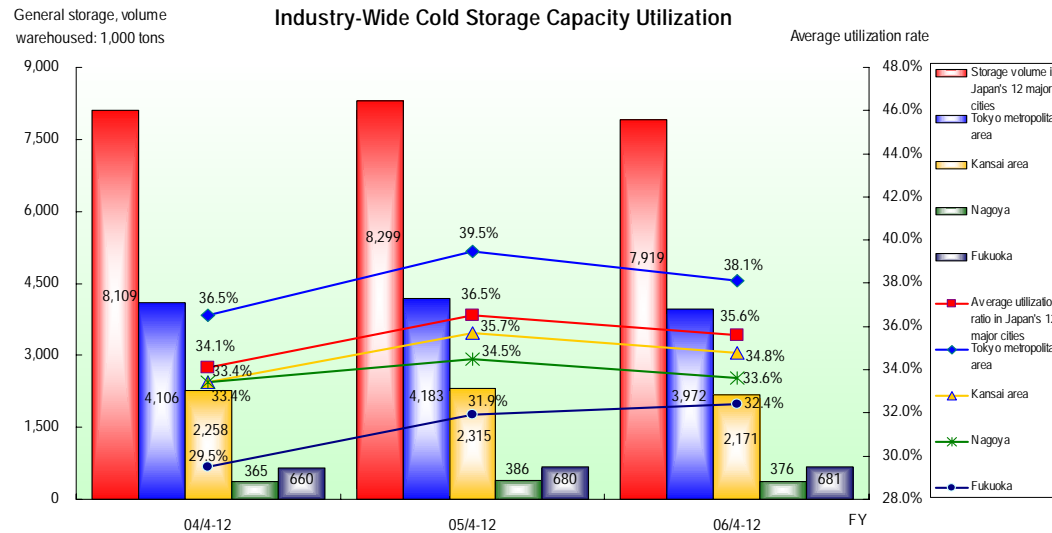
### 3. Overseas Business

The third quarter saw improvements in both sales and earnings, fueled by rising transport volumes in Europe due to expansion of the EU market. Fruit juice storage volumes have recovered after earlier hurricane-related declines, and aggressive marketing of cargo booking services are starting to produce results. Consequently, full-year forecasts for earnings have been revised upward by 0.2 billion yen.

# Cold Storage: Storage Volumes and Capacity Utilization both Show Industry-Wide Declines



## Cold Storage Capacity Utilization



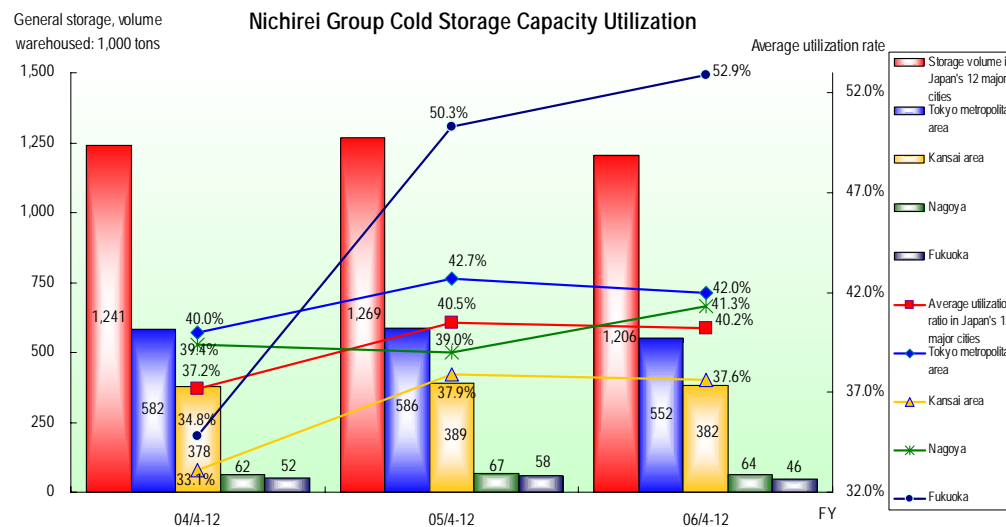
(Source: The Japan Association of Refrigerated Warehouses)

### 1. Industry Situation

Intake volumes and utilization rates are both lower than in the previous year. Imports of marine products continue to fall, but there are signs that meat and poultry imports may begin to recover toward the end of the year.

### 2. Nichirei Group Situation

On a full-year basis, intake volumes of meat and poultry products are declining, and storage volumes are also lower, however, capacity utilization rates are holding firm at previous year levels.



## Company to Post Extraordinary Gain for the Year



(Unit: 100 million yen; amounts less than 100 million yen are omitted)		3Q (Oct.-Dec.)			Full Year				
		06/12	05/12	Change (Amount)	07/3(E)	06/3	Change (Amount)		
<b>[Non-Operating Revenues/Expenses]</b> (Main items)		-3	-2	-1					
Dividend income and interest expenses, net		-1	-2	+1			-10	-3	-6
Equity in earnings/losses of affiliates		-0	+2	-2	(i)	+6	-8	-10	+2
						+10	+6	+10	-4
<b>[Extraordinary Income/Losses]</b> (Main items)		+3	+2	+1					
Gain on sales of property, plant and equipment		+0	+22	-22	(iii)	+20		-25	+45
Reimbursement of previous year's fixed assets tax	(ii)	+5	-	+5					
Loss on sales of property, plant and equipment		-0	-4	+4					
Loss on discontinued operations		-0	-15	+15					

Note: Positive numbers represent profit.

- (i) Major changes in profit/loss due to the equity method accounting of affiliates:  
Fiscal year: During the second half of the fiscal year exclusion of RY Foods Service from equity method accounting resulted in a loss of 0.3 billion yen.
- (ii) Due to refunds of excess property tax paid on refrigerated warehouses in the previous tax year.
- (iii) Major extraordinary gains/losses to be posted in the 4th Quarter include a loss on sales and disposal of fixed assets. The "Extraordinary Income (Loss)" category will be in the black for the full fiscal year because of proceeds from the sales of shares in RY Foods Service, and sharp reductions in asset impairment losses.



## Segment Data



### Results, Forecasts, Previous Estimates and Year on Year Comparisons of Net Sales and Operating Income by Segment

Unit: 100 million yen (amounts less than 100 million yen are omitted,  
some fractional amounts have been adjusted)

	3Q (Oct.-Dec.)		1-3Q (Apr.-Dec.)		4Q (Jan.-Mar.)		Full Year		
	06/12	05/12	06/12	05/12	07/3	06/3	07/3 (E)	07/3 (Previous E)	06/3
<b>(Net Sales)</b>									
Processed Foods	462	495	1,375	1,428	421	420	1,796	1,872	1,848
Marine Products	224	234	598	661	151	150	749	768	811
Meat and Poultry Products	217	228	617	645	193	201	810	865	846
Logistics	348	333	1,020	964	328	307	1,348	1,348	1,271
Real Estate	18	26	53	66	23	34	76	76	100
Other	18	23	53	68	16	19	69	69	87
Intercompany Eliminations	-58	-70	-185	-208	-58	-61	-243	-263	-269
<b>Total</b>	<b>1,229</b>	<b>1,269</b>	<b>3,531</b>	<b>3,624</b>	<b>1,074</b>	<b>1,070</b>	<b>4,605</b>	<b>4,735</b>	<b>4,694</b>
<b>(Operating Income/Loss)</b>									
Processed Foods	21	20	53	50	12	5	65	70	55
Marine Products	2	-1	0	-9	-3	-8	-3	-4	-17
Meat and Poultry Products	3	2	6	3	2	0	8	7	3
Logistics	26	20	61	51	8	7	69	67	58
Real Estate	10	15	28	38	11	23	39	39	61
Other	1	0	1	0	1	1	2	2	1
Intercompany Eliminations	3	-3	0	-2	1	1	1	0	-1
<b>Total</b>	<b>66</b>	<b>53</b>	<b>149</b>	<b>131</b>	<b>32</b>	<b>29</b>	<b>181</b>	<b>181</b>	<b>160</b>

07/3(E) = latest forecast; (Previous E) was announced on November 2, 2006.

## Forward-Looking Statements



This publication contains, in addition to historical facts, forward-looking statements that are based on Nichirei's and its Group companies' current expectations, estimates and projections regarding plans, outlook, strategies and results for the future. All such statements are based on management's assumptions and beliefs derived from the information available to it at the time of publication. Words such as "anticipates," "expects," "intends," "plans," "believes," "seeks," "estimates," "may," "will," and variations of these words or similar expressions are intended to identify forward-looking statements, from which actual results may differ significantly. Thus, it is advised that investors refrain from making investment decisions based solely on these forward-looking statements. Nichirei and its Group companies will not necessarily revise their forward-looking statements in accordance with new information, future events and other results. Risks and uncertainties that could affect the actual results of Nichirei and its Group companies include, but are not limited to:

- (1) Food-related safety issues
- (2) Price fluctuations of food products and raw ingredients
- (3) Risks of food product recall
- (4) Risks associated with holding of fixed assets
- (5) Risks associated with market price fluctuations of investment securities held
- (6) Foreign exchange rate risks

However, factors that may affect the performance of the Nichirei Group are not limited to those listed above. Further, risks and uncertainties include those future events that may have serious and unpredictable impact on the Group. This publication is provided only for the purpose of enhancing understanding of the Nichirei Group and should not be taken as a recommendation regarding investment decisions.