

Our Theme for the Next Three Years: “Growth and Challenge”
Strategies to Expand Profit Base
—New Medium-Term Business Plan, FY08/3 through FY10/3—

(Stock code: 2871)

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Main Features of the New Medium-Term Business Plan

Improved Financial Condition and Profitability Allow Active New Investments



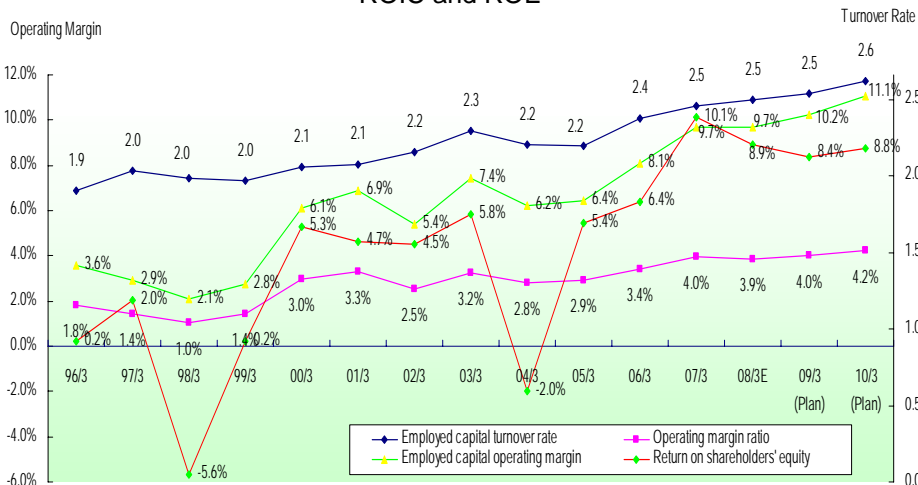
1. Achievements in the previous Medium-Term Business Plan

- i. Improved financial condition and better return on equity
- ii. Focused management resources on core businesses and improved profit margins
- iii. Transformed management system by shifting to a holding company structure, etc.

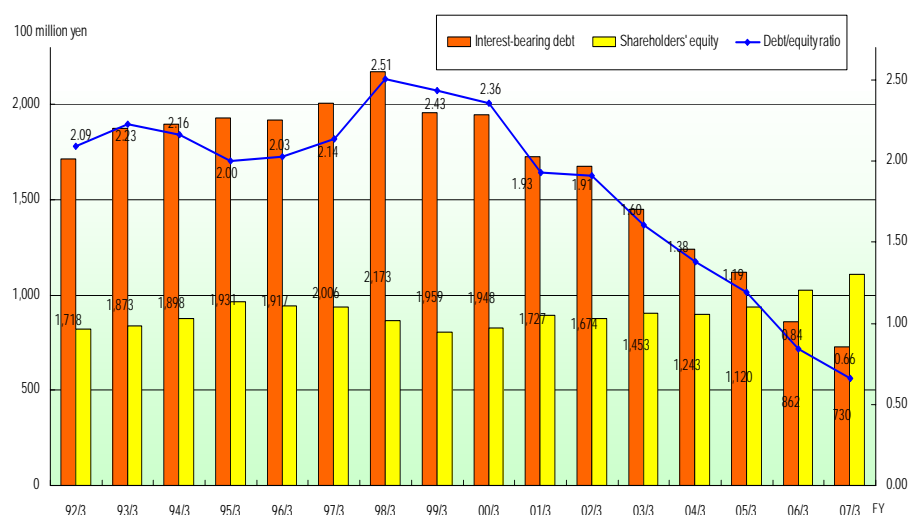
2. Overall strategy for the new Medium-Term Business Plan, and medium-term management goals

- i. The new Medium-Term Business Plan is designated as a period of “Growth and Challenge” building on the reinforced financial base, improved profit-generating capability in core businesses, and strengthened management system achieved in the previous Plan.
- ii. Interest-bearing debt will remain at present levels, and the operating cash flow for ¥66.7 billion generated over the next three years can be prioritized for investments to expand the revenue base.
- iii. Medium-term ROE target is set at 10%, and the policy on returns to stockholders is to maintain dividends on equity (DOE) of 2.5%, and a dividend payout ratio of 25%.

ROIC and ROE



Debt/Equity Ratio (Consolidate)



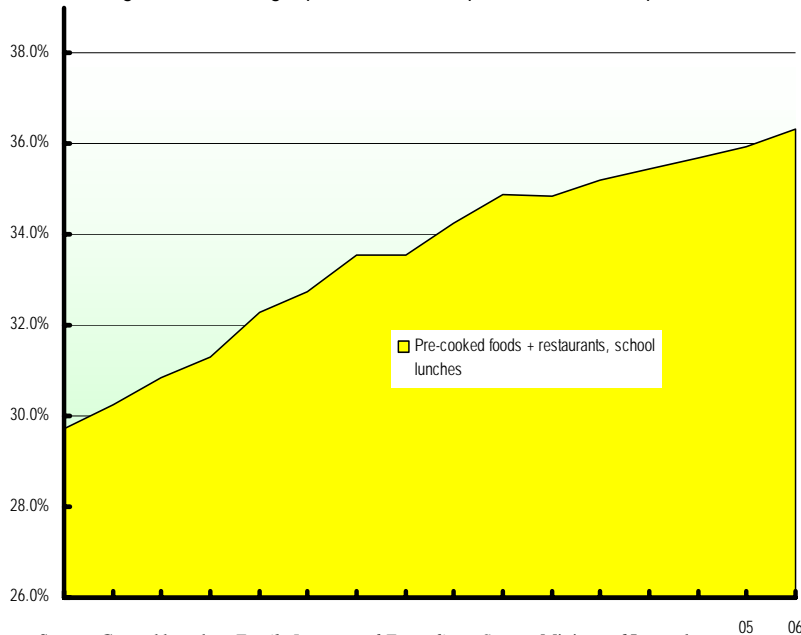
Notes: 1. ROE is calculated from net income (loss). Negative figures for FY98/3 and FY04/3 reflect restructuring support losses in investment businesses and reorganization losses.
 2. Figures for FY07/3E include an extraordinary gain of ¥3.0 billion on sale of shares in an affiliated company. Excluding this gain, ROE is 8.5%.

The Japanese Market in Core Businesses, Processed Foods and Logistics, Will Continue to Expand



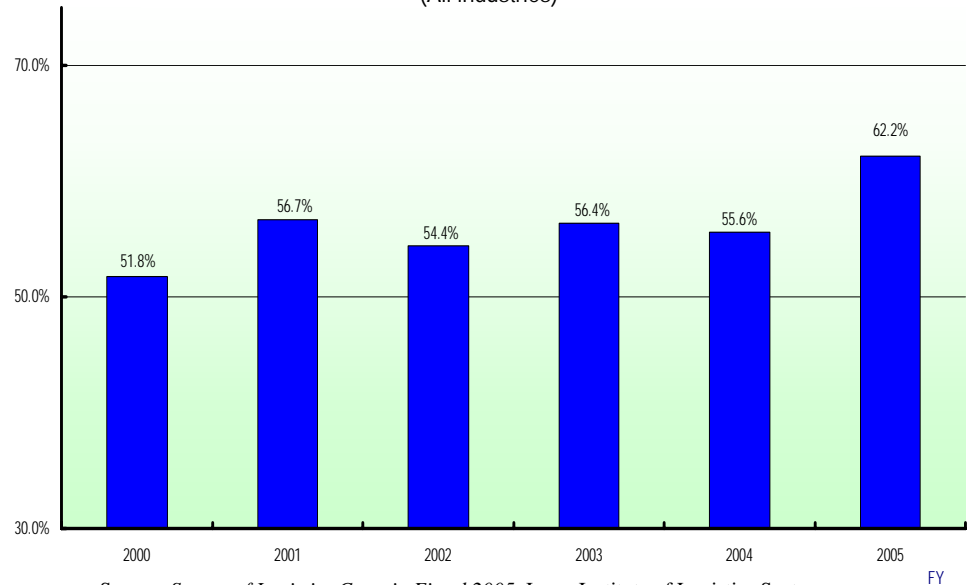
1. The percentage of household food budgets spent on restaurant food, takeaway lunchboxes, ready-to-eat, and frozen foods will continue to increase.
2. Given the chronic shortage of cooks and the steady extension in hours of operation, demand from supermarkets and restaurant chains for commercial-use products that helps reduce their food preparation workloads is rising.
3. In view of an aging population, and the introduction of policies intended to combat rising health care costs derived from metabolic syndrome and other illnesses, a better food style will become more popular for people to stay healthy.
4. The demand for logistics solutions and logistics outsourcing shifting from in-house logistics will continue to expand due to increasing needs for innovative logistics solutions to improve supply chain management, and trends toward joint distributions to help conserve resources and reduce environmental impacts.

Percentage of Food Budget per Household Spent on Foods Prepared Outside the Home



Source: Created based on *Family Income and Expenditure Survey*, Ministry of Internal Affairs and Communications, Statistics Bureau.
 (Ready-to-eat foods + restaurant meals and school lunches) ÷ (Spending on food, excluding sweets, beverages and alcohol)

Percentage of Logistics Costs Paid to Outside Logistics Companies (All industries)



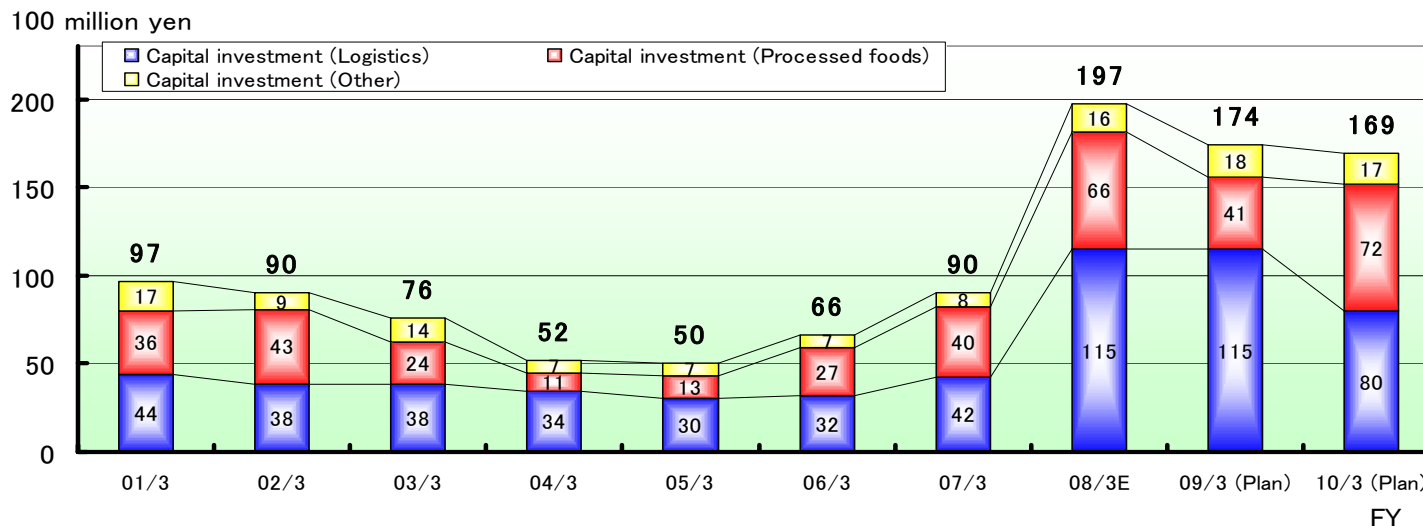
Source: *Survey of Logistics Costs in Fiscal 2005*, Japan Institute of Logistics Systems

¥66.7 Billion in Operating Cash Flow Will Be Invested in Core Businesses over the Next Three Years



1. Capital investment in facilities over the next three years will total ¥54.0 billion, ¥48.9 billion of which will be focused on two core businesses.
2. Breakdown of ¥17.9 billion investment in Processed Foods
 - i. Expand in-house production capacity of pre-cooked frozen foods for commercial use.
 - ii. Invest in the Health Value area.
3. Breakdown of ¥31.0 billion investment in Logistics
 - i. Construct six new refrigerated warehouses in Japan (mostly scrap and build projects) with a capacity of 60,000 tons.
 - ii. Establish new Logistics Network distribution centers.
4. Take advantage of M&A and investment opportunities that may arise.

Changes in Level of Capital Investment

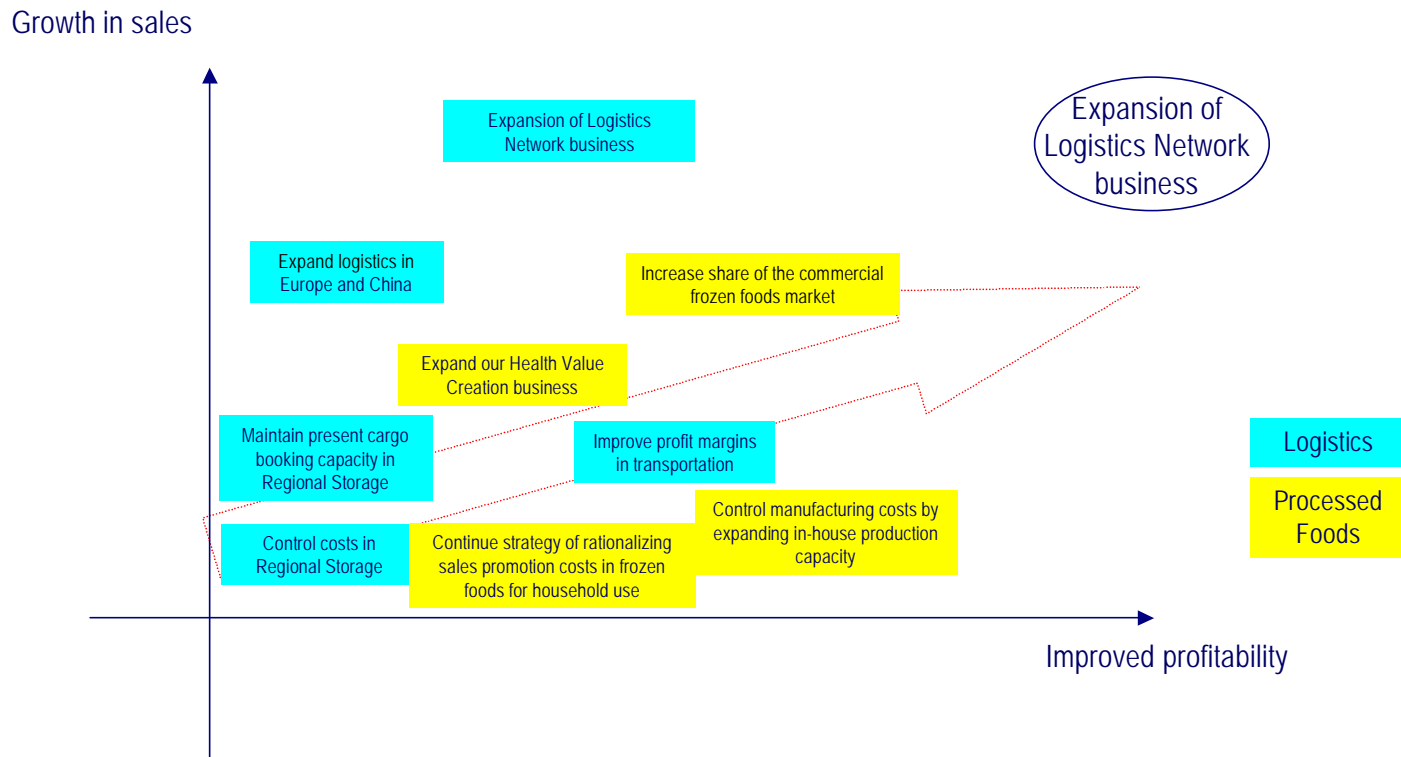


Challenges: Improve Profit Margins in Processed Foods, and Increase Sales in Logistics



1. Raise the operating income margin in Processed Foods from the present 3.4% to 4.8%.
2. Increase total sales in Logistics by 19% compared with FY07/3, by achieving 10% annual growth in the Logistics Network business.

Strategy Map for the New Medium-Term Plan



Numerical Targets in the New Medium-Term Business Plan

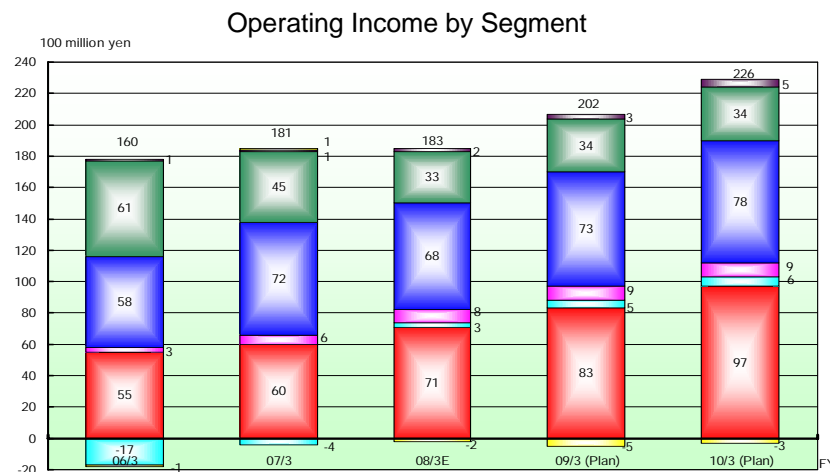
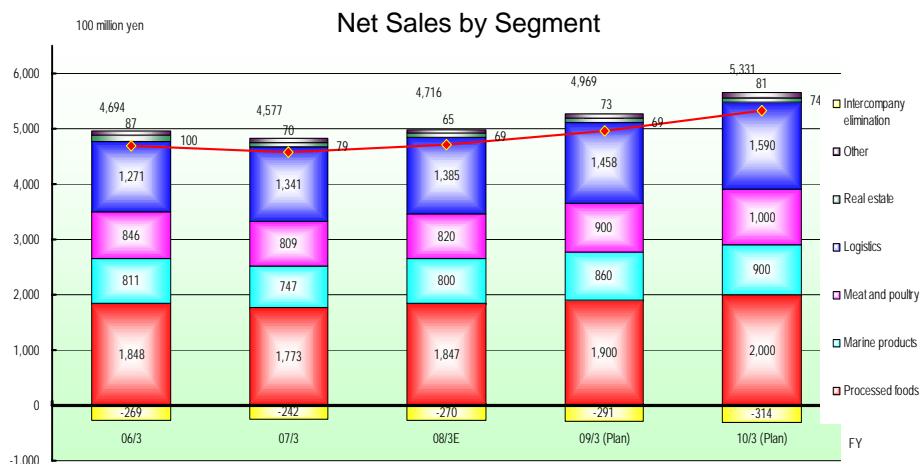


(Amounts less than 100 million yen are omitted)	07/3 (Actual)	08/3 E	07/3 (Comparison)	10/3 (Target)	07/3 (Comparison)
Net Sales	4,576	4,716	103%	5,331	116%
Operating Income	181	183	101%	226	125%
Recurring Income	173	173	99%	208	120%
Net Income	108	102	94%	114	105%
ROE	10%	9%		9%	
EPS	34 yen	32 yen		36 yen	

Note: Estimates for FY08/3 and targets for FY10/3 have been adjusted to account for the effects of a change in the system of accounting for depreciation, and a change in method of accounting for leased assets. For more information about the amounts involved please refer to page 13 of these materials.

1. Goals for FY08/3

- i. Overall growth in sales of 3% (¥13.9 billion), driven by growth in Processed Foods and Logistics, and by improvements in Marine Products as a result of the ongoing Revitalization Plan.
- ii. Operating income target is ¥18.3 billion, about the same as the previous FY. Regulatory change in the depreciation method will increase depreciation costs by ¥0.5 billion, and revenue from Real Estate is expected to fall by ¥1.2 billion compared with FY06/3. By Segment, profits in Processed Foods and Marine Products are expected to grow by ¥1.1 billion and ¥0.7 billion, respectively, as compared with the previous FY.

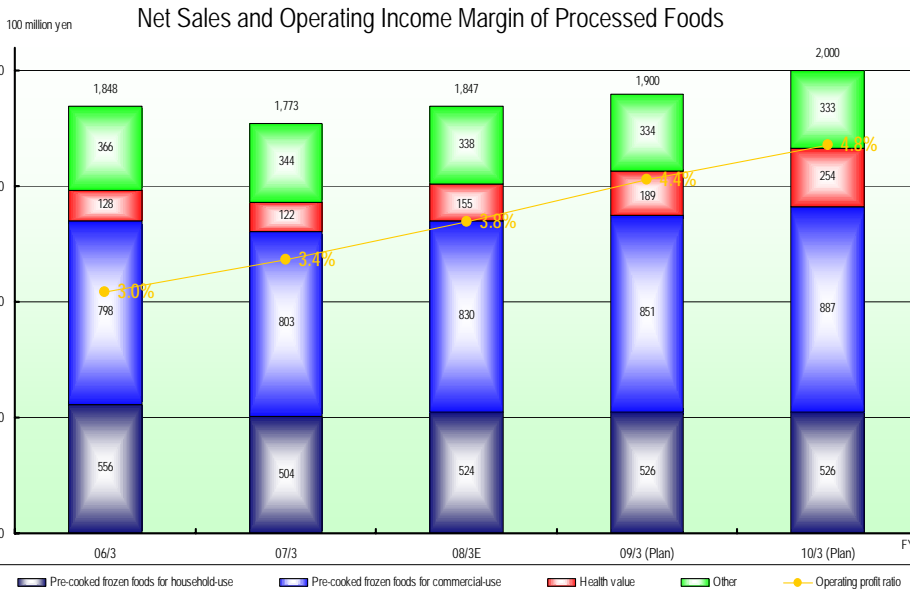


Business Strategy: Processed Foods

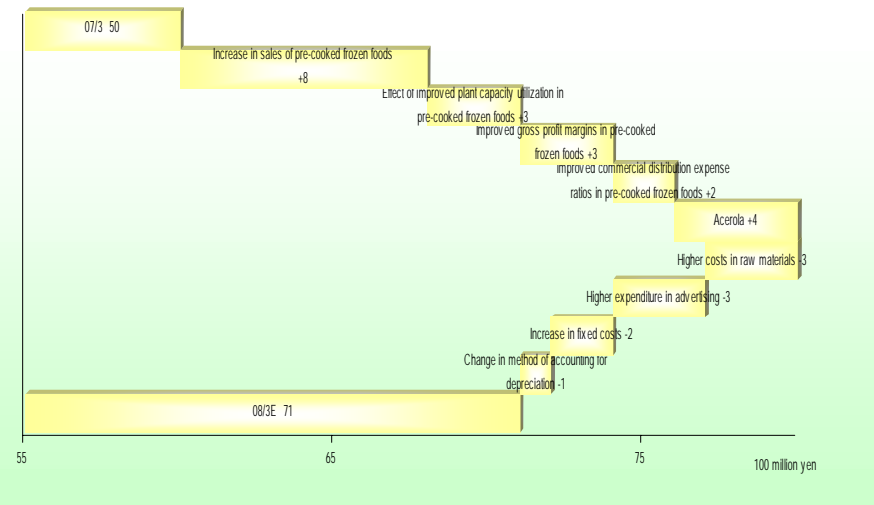
Operating Income Margin of 4.8% by FY10/3



1. Sales growth will be driven by pre-cooked frozen foods for commercial use, in response to an increasing dependence on external food services, and by the expanding Health Value products.
2. Further cost reduction will be achieved through an increased plant capacity utilization by giving priority to in-house production of the additional demand generated by increased sales of value-added pre-cooked frozen foods for commercial use.
3. Health Value products (wellness foods/acerola) is expected to expand its market size through active collaboration with other business partners, taking advantage of the new business opportunities where corporate health insurance associations will be required to provide mandatory health counseling services to the employees and families starting in FY08/3.
4. Brazilian fruit raw materials, especially acerola, will be a key linchpin of our global strategy. The fruit juice concentrate manufactured at our new production line at Nichirei Brazil Agricola will expand its sales channel to Japan, Asia and Oceania in addition to Brazil and Europe.
5. Sales of pre-cooked frozen foods for household use are expected to hold steady at present levels during the period of this Plan. Efforts will be made to increase profitability by shifting resources saved from the revision of sale promotion expenditures to efficient advertising, and sales promotion of targeted products.
6. Targets for this segment in FY08/3 are a profit increase of ¥1.1 billion, and an operating income margin of 3.8%.



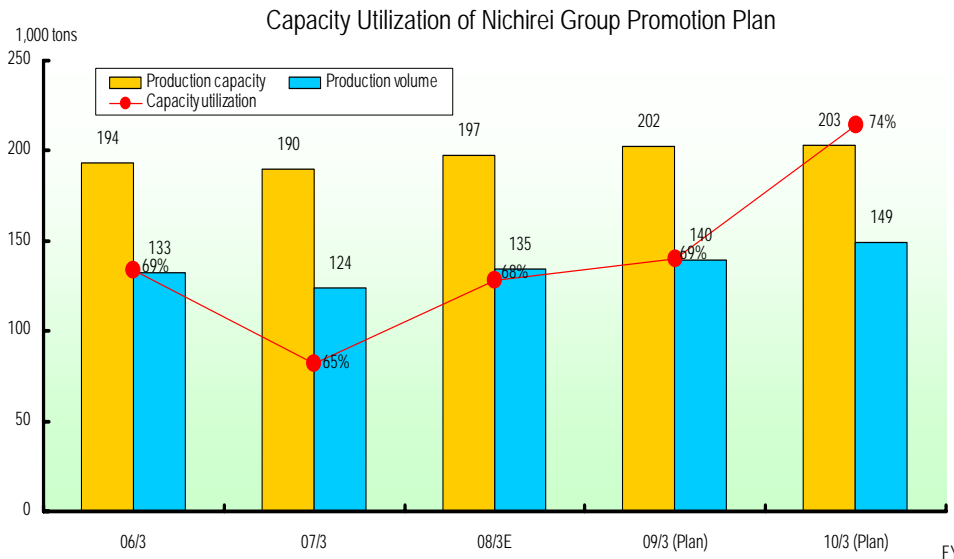
Factors Expected to Affect Operating Income in Processed Foods in FY08/3 (Compared with FY07/3)



Establish Top Brand Group in the Commercial-Use Market by Focusing on Specific Product Categories



1. Focus management resources on six specific categories in the commercial-use market, including chicken, hamburgers and croquettes.
 - i. Aim to distinguish Nichirei from the competition by upgrading business power in marketing , procurement, production, quality controls, and processing technologies.
2. Raise in-house production ratio.
 - i. Raise in-house production ratio to over 50%.
 - ii. Keep production-related profits inside the company through capital investment for production capacity expansion in our own plants to meet an increased portion in sales.
 - iii. Raise capacity utilization rate of our own plants to 74%.
3. Use technology to achieve distinction
 - i. Find ways to narrow the gap between present quality levels and customer needs.
 - ii. Refine quality, and quickly transfer it to the production line.
 - iii. Develop and accumulate key food processing technologies.

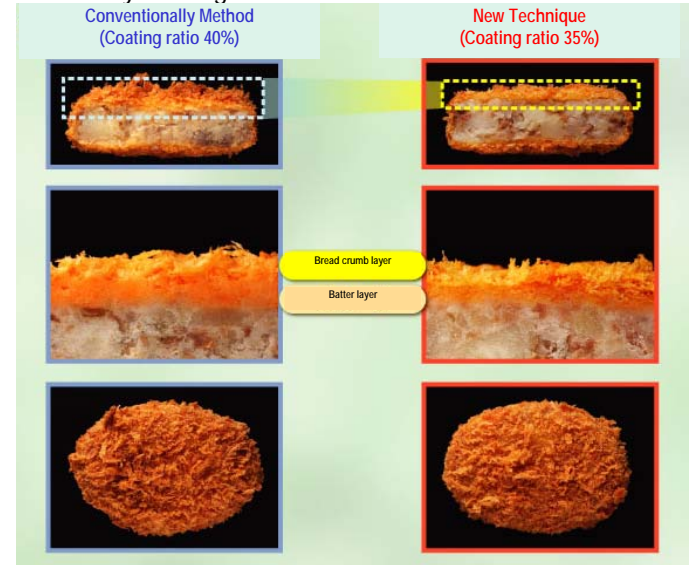


Note: Full capacity is defined as 15 hours per day, 290 days per year.

Nichirei in-house production capacity and production volumes are calculated based on 8 plants located in Japan and 2 plants located overseas.

Example of Nichirei Technology: New Croquette Production Line at the Mori Plant

i. Non-oily coating



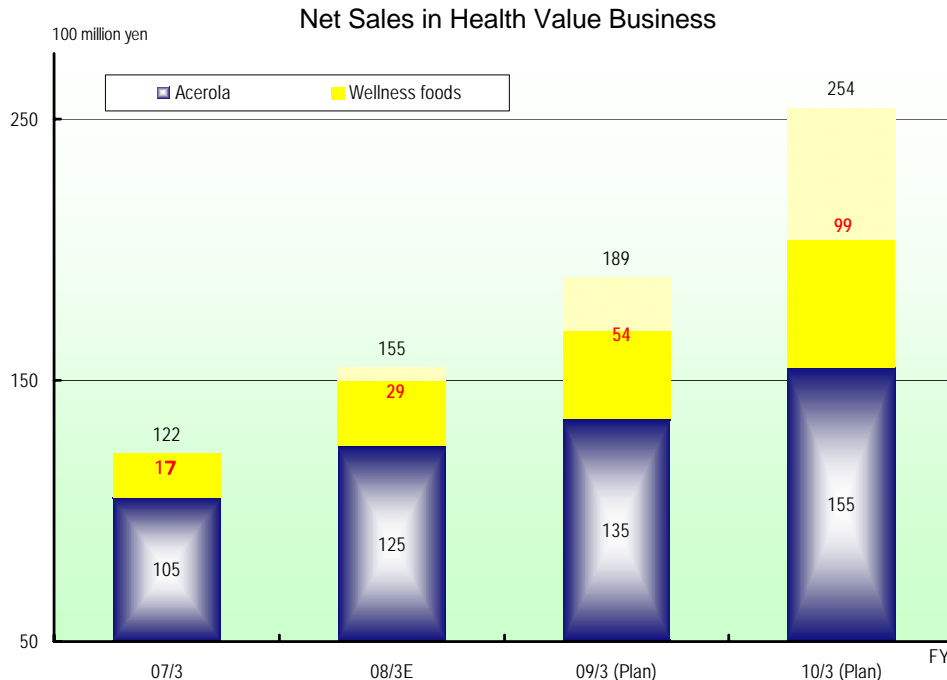
ii. Achieves
"the same texture
as a potato"



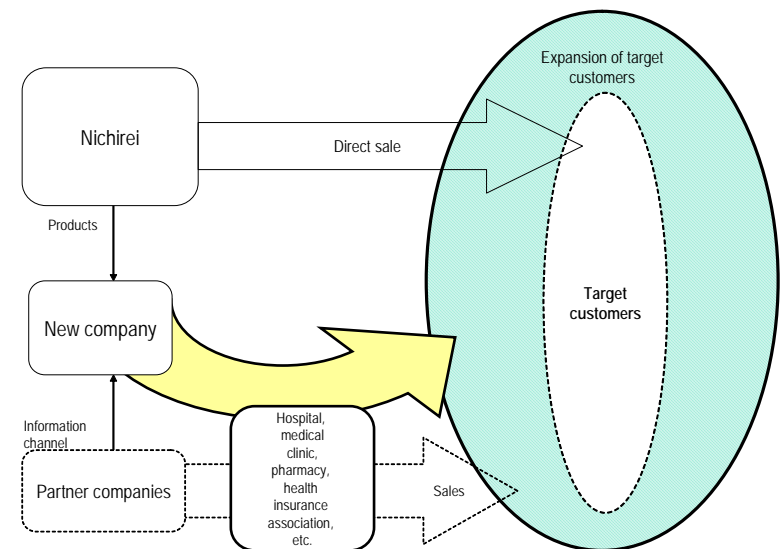
Further Accelerate Expansion in the Health Value Field through Business Partnerships



1. As a result of the aging of Japanese society and reforms to the health care system, the market for nursing care and in-home medical support services, including food-related services, is expanding steadily.
2. A revision of the National Health Insurance Law scheduled to take effect in FY08/3 mandates that specific public health counseling be provided to all those enrolled in the system. This will create a need for support in providing dietary guidance to enrollees, which could further stimulate growth in the Health Value market.
3. Nichirei has long been exploiting the growing Health Value market by developing new products for its Wellness Foods business that take advantage of the controlling technology guaranteeing recipe ingredients that has been developed in its diabetic food product business, and by building its own direct marketing channel. Now Nichirei will seek to establish business tie-ups and/or joint ventures with other companies that aim to develop a new direct marketing channel through medical or health insurance institutions to reinforce the ability to deliver product information directly to target customers. The sales target of Wellness Foods calls for ¥10 billion during the new Medium-Term Business Plan.



Sample Business Model for Expanding Sales of Wellness Foods Products through Collaboration with Other Companies



Business Strategy: Marine Products

Continue Efforts to Create a More Focused Product Line, and Achieve Positive Operating Income by FY08/3



1. During the period of the New Medium-Term Business Plan, Marine Products will continue implementation of the Revitalization Plan that began in FY07/3.

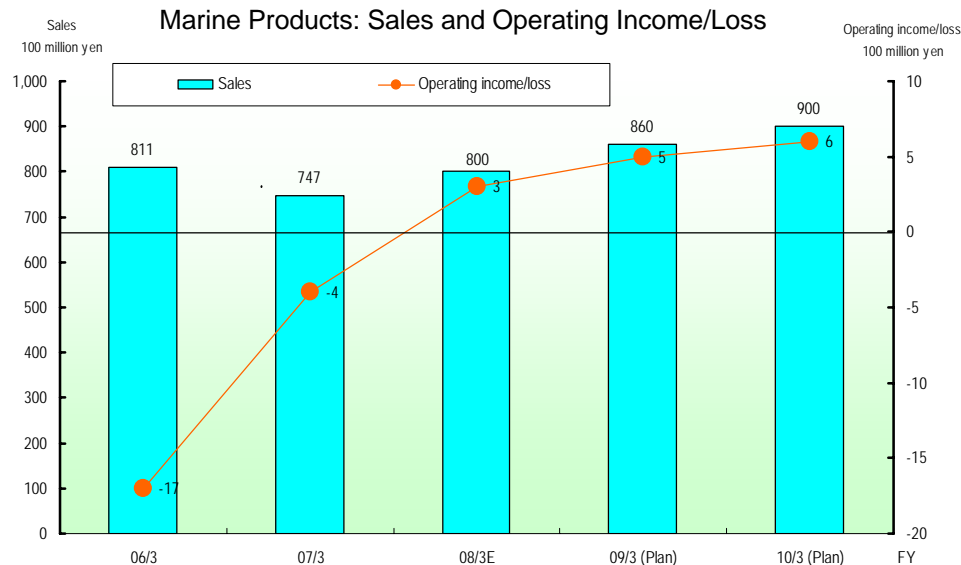
i. Progress in FY07/3

- Achieved reduction of ¥0.7 billion in fixed costs by shrinking the workforce and eliminating or consolidating offices.
- Improved profitability by eliminating marginal product lines, and reduced risk of marketing unprofitable products.
- Increased revenue from growth drivers such as fish eggs and octopus, and from crabs that needed to enhance the basic business domain.
- Improved capital turnover by reducing inventories and effectively managing accounts payable.

ii. Target in FY08/3

Carrying forward the process started in FY07/3, positive operating income is to be posted by implementing the following measures:

- Increase sales and profit margins in the growth drivers as shrimp by diversifying procurement routes.
- Exploit success case in transferring the products competitiveness into added-value in other products.
- Establish a consignment processing and marketing at the processing plants of business partners in China.



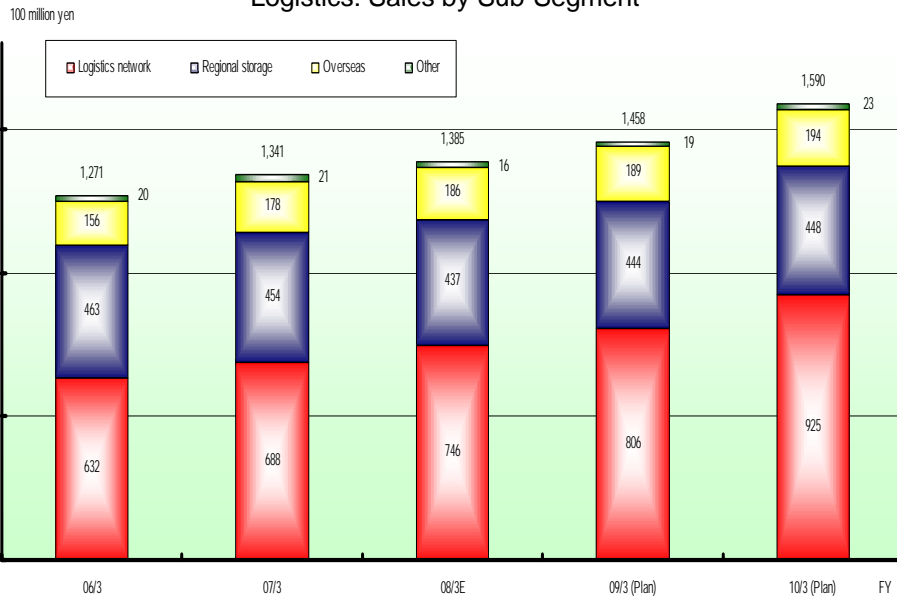
Business Strategy: Logistics

Logistics Network Will Drive Medium-Term Growth

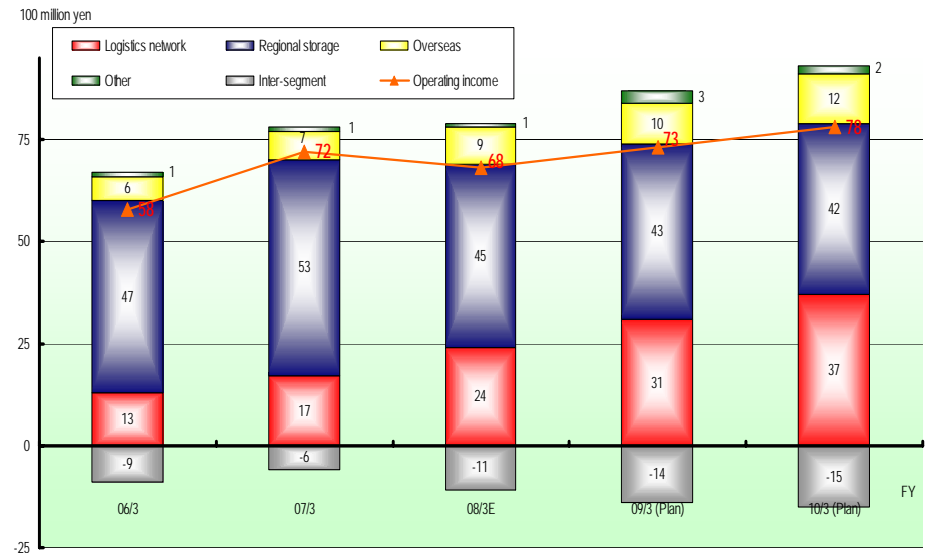


1. In view of an enormous demand for innovative logistics, Logistics Network is expected to drive growth in sales and profits over the medium term by providing solutions that utilize joint distributions, transfer centers and others.
2. Regional Storage will experience a temporary decline in sales due to a loss of storage capacity, but then bounce back again into positive growth. Cost-cutting measures will continue, and large-scale investment will resume on a scrap and build basis.
3. Overseas will continue to develop the businesses in Eastern Europe that started during the previous medium-term business plan and in Shanghai, China while trying to secure profits in the Western European market.

Logistics: Sales by Sub-Segment



Logistics: Operating Income by Sub-Segment

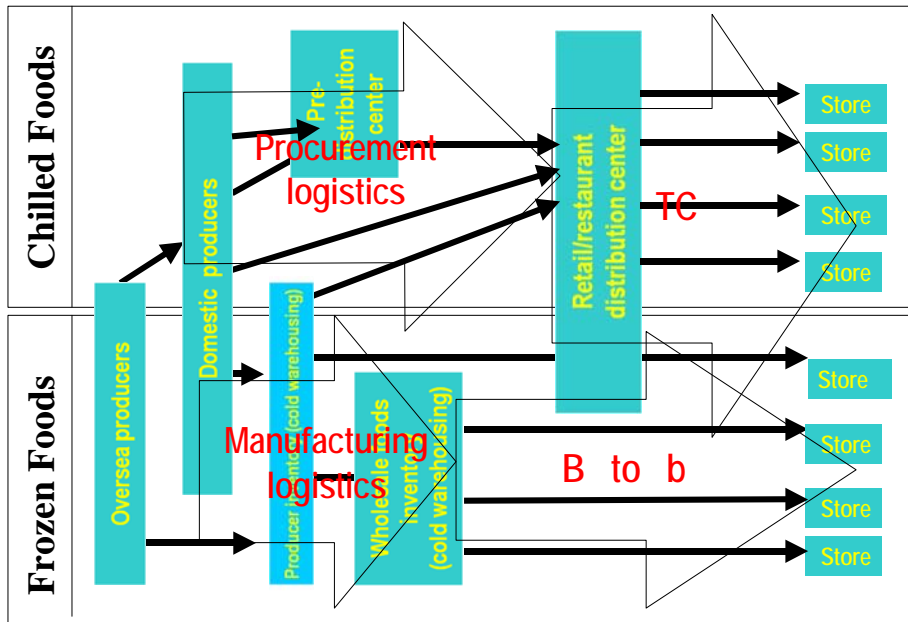


Expand Logistics Network Business by Increasing Joint Distributions and Contracting New Center Operations



1. Logistics Network will provide an entire range of upstream and downstream solutions for SCM of chilled and frozen products.
2. Overall size of the market is estimated to be around ¥2.1 trillion. Sales grew by ¥19.1 billion during the three years of the previous medium-term business plan.
3. Goals are sales growth of 10% per year and incremental sales of ¥23.7 billion by the end of the new plan.

Structure of the Field of Logistics Network



Growth Factors in Logistics Networks

100 million yen

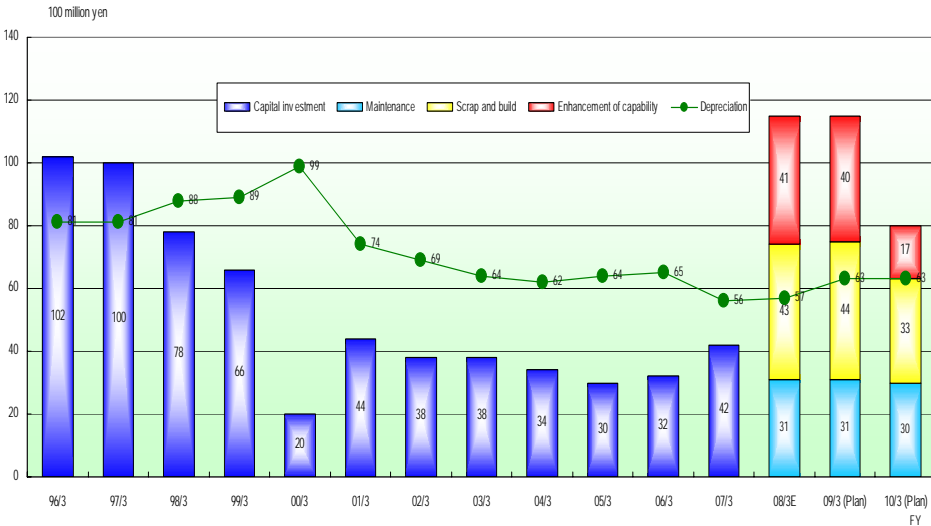
	Estimated size of the overall market	Growth in sales during the 3 years of the previous business plan	Target customers	New business/solution content	Anticipated growth in sales during 3 years of the new Medium-Term Business Plan	Sales growth in FY08/3
Procurement logistics	5,500	0	<ul style="list-style-type: none"> •GMS •Present TC customers 	<ul style="list-style-type: none"> •Use existing customer delivery network for large-scale transport of primary commodities •Expand to include products delivered to existing TC 	38	8
TC	3,300	121	<ul style="list-style-type: none"> •Regional supermarkets •Existing customers 	<ul style="list-style-type: none"> •Take advantage of our proven performance to extend marketing proposals •Consigned operation of fresh produce centers •Expand volume handled by existing TC 	110	13
Maker logistics	3,800	55	<ul style="list-style-type: none"> •Frozen foods •Bakeries •Local processors 	<ul style="list-style-type: none"> •Expand scope of joint distributions and consolidated transport centered on the logistics needs of Nichirei Foods. •Expand use of consolidated transport for small-lot shipments 	65	32
B to b	8,700	20	<ul style="list-style-type: none"> •Confectionaries •Restaurant chains •Department stores 	<ul style="list-style-type: none"> •Apply know-how gained in the Tokai district to horizontal expansion •Expand cargo owner customer base by providing solutions involving joint distributions 	25	5
Total	21,300	191			237	58

Resume Large-Scale Capital Investment to Meet Future Needs in Regional Storage

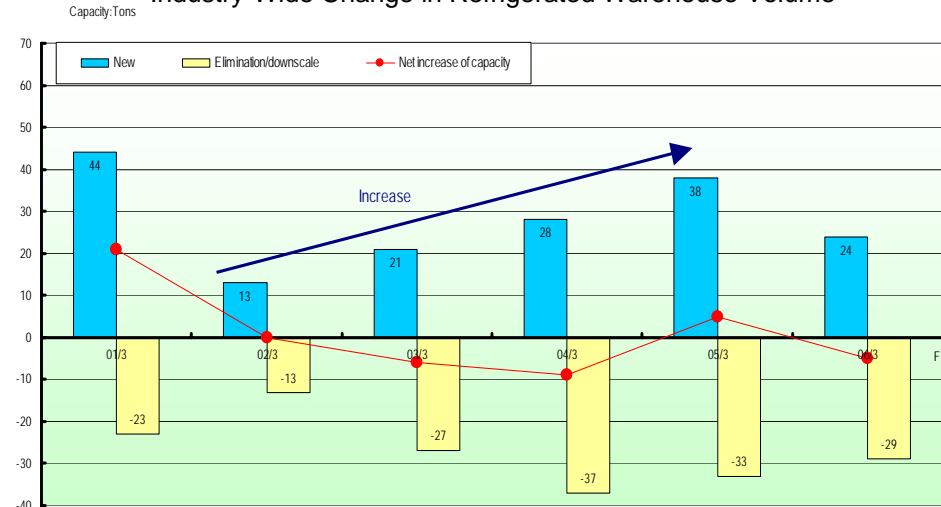


1. Large-scale capital investment has been curtailed since FY98/3 to improve financial health as corporate priority.
2. The industry as a whole, however, has made significant investments in new facilities during this period.
3. Nichirei will carry out scrap and build projects for those refrigerated storage facilities that face problems including safety, including seismic resistance, quality control, or urbanization as well as resuming large-scale capital investment in new facilities to meet increasing demand generated by locally oriented marketing efforts.
4. During the three years of the new Medium-Term Business Plan Nichirei will expand its refrigerated storage capacity by 35,000 tons in the Kanto district, 20,000 tons in the Kansai district, and 5,000 tons in other areas.

Change in Capital Investment and Depreciation in Logistics



Industry-Wide Change in Refrigerated Warehouse Volume



Source: Annual change in refrigerated storage capacity in Japan (new facilities, eliminations, etc.)
Japan Association of Refrigerated Warehouses

Reference Materials

Data



Sales and Operating Income by Segment

(Amount less than 100 million yen are rounded off.)

	06/3	07/3	08/3 E	09/3 (Plan)	10/3 (Plan)
(Net Sales)					
Processed Foods	1,848	1,773	1,847	1,900	2,000
Marine Products	811	747	800	860	900
Meat and Poultry Products	846	809	820	900	1,000
Logistics	1,271	1,341	1,385	1,458	1,590
Real Estate	100	79	69	69	74
Other	87	70	65	73	81
Intercompany Elimination	-269	-242	-270	-291	-314
Total	4,694	4,577	4,716	4,969	5,331
(Operating Income)					
Processed Foods	55	60	71	83	97
Marine Products	-17	-4	3	5	6
Meat and Poultry Products	3	6	8	9	9
Logistics	58	72	68	73	78
Real Estate	61	45	33	34	34
Other	1	1	2	3	5
Intercompany Elimination	-1	1	-2	-5	-3
Total	160	181	183	202	226

Effect of changes in system of accounting for depreciation, and changes in system of accounting for leased assets 100 million yen

	08/3 E	09/3 (Plan)	10/3 (Plan)
Operating Expenses	5	2	5
Increase due to change in system of accounting for depreciation	5	8	11
Decrease due to change in system of accounting for leased assets	-	-6	-6
Non-Operating Expenses	-	7	6
Increase due to change in system of accounting for leased assets	-	7	6
Extraordinary Loss	-	15	-
Increase due to change in system of accounting for leased assets	-	15	-

Forward-Looking Statements



Aside from historical facts, Nichirei's present plans, forecasts and strategies as outlined in this publication consist of forward-looking statements about future business performance. These forecasts of future business performance and explanations of future business activities may or may not include words such as "believe", "expect", "plan", "strategy", "estimate", "anticipate" or other similar expressions. These statements are based on the information available to Nichirei management at the time of publication. Actual results may differ significantly from these forecasts for a variety of reasons, and readers are therefore advised to refrain from making investment decisions based solely on these forward-looking statements. Nichirei will not necessarily revise its forward-looking statements in accordance with new information, future events, and other results. Risks and uncertainties that could affect Nichirei's actual business results include, but are not limited to:

- (1) Changes in the economic conditions and business environment, especially personal consumption trends, that may affect the Nichirei Group's business activities.
- (2) Foreign exchange rate risks, especially as regards the US dollar and the Euro.
- (3) Risks associated with the practicability of maintaining quality controls throughout the process from product development, procurement of raw materials, production, and sale.
- (4) Risks associated with the practicability of development of new products and services.
- (5) Risks associated with the practicability of growth strategies and implementation of low-cost systems.
- (6) Risks associated with the practicability of achieving benefits through alliances with outside companies.
- (7) Contingency risks.

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