

**Business Results**  
**First Quarter**  
**Fiscal Year Ending March 31, 2008**

(Stock code: 2871)

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# First Quarter Results at Previous Year Levels; Full-Year Operating Income Target Remains Unchanged



## FY08/3 1Q Consolidated Results and Interim/Full-Year Forecasts

(100 million yen; amounts less than 100 million yen are omitted)	<u>1Q</u>			<u>Interim</u>			<u>Full Year</u>		
		Change from FY07/3 1Q (Amount)	(E)	Change from Initial (E) (Amount)	Change from FY07/3 1H (Amount)	(E)	Change from Initial (E) (Amount)	Change from FY07/3 (Amount)	
<b>Net Sales</b>	1,134	+1	2,336	-31	+34	4,703	-13	+126	
<b>Operating Income</b>	36	+1	83	—	-0	183	—	+1	
<b>Recurring Income</b>	35	+1	79	—	-1	173	—	-0	
<b>Net Income</b>	20	+6	45	—	-16	102	—	-6	

Note: (E) denotes current forecast; Initial (E) is forecast announced on May 15, 2007

### 1. Net Sales

- (i) First quarter (April–June) sales held firm at previous year levels. Sales posted gains of 6% in Marine Products, and 2% in Logistics. On the other hand, net sales in Processed Foods fell 5%, as revision of sales promotion expenditures continued to affect sales of pre-cooked frozen foods for household use through the first quarter. Sluggish demand for Acerola beverage products also had an adverse impact.
- (ii) So far as interim and full-year forecasts are concerned, targets for Logistics have been revised upward on strong Overseas sales, but overall sales targets have been lowered as a result of the shortfall in Processed Foods.

### 2. Operating Income

- (i) Logistics was up sharply, boosted by strong sales in the Overseas and Logistics Network. Together with higher earnings from Real Estate, and a reduction in losses from Marine Products, overall operating income during the first quarter posted a year-on-year gain, offsetting a decline in earnings from Processed Foods.
- (ii) Processed Foods was hurt by lower sales of pre-cooked frozen foods, and by reductions in plant capacity utilization. The weakening of the yen compared with the previous year, and stagnant sales of Acerola beverage products, also helped push down earnings in Processed Foods.
- (iii) While sales of frozen foods are expected to recover during the second quarter and beyond, sales of Acerola beverage products are expected to be difficult to make up for the shortfall created by the slow sales during the first quarter. As for interim and full-year forecasts, operating income forecasts for Processed Foods was revised downward while forecasts were revised upward in Logistics and Real Estate. As a result, overall forecasts remain unchanged.

### 3. Recurring Income and Net Income

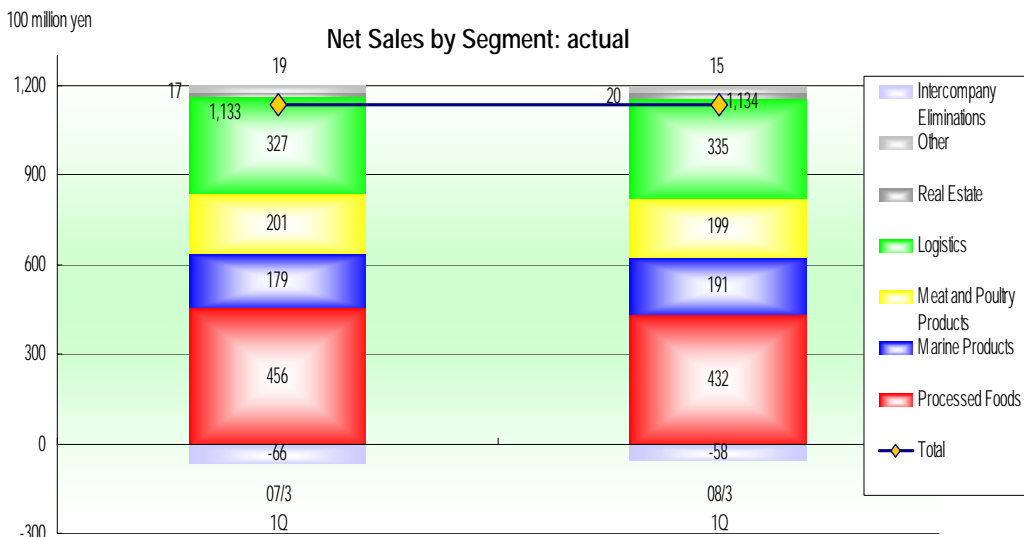
Extraordinary gain was posted on sale of fixed assets accompanying the dissolution of Tengu Company, Inc., together with an extraordinary loss from the shutdown of the facilities.

# Full-Year Targets for Processed Foods Revised Downward on Slow Sales of Acerola Products



## Sales and Operating Income by Segment (1)

(Amounts less than 100 million yen are omitted and some fractional amounts have been adjusted.)



### 1. Processed Foods

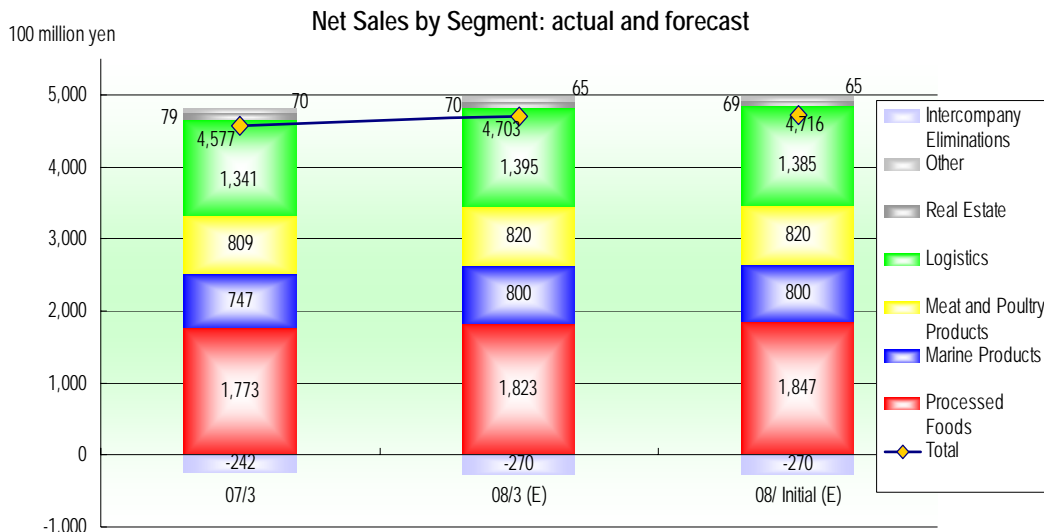
First quarter sales posted a 5% decline compared with the same period in FY07/3. In addition to a fall in sales of frozen foods for household use due to the revision of sales promotion expenditures, demand for Acerola beverage products was much weaker than expected. Sluggish sales of pre-cooked frozen foods and Acerola beverage products, lower capacity utilization rates at Group plants, and a weaker yen pushed down operating income by a sharp 56%. As for full-year forecasts, targets for both sales and operating income have been revised downward as it will be difficult to make up for the slower sales during the first quarter of Acerola beverage products, though sales of frozen foods are expected to recover during the second quarter and beyond.

### 2. Marine Products

Sales were up during the first quarter, and losses in operating income showed improvement compared with the same period in FY07/3. Sales remained firm for fish egg and octopus products due to successful progress of our "Product Meister Model." Demand was sluggish for our mainstay Southeast Asian shrimp products, and higher raw material costs hurt sales of processed marine foods. Full-year targets for both net sales and operating income is expected to be achieved.

### 3. Meat and Poultry Products

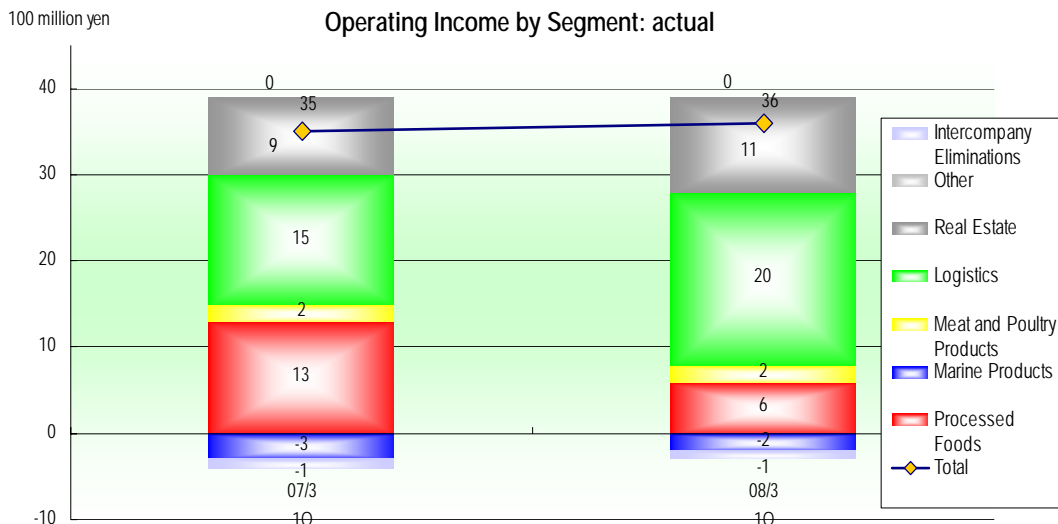
Net sales fell during the first quarter, but operating income held steady. Beef and pork continued to struggle, but a recovery in the market for our mainstay imported chicken products has boosted profit margins.



# Full-Year Earnings Target Revised Upward in Logistics on Strong Overseas Sales



## Sales and Operating Income by Segment (2)

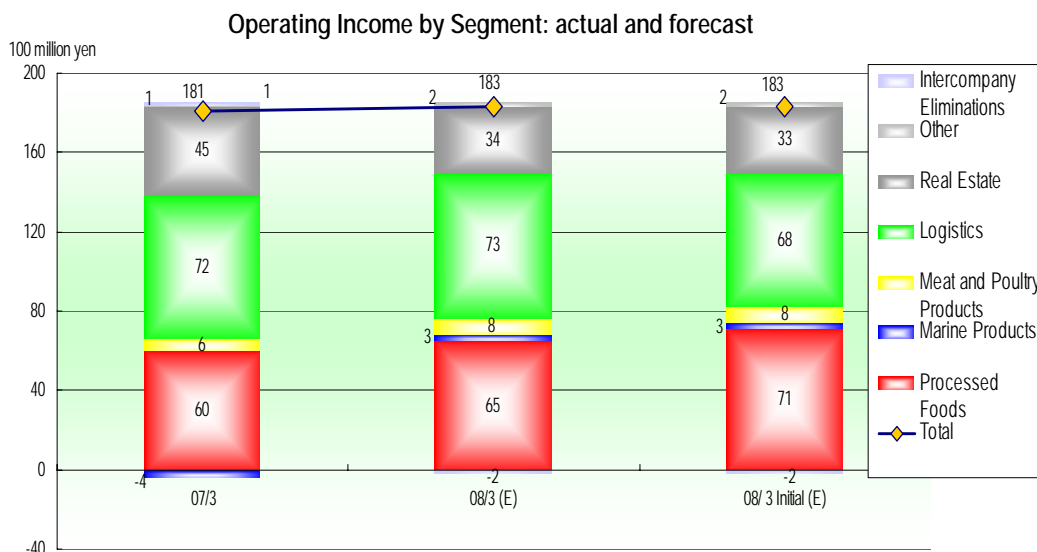


### 4. Logistics

Overall net sales and operating income both posted year-on-year growth during the first quarter. New distribution centers that began operations in FY 07/3 contributed to the increase in revenues, and operation reforms being implemented at unprofitable centers are steadily boosting profit margins. Net sales and operating income in Regional Storage both held steady at previous year levels, thanks to a recovery in revenues from the storage of fruit juice. Growing transport demand in the Overseas sector, coupled with the recovery in fruit juice storage, boosted both revenues and earnings.

### 5. Real Estate

First quarter sales and earnings were both up compared with the same period in FY 07/3. The Company carried out a sale of a housing development project in Himeji City, Hyogo Prefecture.



### 6. Other

Sales and earnings turned lower in Biosciences on sluggish demand for functional materials. It was decided to dissolve Tengu Company in the United States and sell its assets, as prospects for resumption of beef product imports from the United States remain unclear.

# Revision of Sales Promotion Expenditures Continues to Adversely Impact Household Sales



## 1Q Sales of Frozen Foods

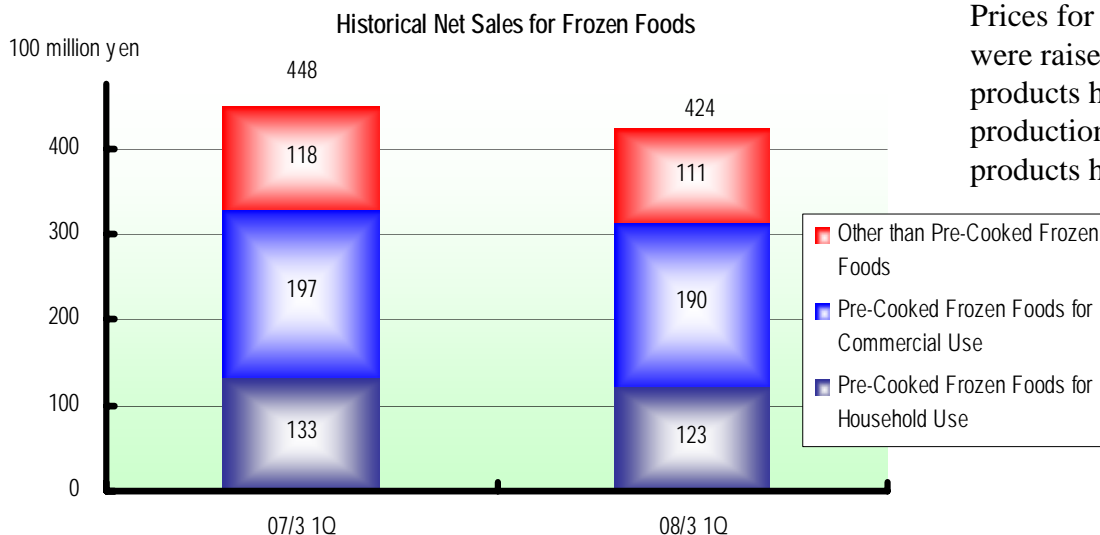
### 1. Frozen Foods Overall

Net sales were down 5% for the first quarter compared with the same period in FY07/3. Sales of pre-cooked frozen foods and processed agricultural products both fell 5%. Demand for chicken products for commercial use, which had been driving sales growth, experienced a downturn, and sales of our mainstay rice products, croquettes, hamburgers, etc., as well as processed marine products, were also weak.

### 2. Pre-Cooked Frozen Foods

(i) **Household use:** 1Q sales slumped 8% compared with the same period in FY07/3. The revision of sales promotion expenditures implemented during the previous fiscal year continued to adversely impact sales through the first quarter. Promoting key products, and a TV ad campaign for “*Karaage Chicken*,” helped boost sales. Overall sales of the *Obento-ni-Good!* series were down slightly year on year, although demand for “*Yawaraka Hitokuchi Cutlet*” remained strong.

(ii) **Commercial use:** Year-on-year sales fell 3% during the first quarter. Prices for chicken products, which have been a major growth driver, were raised last summer, which has slowed sales growth. Hamburger products have performed as expected since the addition of a new production line at our Kansai plant, but sales of our new croquette products have been slower than anticipated.



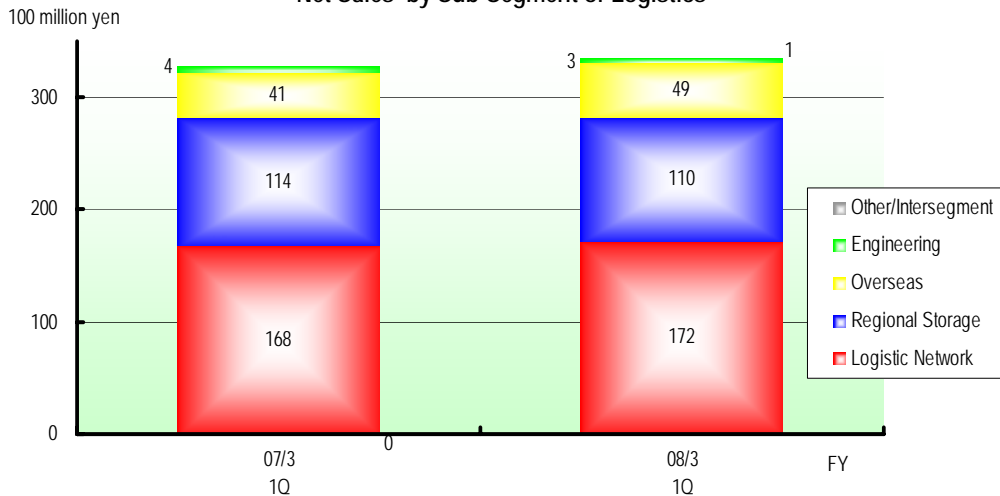
Note: Product categories in Marine Products and Meat and Poultry Products have been revised, and this has affected the range of frozen Marine Products and Meat and Poultry Products included in the “Other than Pre-Cooked Frozen Foods.” As a result, figures for the first quarter of FY07/3 have been revised upward retroactively by ¥0.7 billion.

# Steady Expansion in Overseas Business Boosted Sales and Earnings in the Logistics Network

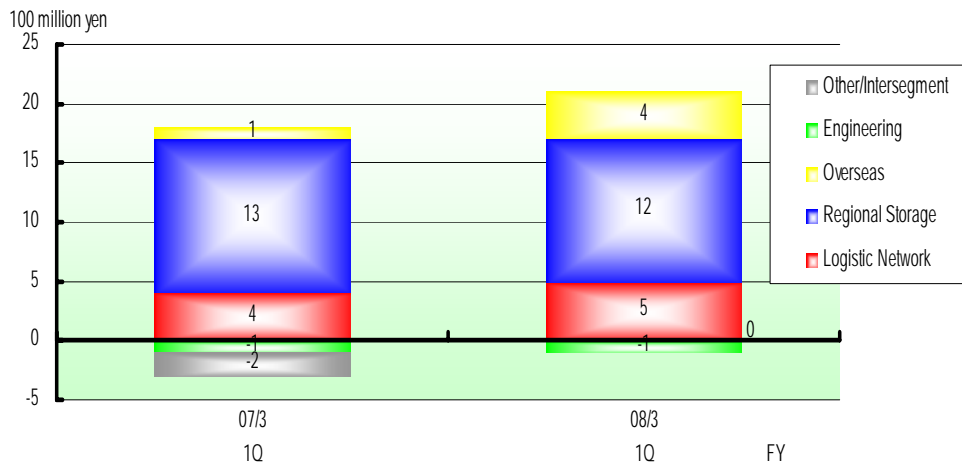


## Factors of Changes in Performance of the Logistics Business

Net Sales by Sub-Segment of Logistics



Net Sales by Sub-Segment of Logistics



### 1. Logistics Network

- (i) Overall sales were higher. Transportation revenues were flat on lower shipments of mainstay cargoes, but the new distribution centers opened in FY 07/3 continued to boost sales.
- (ii) Steps to improve productivity at all centers are being implemented on schedule, and improvements in the performance of unprofitable centers have sharply boosted profit margins.

### 2. Regional Storage

- (i) Net sales fell by ¥0.2 billion due to the closure of a cold storage facility in FY07/3. Slower cold storage volume in the Tokyo Bay area and other districts was covered by securing new storage volume of fruit juice and other goods. As a result, net sales held firm at previous year levels.
- (ii) Operating income remained unchanged from the same period in FY07/3 as savings achieved through reductions in labor costs and implementation of a low-cost operating system absorbed losses incurred from the regulatory changes of accounting method for depreciation.

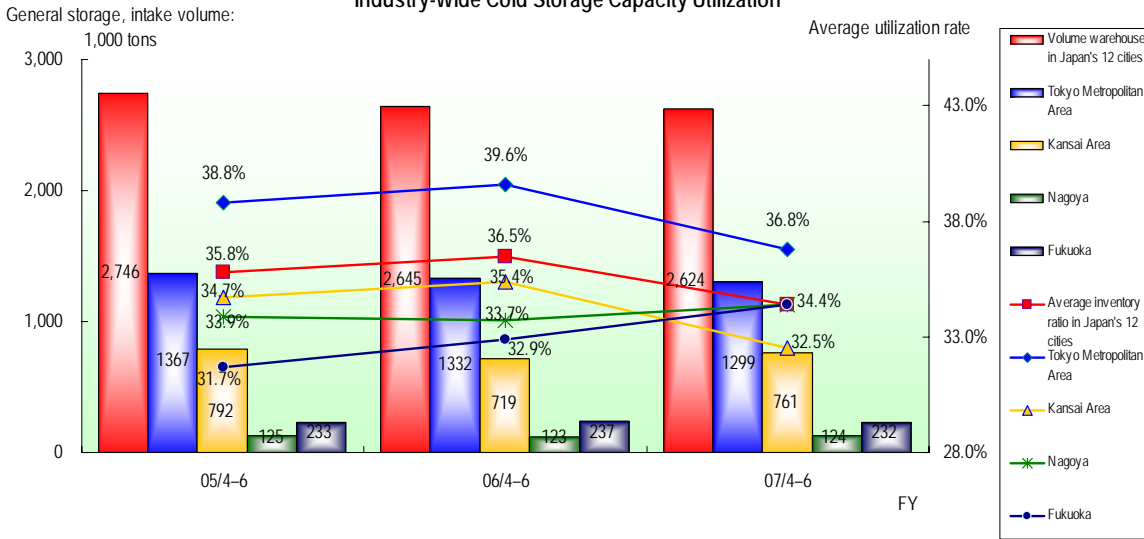
### 3. Overseas

- (i) Overall gains were posted both in net sales and earnings. Transport business continued to increase steadily in Europe, and fruit juice storage recovered rapidly once the effects of hurricane damages were overcome. Aggressive marketing of our cargo booking services is starting to show good results in terms of higher storage volumes. All of these factors helped to push up operating income for the quarter.

# Cold Storage: Our Capacity Utilization Remained High, Despite Industry-Wide Declines



Industry-Wide Cold Storage Capacity Utilization



(Source: The Japan Association of Refrigerated Warehouses)

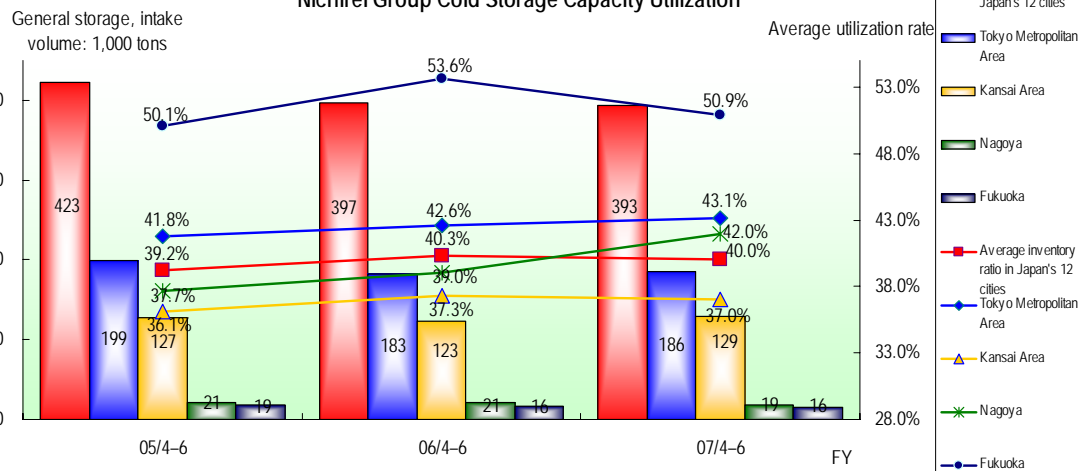
## 1. Industry Situation

Intake volumes fell in the Tokyo metropolitan area, and overall capacity utilization declined as excess chicken and pork inventories were resolved.

## 2. Nichirei Group Situation

Intake volumes and capacity utilization both held firm at previous year levels.

Nichirei Group Cold Storage Capacity Utilization



# Gain in Current Assets Is Temporary



## Factors for Changes in Consolidated Balance Sheet for FY08/3 1Q

(100 million yen; amounts less than 100 million yen are omitted)

Item	07/3	07/6	Change (Amount)	
<b>[Assets]</b>				
Current assets	1,076	1,150	+73	(i)
Fixed assets	1,615	1,605	-9	(ii)
Total assets	2,691	2,756	+64	
<b>[Liabilities/Shareholders' equity]</b>				
Current liabilities	862	966	+103	(iii)
Fixed liabilities	698	650	-47	(iii)
Total liabilities	1,560	1,616	+55	
Net Assets	1,130	1,139	+8	
(Shareholders' equity)	1,110	1,120	+9	
(Interest-bearing debt)	729	791	+61	(iv)
Item	06/6	07/6	Change (Amount)	
(Capital investment)	10	24	+13	(v)
(Depreciation and amortization)	22	23	+0	

### **Main Reasons for the Gain in Current Assets**

- (i) The last day of June fell on a bank holiday, which led to an increase of ¥4.6 billion in accounts receivable. Further, the value of inventories increased by ¥2.1 billion due to increased storage volume of processed foods products in preparation for the high demand period in the coming summer.
- (ii) Tangible fixed assets declined by ¥0.6 billion due to accelerated depreciation.
- (iii) The bank holiday at the end of June contributed to an increase of ¥1.7 billion in accounts payable. In order to finance temporary needs in working capital, short-term bank loans were increased by ¥3.9 billion and commercial paper increased by ¥4.0 billion. A portion of ¥5 billion of corporate bonds, which will come due within one year, was transferred from fixed liabilities to the current liabilities account.
- (iv) Short-term bank loans were increased in order to finance the temporary increase in working capital.
- (v) Major capital investments during the first quarter:  
 Kyokurei Inc.: Reconstruction of the Yamashita Distribution Center  
 Nichirei do Brasil Agricola Ltda.: Added a new condensed fruit juice manufacturing line



# Segment Data



## Results, Forecasts, 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)

	1Q (Apr.–June)		2Q (July–Sep.)		Interim			Full Year		
	08/3	07/3	08/3 (E)	07/3	08/3 (E)	08/3 Initial (E)	07/3	08/3 (E)	08/3 Initial (E)	07/3
<b>(Net Sales)</b>										
Processed Foods	432	456	468	458	900	944	914	1,823	1,847	1,773
Marine Products	191	179	212	195	403	403	374	800	800	747
Meat and Poultry Products	199	201	205	199	404	404	400	820	820	809
Logistics	335	327	360	345	695	685	672	1,395	1,385	1,341
Real Estate	20	17	18	18	38	35	35	70	69	79
Other	15	19	17	16	32	32	35	65	65	70
Intercompany Eliminations	-58	-66	-78	-62	-136	-136	-128	-270	-270	-242
Total	1,134	1,133	1,202	1,169	2,336	2,367	2,302	4,703	4,716	4,577
<b>(Operating Income)</b>										
Processed Foods	6	13	16	18	22	30	31	65	71	60
Marine Products	-2	-3	3	1	1	1	-2	3	3	-4
Meat and Poultry Products	2	2	2	0	4	4	2	8	8	6
Logistics	20	15	18	20	38	33	35	73	68	72
Real Estate	11	9	9	9	20	17	18	34	33	45
Other	0	0	1	0	1	1	0	2	2	1
Intercompany Eliminations	-1	-1	-2	0	-3	-3	-1	-2	-2	1
Total	36	35	47	48	83	83	83	183	183	181

# 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 procurement development, 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.