

# **Summary of Consolidated Results**

## **1<sup>st</sup> Half Ended September 30, 2007**

(Stock code: 2871)

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# Strong Overseas Results in Logistics Counterbalanced Lower Profits in Processed Foods



## Consolidated Results for the 1<sup>st</sup> Half Ended September 30, 2007

(100 million yen; amounts less than 100 million yen are omitted)	06/9	07/9 (Previous E)	07/9	Change between FY06/9 and FY07/9 results	
				Change (Amount)	Change (%)
<b>Net Sales</b>	2,301	2,336	2,310	8	0.4%
<b>Operating Income</b>	83	83	79	-3	-4.0%
<b>Recurring Income</b>	80	79	77	-3	-4.1%
<b>Net Income</b>	61	45	47	-13	-22.3%

Note: "FY07/9 (Previous E)" represents the forecast for FY07/9, which was released on July 30, 2007.

### 1. Net Sales

1. Net sales remained flat compared with the previous same period. Processed Foods were down 3% on weaker demand for pre-cooked frozen foods for household use and acerola beverage products, but overall sales were supported by Logistics (up 3% thanks to a strong performance in the Overseas sector) and Marine Products (up 2% as efforts to streamline the product line bore fruit).

### 2. Operating Income

1. Processed Foods posted a fall of ¥1.6 billion compared with the previous same period due to slow sales of household use products, higher raw material costs, and increased fixed costs.
2. Marine Products were hurt slightly, mainly by sluggish demand for shrimp compared with the previous same period. As a result, operating income failed to return to the black.
3. Logistics posted a sharp increase due to expanding demand in the Overseas sector, and sales activities promoting freight consolidation enabled Regional Storage to maintain capacity utilization rates at previous year levels despite an industry-wide decrease in cargo volumes. Overall operating income grew by ¥900 million.
4. Real Estate earnings were up ¥400 million on profits from land subdivision sales.

### 3. Recurring Income

1. Gains/losses in equity-method investment fell by ¥400 million due to exclusion of two companies, but net financial expenses improved by ¥100 million over the previous same period.

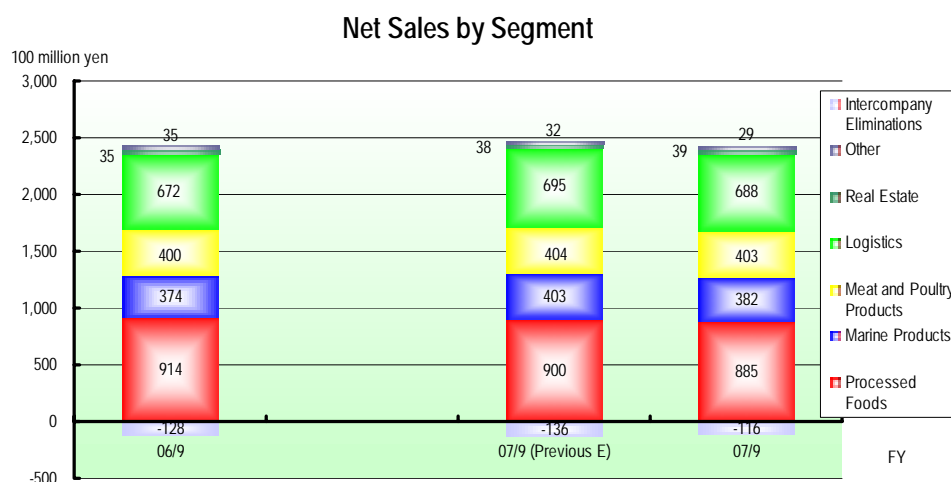
### 4. Interim Net Income

1. Extraordinary losses increased by ¥2.7 billion as there was nothing to replace the gains on sale of equity in an affiliated company that were posted during the previous same period.

# Profits Down in Processed Foods Due to Higher Raw Material Costs and Lower Demand for Household Use Products



## Net Sales and Operating Income by Segment (1)



### 1. Processed Foods

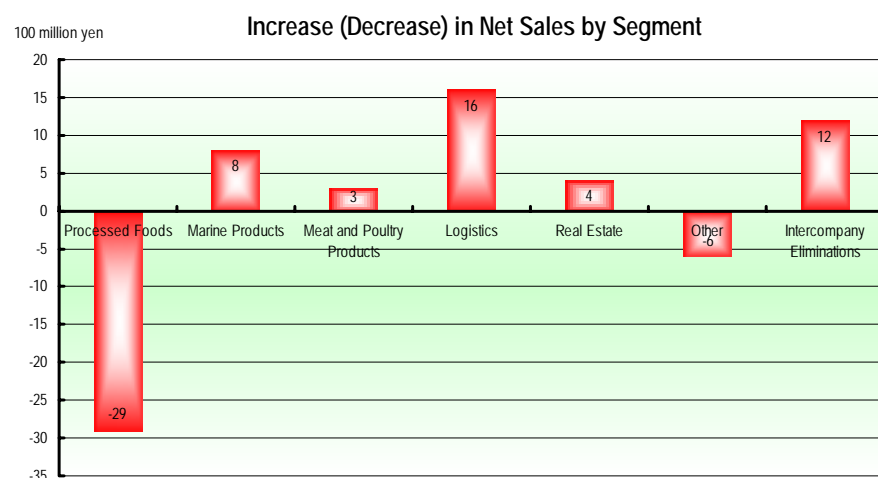
Overall net sales fell by 3% and operating income declined by ¥1.6 billion compared with the previous same period. Sales of pre-cooked foods for commercial use have now recovered to previous year levels thanks to an improving sales during the second quarter. Household use posted a 6% decline in sales due to adverse effects from the revised sales promotion expenditures through the first quarter and a significant fall in consumption of frozen foods during the second quarter. Prices of raw materials, especially livestock products, rose during the second quarter, and fixed costs such as advertising and pension outlays also grew compared with the previous same period. Sales of acerola fell by 9% as the introduction of new acerola products failed to produce the desired effect.

### 2. Marine Products

Implementation of the Revitalization Plan proceeded on schedule and streamlining of the product line helped boost sales by 2% compared with the previous same period. However, the market for shrimp, which had been expected to drive growth, softened, and the processed shrimp products lost competitiveness, which resulted in a fall in both sales and profitability below their targets. Overall profits fell by ¥100 million compared with the previous same period.

### 3. Meat and Poultry Products

Sales were up by 1% compared with the previous same period, and operating income was also up slightly. Sales of chicken products expanded steadily thanks to a recovery in the balance between supply and demand, however strong demand for domestic beef, and lifting of the import ban on US beef, have begun to adversely impact sales of Australian beef products.



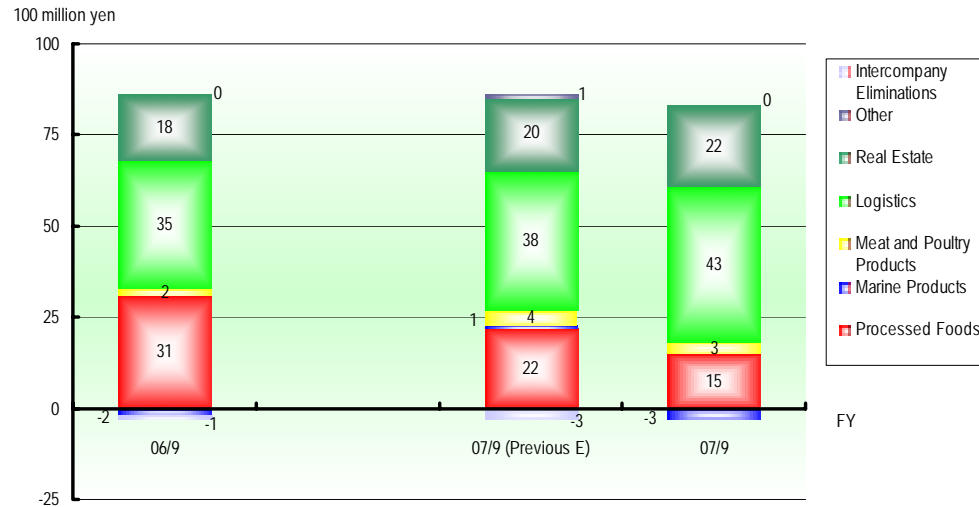
Note: The amounts shown in graphs have been rounded off to the nearest unit where necessary throughout this presentation.

# Strong Overseas Business Drives Up Sales and Profits Up in Logistics



## Net Sales and Operating Income by Segment (2)

Operating Income by Segment



### 4. Logistics

Overall sales grew by 3% compared with the previous same period. Sales in the Overseas sector, primarily in Europe, jumped by 28%, and transportation demand was up in the Logistics Network business, though sales in Regional Storage were down. Operating income was up sharply by ¥500 million in the Overseas sector, and the successful overhaul of some unprofitable transfer centers pushed up profits in the Logistics Network business by ¥300 million. In addition, Regional Storage, which had been expected to face difficult business conditions, performed better than had been forecast. As a result, overall operating income grew by ¥800 million compared with the previous same period.

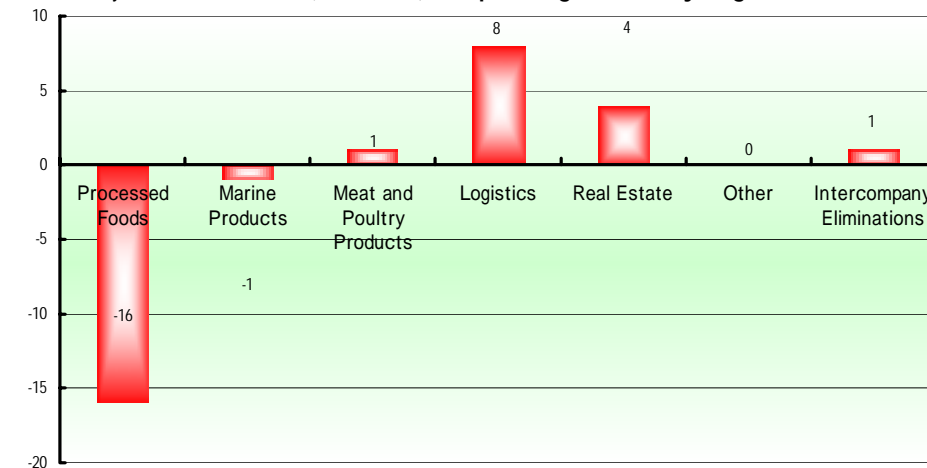
### 5. Real Estate

Operating income grew by ¥400 million compared with the same period in 2006 due to higher than expected sales of land and housing developments.

### 6. Other

Tengu, Nichirei's subsidiary company in the United States, took a decision to dissolve the company and sell all of its assets with no sign to resume exports of processed beef products to Japan and Korea in the foreseeable future.

Increase (Decrease) in Operating Income by Segment



# Clear Sign of Recovery in Commercial Use Market with Year-on-Year Sales Up during the 2Q



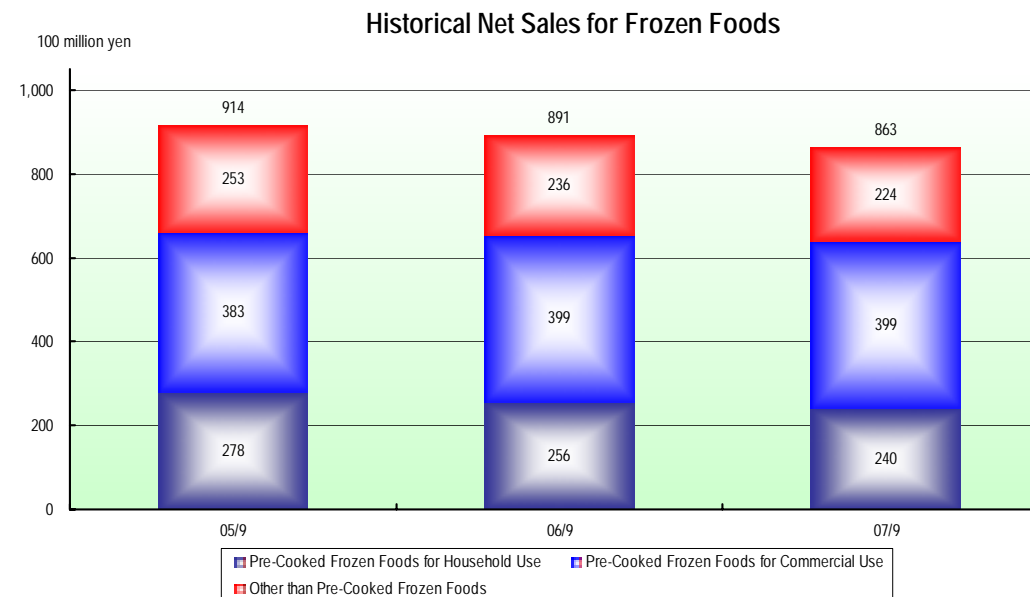
## Net Sales of Frozen Foods

### 1. Overall Frozen Foods

Overall sales were down by 3% compared with the previous same period. Sales of pre-cooked frozen foods for commercial use held steady at previous year levels, but the expected recovery in sales of household use products did not materialize. In addition, growing concerns of consumers about food products from China had a significant adverse impact, leading to a decline of 5% in sales of frozen vegetables.

### 2. Pre-Cooked Frozen Foods

- Household use: Sales were down 6% compared with the previous same period. Decline in the rate of supplying retail stores as a result of revisions in sales promotion outlays had a negative effect throughout the first quarter, and consumption of frozen foods during the second quarter, especially in August and September, fell below previous year levels and the opportunity for a recovery was lost. By product, television advertising helped boost sales of “*Karaage Chicken*” and “*Honkaku Itame Chahan*”, and sales in each of our six major product categories steadily grew.
- Commercial use: Sales remained at the same level as in the previous same period. Net sales fell sharply in June, but held steady in all other months. Signs of a recovery in demand in this segment were obvious. Second quarter sales were up 3% compared with the previous same period, marking the first period of quarterly growth in over a year.

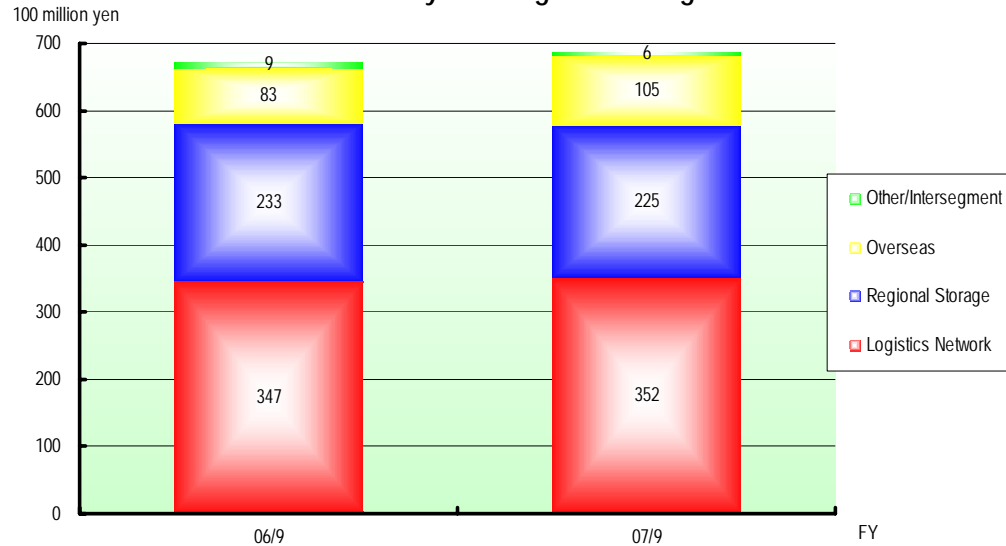


# Overseas Business Strong, Network Businesses Improving Profitability

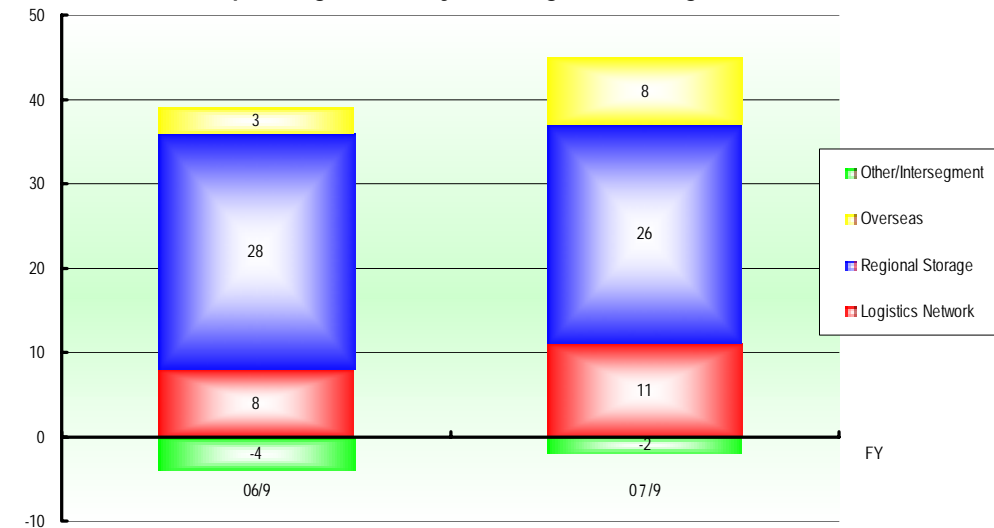


## Factors for Changes over the Previous Same Period in Logistics

Net Sales by Sub-Segment of Logistics



Operating Income by Sub-Segment of Logistics



### 1. Logistics Network

Sales remained flat over the previous same period due to the decreased sales from Group's frozen foods which experienced sluggish businesses. However, operating income rose by ¥400 million compared with the previous same period thanks to the improved profitability at some underperforming transfer centers.

### 2. Regional Storage

As expected, reduced inventories in livestock products led to a very severe business environment throughout the industry, but reinforced marketing efforts for freight consolidation since setting up nine regional companies have borne fruit. As a result, capacity utilization rates held steady at previous year levels. Reduction in capacity due to a closure of some storage facilities, resulted in a net sales fall of 4% compared with the previous same period. Increased costs due to changes in the depreciation method caused operating income to fall by ¥300 million. However, the overall results exceeded the original forecasts.

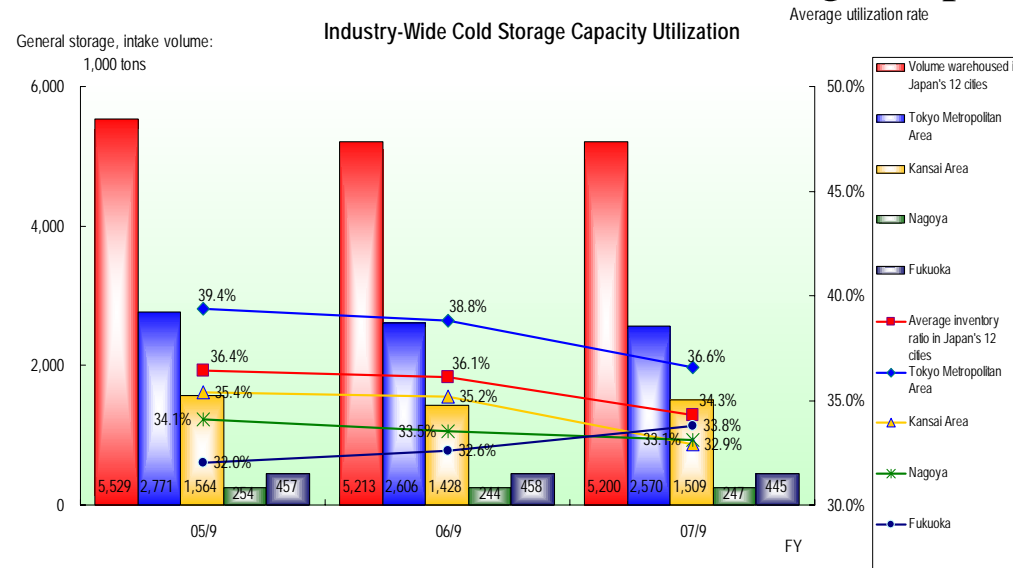
### 3. Overseas

Fruit juice-related demand recovered, and transportation and custom clearance operations expanded. Measurement to cope with the pending issues such as cargo consolidation efforts at the Rotterdam Harbor and inland refrigerated warehouses proved successful. Hence, sales grew by ¥500 million compared with the previous same period, a big gain of 28%.

# Capacity Utilization Down on Weakness in Livestock Product Sector



## Cold Storage Capacity Utilization



### 1. Industry as a Whole

Livestock Product storage volumes were down significantly, so overall capacity utilization rates fell, especially in the Tokyo metropolitan area.

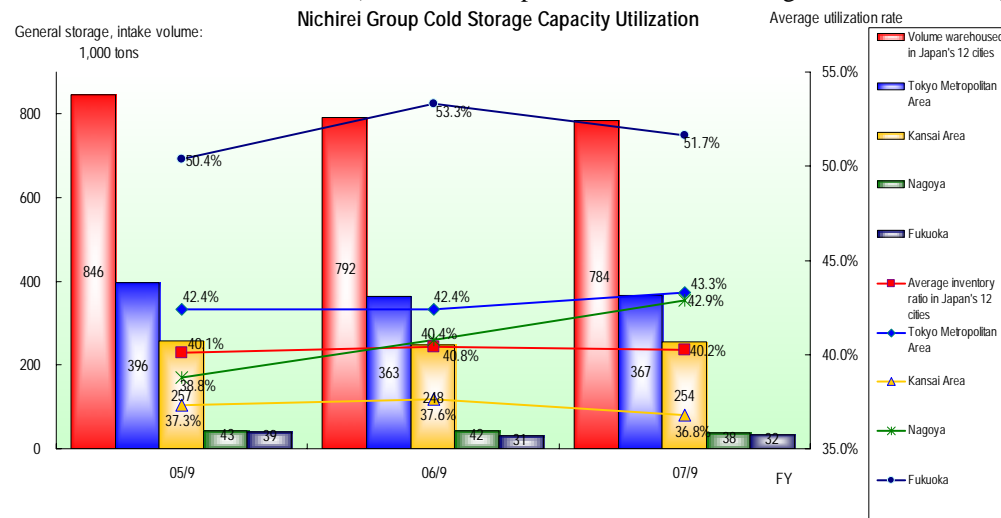
### 2. Nichirei Group

Capacity utilization rates held steady at previous year levels as freight consolidation of cargo was effective in refilling vacated storages after shipment of livestock products and the fact that storage facility capacity is now lower than it was a year ago.

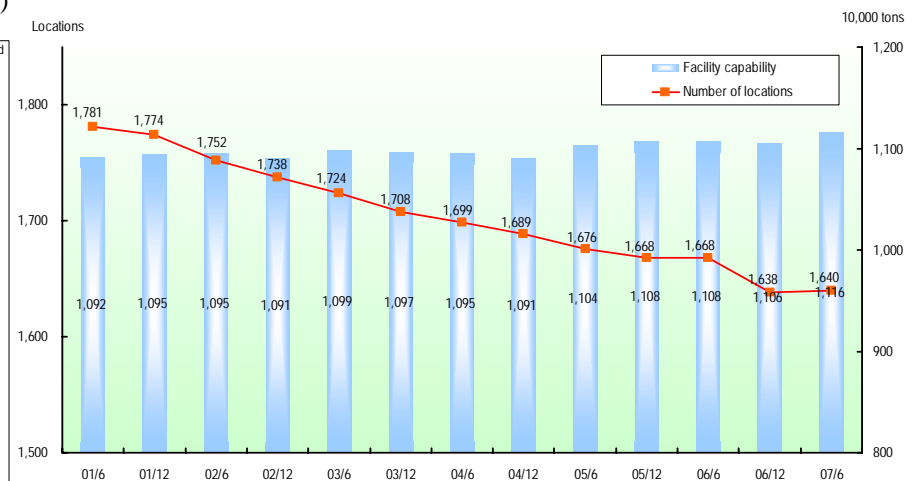
### 3. Industry-wide Facility Capacity

Number and capacity of storage facilities industry-wide remain virtually unchanged.

(Source: The Japan Association of Refrigerated Warehouses)



### Change in Cold Storage Industry Capacity



(Source: The Japan Association of Refrigerated Warehouses)

## Total Assets Higher Due to Seasonal Factors



### Factors for Changes in Consolidated Balance Sheet for the 1<sup>st</sup> Half Ended September 30, 2007

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

Item	07/3	07/9	Change (Amount)	
<b>[Assets]</b>				
Current assets	1,076	1,152	76	(i)
Fixed assets	1,615	1,562	-52	(ii)
Total assets	2,691	2,715	23	
<b>[Liabilities/Shareholders' Equity]</b>				
Current liabilities	862	927	64	(iii)
Fixed liabilities	698	631	-66	(iii)
Total liabilities	1,560	1,558	-2	
Net assets (Shareholders' equity)	1,130 1,110	1,156 1,134	26 23	
(Interest-bearing debt)	729	742	13	
Item	06/9	07/9	Change (Amount)	
(Capital investment)	26	28	1	(iv)
(Depreciation and amortization)	45	46	1	

### Major Factors

1. Accounts receivable were up ¥7.7 billion due to seasonal factors.
2. Tangible fixed assets fell by ¥1.7 billion after depreciation. The value of marketable securities fell by ¥3.5 billion due to a smaller revaluation difference at the term end.
3. Accounts payable rose by ¥2.1 billion due to seasonal factors. Redemption of ¥10 billion in corporate bonds was financed by an increase of ¥8 billion in commercial paper outstanding.

#### 4. Major capital investments

##### Processed Foods

Fruit juice concentrate plant at Nichirei of Brazil

##### Logistics

Reconstruction of Kyokurei Yamashita DC  
Nichirei Logistics Kyushu: Expansion of Miyakonojo DC

##### Real Estate

Renovation of the Suidobashi Main Building

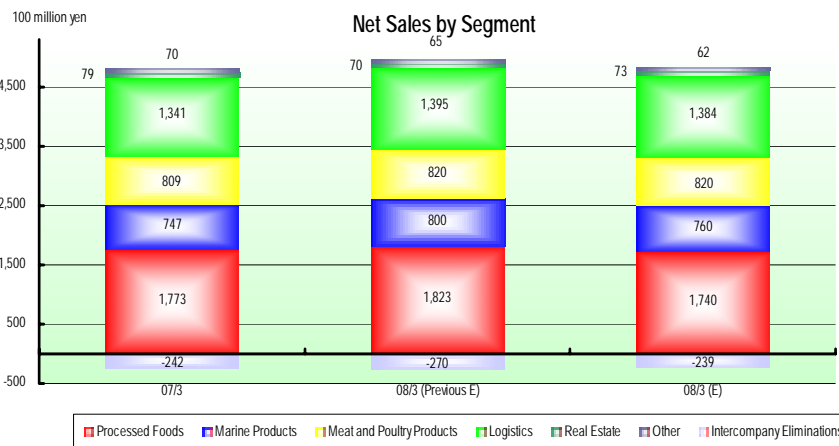


## Sales and Profit Targets to Be Revised Downward as Business Environment Worsens

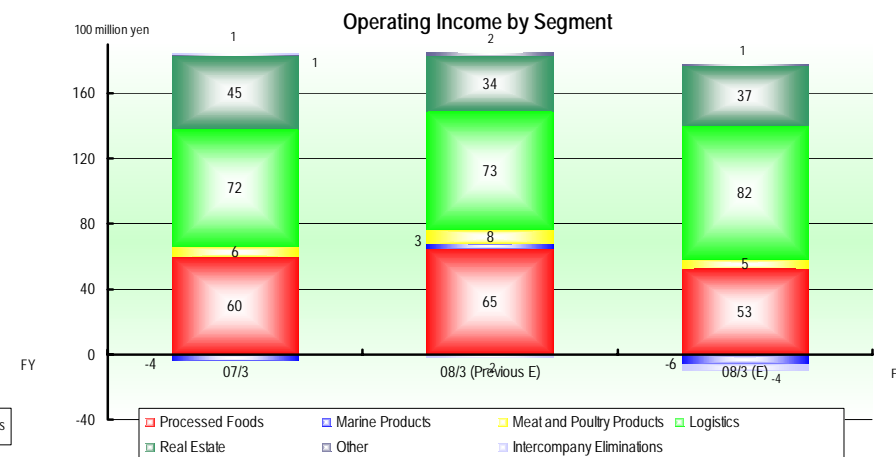


### Forecast of Consolidated Results for the Fiscal Year Ending March 31, 2008

	07/3	08/3 (Previous E)	08/3 (E)	Change between FY07/3 and FY08/3 (E)	
				Change (Amount)	Change (%)
<b>Net Sales</b>	4,576	4,703	4,600	23	+0.5%
<b>Operating Income</b>	181	183	168	-13	-7.4%
<b>Recurring Income</b>	173	173	160	-13	-8.0%
<b>Net Income</b>	108	102	98	-10	-9.6%



Note: "FY08/3 (Previous E)" was released on July 30, 2007.



1. Sales and operating income targets of Processed Foods are revised downward. Sales of pre-cooked frozen foods for household use and acerola products are forecast to be poorer along with higher fixed costs, though increased costs of raw materials are to be absorbed by price increases in the products.
2. Revitalization Plan in Marine Products is being implemented on schedule, however sluggish market demand for shrimp is expected to lead to further losses in the second half of the year.
3. Logistics will continue to see strong growth in sales and profits in the Overseas sector, and Regional Storage will maintain a storage utilization at previous year levels despite the severe business environment. Overall results should exceed the original targets.

## Extraordinary Losses Increase after Completion of Sale of Shares in an Affiliate



(Unit: 100 million yen; amounts less than 100 million yen are omitted)		1 <sup>st</sup> Half				Full Year			
		07/9	06/9	Change (Amount)		08/3	07/3	Change (Amount)	
<b>[Non-Operating Revenues/Expenses]</b> (Main items)		-2	-2	0	<b>[Non-Operating Revenues/Expenses]</b> (Main items)		-8	-7	-1
Dividend income and interest expenses, net		-2	-3	+1	Dividend income and interest expenses, net		-8	-7	-1
Equity in earnings/losses of affiliates	(i)	+1	+6	-4	Equity in earnings/losses of affiliates	(i)	+2	+5	-3
<b>[Extraordinary Income/Losses]</b> (Main items)		0	+26	-26	<b>[Extraordinary Income/Losses]</b> (Main items)	(iv)	+1	+18	-17
Gain on sales of property, plant and equipment	(ii)	+6	+6	0					
Gain on sale of affiliates' stock	(iii)	0	+29	-29					
Loss on disposal of property, plant and equipment		-4	-3	-1					

- (i) Breakdown of gain (loss) of earnings in equity-method investment in affiliates  
07/9, 08/3E: RY Food Service Ltd. down by ¥400 million in both terms.
- (ii) Profit from sale of real estate
- (iii) Posted gain on sale of equity in RY Food Service Ltd.
- (iv) Major items to be posted in the second half of the year
- Gain on sale of fixed assets
  - Loss on disposal of fixed assets

## Segment Data



Results, Forecasts, Previous 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)

	1st Half			2nd Half			Full Year		
	08/3		07/3	08/3		07/3	08/3		07/3
	Actual	(Previous E)		(E)	(Previous E)		(E)	(Previous E)	
<b>(Net Sales)</b>									
Processed Foods	885	900	914	855	923	859	1,740	1,823	1,773
Marine Products	382	403	374	378	397	373	760	800	747
Meat and Poultry Products	403	404	400	417	416	409	820	820	809
Logistics	688	695	672	696	700	669	1,384	1,395	1,341
Real Estate	39	38	35	34	32	44	73	70	79
Other	29	32	35	33	33	35	62	65	70
Intercompany Eliminations	-115	-136	-128	-124	-134	-114	-239	-270	-242
<b>Total</b>	<b>2,311</b>	<b>2,336</b>	<b>2,302</b>	<b>2,289</b>	<b>2,367</b>	<b>2,275</b>	<b>4,600</b>	<b>4,703</b>	<b>4,577</b>
<b>(Operating Income)</b>									
Processed Foods	15	22	31	38	43	29	53	65	60
Marine Products	-3	1	-2	-3	2	-2	-6	3	-4
Meat and Poultry Products	3	4	2	2	4	4	5	8	6
Logistics	43	38	35	39	35	37	82	73	72
Real Estate	22	20	18	15	14	27	37	34	45
Other	0	1	0	1	1	1	1	2	1
Intercompany Eliminations	0	-3	-1	-4	1	2	-4	-2	1
<b>Total</b>	<b>80</b>	<b>83</b>	<b>83</b>	<b>88</b>	<b>100</b>	<b>98</b>	<b>168</b>	<b>183</b>	<b>181</b>

Note: (E) is the latest forecast, previous forecast was announced on July 30, 2007.

# Forward-Looking Statements

Networking good taste and freshness



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.