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Achieving the Goals of the Medium-Term Business Plan Through Agile Adaptation to a Tougher Business Environment

=Business Strategy Report for the 2nd Half of FY08/3=

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Table of Contents



Targets for FY08/3 Revised Downward, but Final Goals for Medium-Term Business Plan Remain Unchanged	1	[Business Strategy: Logistics]	
[Business Strategy: Processed Foods]		Estimates Revised Upwards on Strong Performance of Overseas and Regional Storage Businesses	7
Higher Raw Material Costs Are Absorbed by Price Hike, but Household Use Products Face Uphill Struggle	2	Europe Business with Problems Resolved Boosts Overall Sales	8
Price Hike Will Have a Full Effect on Profit in the 4Q	3	European Business Expanding from the Netherlands/Germany to Eastern Europe	9
Commercial Use: Recovered during the 2Q and Now Targets Sales Increase	4	Regional Storage Maintains Capacity Utilization at Previous Year Levels	10
New Mandatory Public Health Guidance System Expected to Expand Market for Products to Prevent Lifestyle-Related Diseases	5	Sales Flat but Profitability Improves; New Business Consignments Gained	11
[Business Strategy: Marine Products]		Aggressive Investment in New Cold Storage Facilities Rather at a Slower Pace	12
Streamlining of Product Line Continues, but Profitability Hurt by Weak Demand for Shrimp	6	[Reference Materials]	
		Segment Data	13

Notes:

1. Figures shown in graphs and tables have been rounded to the nearest unit where necessary, except where otherwise specified.
2. "E" indicates estimates. "P" indicates the Medium-Term Business Plan
3. "Previous E" are the revised estimates for FY08/3 that were announced on July 30, 2007 when 1Q results were released. "Present E" indicates estimates for FY08/3 announced on May 15, 2007 when results for FY07/3 were released.
4. "Q" indicates quarter. 1Q indicates the first quarter, etc.

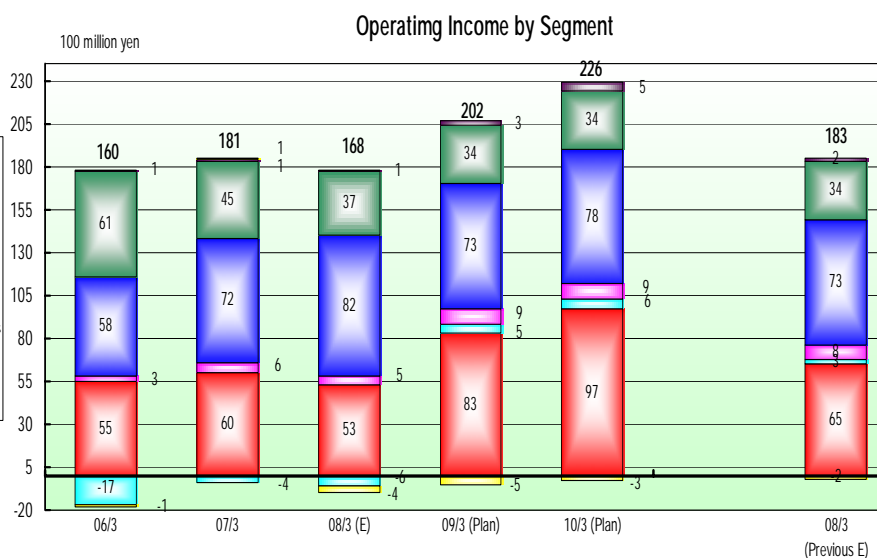
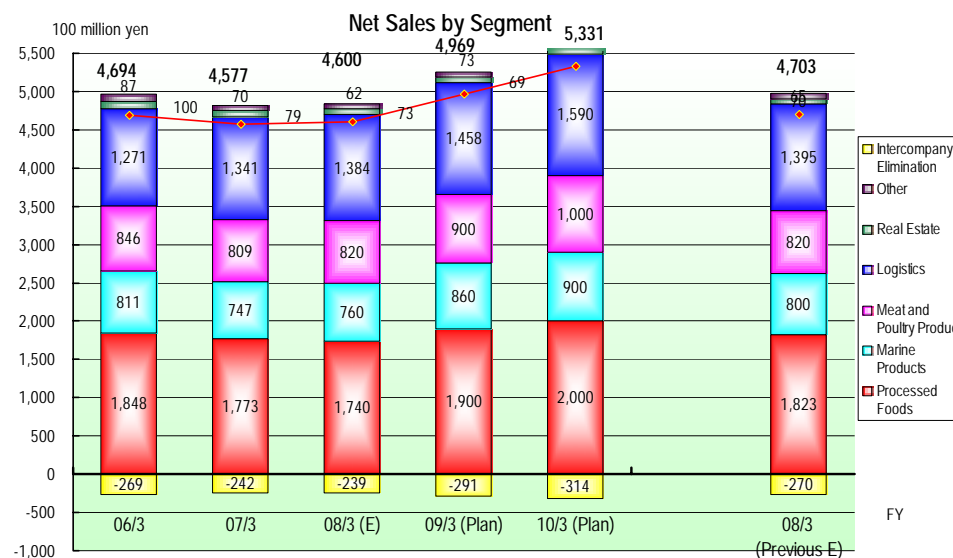
Targets for FY08/3 Revised Downward, but Final Goals for Medium-Term Business Plan Remain Unchanged



(Amounts less than 100 million yen are omitted)	<u>07/3</u>	<u>08/3 (Previous E)</u>	<u>08/3 (E)</u>	<u>08/3 (Previous E) (Comparison)</u>	<u>07/3 (Comparison)</u>
Net Sales	4,576	4,703	4,600	-103	101%
Operating Income	181	183	168	-15	93%
Recurring Income	173	173	160	-13	92%
Net Income	108	102	98	-4	90%
EPS	34 yen	32 yen	31 yen	-1 yen	-3 yen
ROE	10%	9%	9%	-	-1%

Note: "08/3 (Previous E)" was released on July 30, 2007.

1. Net sales and operating income targets for FY08/3 revised downward by ¥10.3 billion and ¥1.5 billion, respectively.
 - i. Net sales target for Processed Foods is revised downward by ¥8.3 billion because price increases on products have reduced sales volumes, and demand for household use products has been weak. Sales target for Marine Products is revised downward by ¥4.0 billion due to a sagging market for shrimp.
 - ii. Operating income targets are revised downward by ¥1.2 billion in Processed Foods and ¥0.9 billion in Marine Products. On the other hand, operating income target for Logistics is revised upward by ¥0.9 billion thanks to strong demand in the Overseas sector.
2. Overall and segment targets in the Medium-Term Business Plan for FY09/3 and FY10/3 remain unchanged.



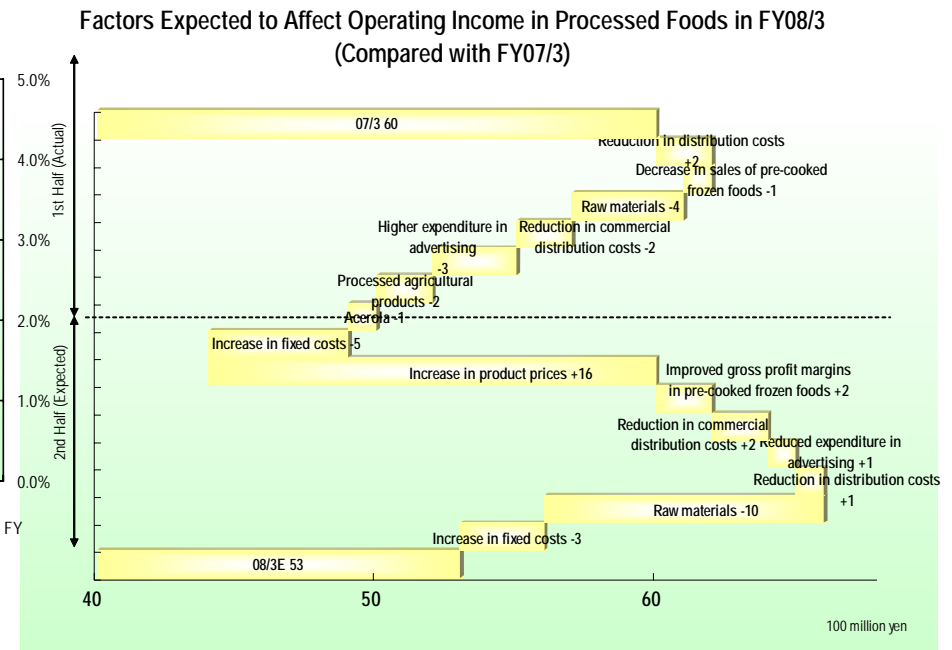
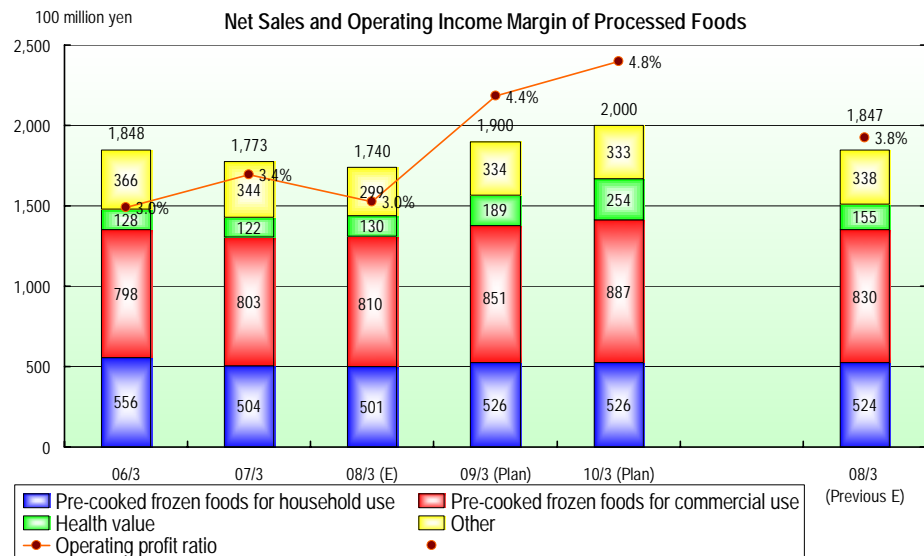
Business Strategy: Processed Foods

< Business Strategy: Processed Foods >

Higher Raw Material Costs Are Absorbed by Price Hike, but Household Use Products Face Uphill Struggle



1. Processed Food targets in FY10/3, the final fiscal year remain unchanged at net sales of ¥200 billion, operating income of ¥9.7 billion, and operating margin of 4.8% (3.4% in FY07/3) as at the Medium-Term Business Plan.
2. Starting from October 2007, a series of product price hike has been implemented in response to increases in the cost of raw materials, particularly livestock products, and is expected to have a full impact on sales and profits from the beginning of the 4Q FY08/3. This price hike is expected to absorb the projected cost increase of raw material of ¥1.4 billion in the present fiscal term.
3. Sales of commercial use products have shown a clear recovery as sales have been growing well above the previous same period throughout the 2Q for the first time in a year. Offsetting a temporary decline in sales volume due to price increases, annual sales are expected to increase by about 1%. Household use products were yet unable to make up for the loss in sales volume due to the revision of sales promotion expenditures implemented in the previous year. In addition, the household use market fell below previous year levels in the 2Q on an industry-wide basis, and sales volume is expected to decline with a negative impact of price hike on products. Overall sales of household use products for the year are forecast to fall by about 1% compared with FY07/3 under these difficult business environment.
4. Wellness Foods started a new subsidiary company officially in October 2007 which achieve the goals of the Medium-Term Business Plan.



< Business Strategy: Processed Foods >

Price Hike Will Have a Full Effect on Profit in the 4Q



1. The price hike of frozen foods products announced on August 16 was steadily accepted in the market from October 1, and is expected to be fully in place by the 4Q and thereafter.
 - i. Household use: Negotiations with wholesalers/retailers for price hike, along with the change in product specification, are about 80% complete. From November, the price hike will be effective for about 60% of all the customers, but some customers are expected to make special requests for additional promotion outlay for the rest of the year. In case present sales terms are maintained after the actual price hike started October 1, these costs associated with this treatment for that period are accounted as sales promotion expenses.
 - ii. Commercial use: Negotiation for the price hike was completed with most wholesalers by November 1, but some of the large customers still resist it.
2. Forecast of cost increases for raw materials
 - i. Prices for meat and livestock raw materials began rising substantially in the 2Q, and are expected to cost a year-on-year increase of ¥1.4 billion during FY08/3.
 - ii. In FY09/3, cost increases for wheat, etc., as well as further cost increases for chicken are expected.

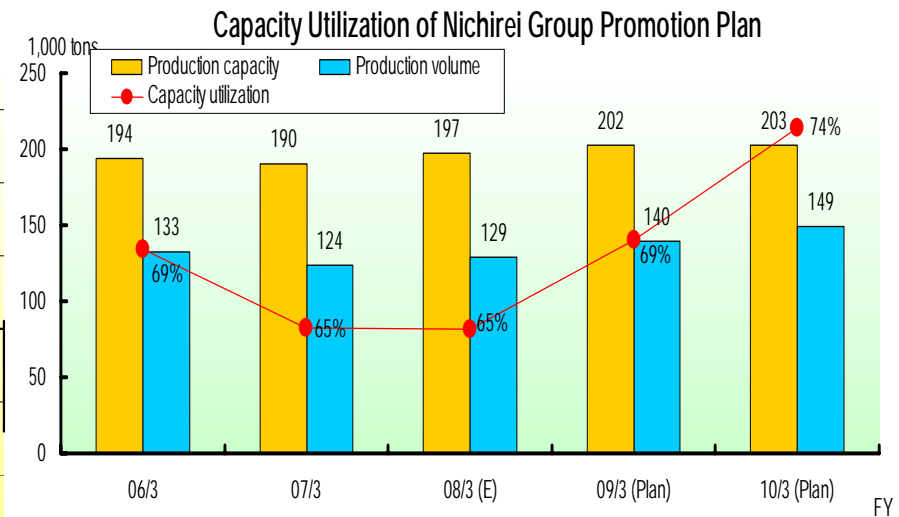
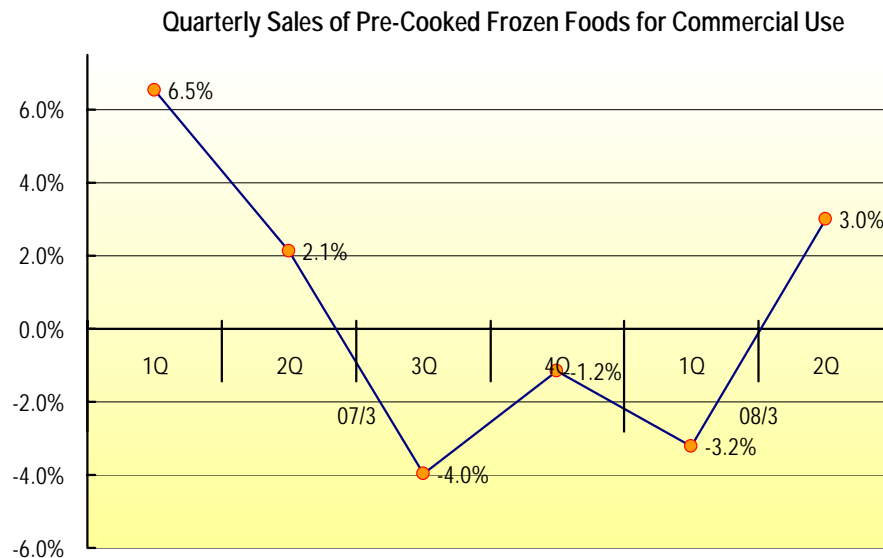
(Unit: 100 million yen)		Net sales in 2nd half of FY	Average price increase (%)	Impact in 2nd half of FY
Household use	Prices increased for over 90% of all products	244	5%	5
Commercial use	Prices increased for over 80% of all products	344	6%	10
Farm products	Prices increased for nearly all products	79	2%	0
Total		667		16

< Business Strategy: Processed Foods >

Commercial Use: Recovered during the 2Q and Now Targets Sales Increase



1. Sales of pre-cooked frozen foods for commercial use had been declining year-on-year basis since the 3Q of FY07/3, but demand began to recover significantly during the 2Q of this year. Sales for this year are forecast to exceed previous year levels by about 1%, despite the decline in sales volumes due to the product price hike and this trend is expected to continue in earnest during the next FY and beyond.
 - i. Sales outlets of commercial use croquettes, the major new product introduced this last spring, have expanded to include the prepared food sections of convenience stores and supermarkets, and monthly shipments are expected to reach target levels by the 4Q.
 - ii. Number of customers for commercial use chicken products with apparent competitive edge of quality is expected to rapidly expand.
2. Plant capacity utilization during the interim term under review stood at 64%, about the same as during the previous same period, which is about 4 points short of our target for FY08/3, and it will be difficult to meet our goal unless we are able to increase production volumes of pre-cooked frozen foods for household use. To achieve this, the following measure will be necessary.
 - i. Expand sales of six existing major products, each of which succeeded in posting a year-on-year growth during the 1H to improve capacity utilization, and introduce new products for the forthcoming winter season.
 - ii. Use more resources on development of new products for the household use market in the medium term.

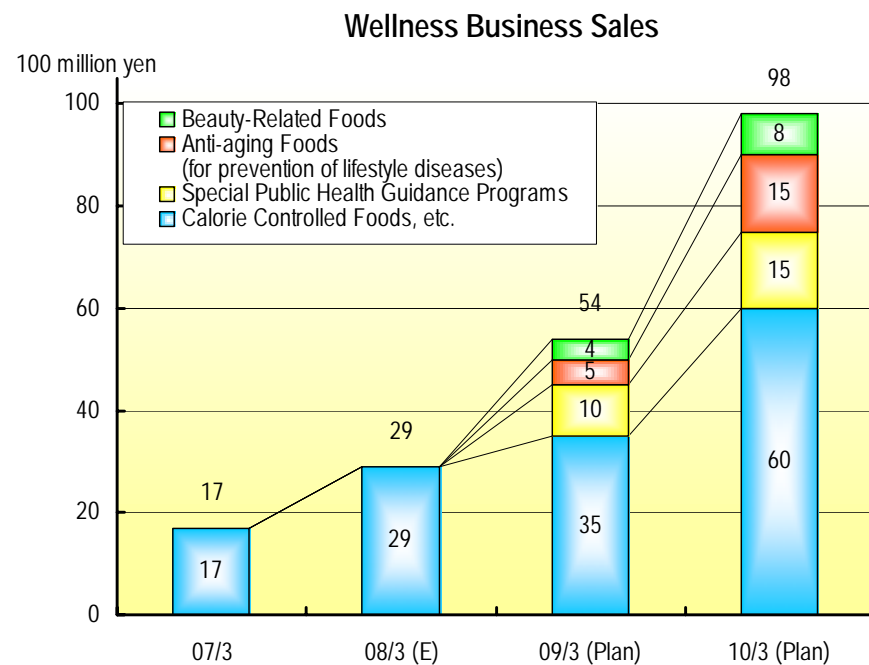


Note: Full capacity is defined as 15 hours per day, 290 days per year.
 Nichirei in-house production capacity and production volumes are calculated based on 8 plants located in Japan and 2 plants located overseas.

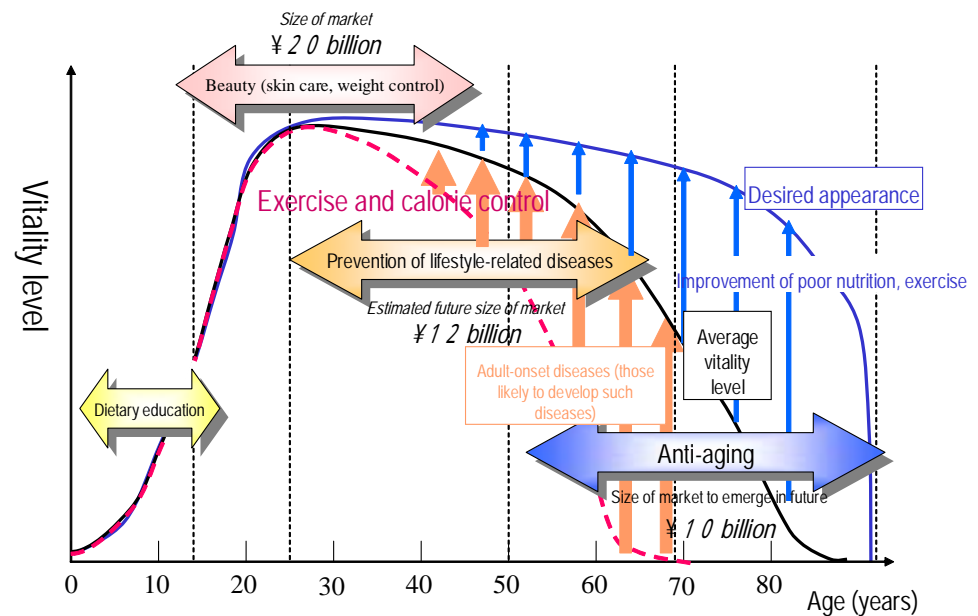
New Mandatory Public Health Guidance System Expected to Expand Market for Products to Prevent Lifestyle-Related Diseases



1. New subsidiary started operations in October 2007, implementing the expansion of Wellness Food products business as one of the main business pillars in the Medium-Term Business Plan.
2. In April 08, national public health insurance associations will start mandatory special health check ups and public health guidance programs. These new activities are expected to stimulate sharp growth in the market for products aimed at prevention of lifestyle-related diseases. Taking full advantage of these new business opportunities, following measure have taken.
 - i. Step up dietary guidance on calorie control to prevent metabolic syndrome.
 - ii. In October 2007, a new subsidiary called “Smile Diner,” established as a joint venture with Mitsubishi Corporation, began operations. It will promote sale of calorie controlled foods through establishing information channels obtained from medical-related facilities. It has a sales target of ¥2.2 billion for FY10/3.
3. Continue preparations to take advantage of the anticipated emergence of a big “anti-aging market.”



Change in Needs Related to Lifestyle and Health Values



Reference: Vitality curves produced by Hiroshi Shibata, former vice president of Tokyo Metropolitan Institute of Gerontology

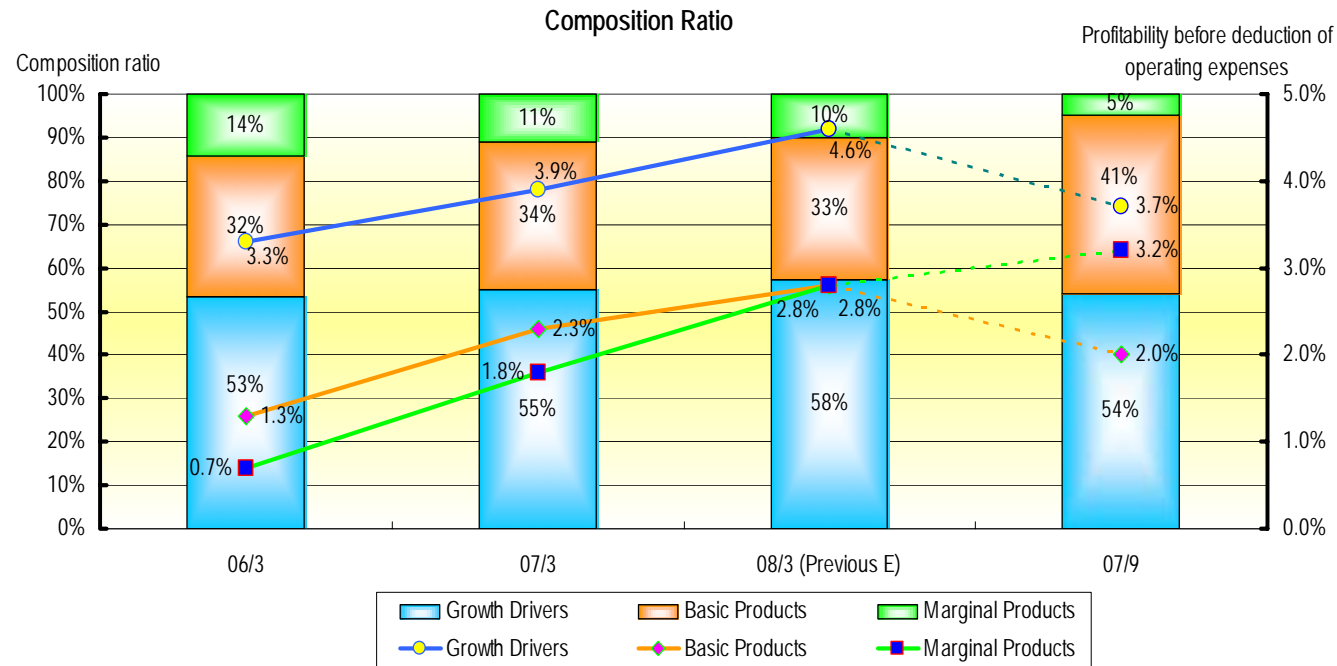
Business Strategy: Marine Products

Streamlining of Product Line Continues, but Profitability Hurt by Weak Demand for Shrimp



1. The streamlining of our product line to remove marginal products, as called for in the Revitalization Plan introduced in March 2005, is proceeding ahead of schedule, and sales were up during the 2Q in core product areas. Overall sales grew by 2% compared with the same period in 2006.
2. Operating profit fell short of the target because: a) the market for shrimp, which is one of the major product areas targeted to drive profitability, weakened significantly, b) delay in relocation of a new processing location, which was intended to strengthen our price competitiveness, caused product volumes to shrink, and c) disposing of unsold inventory. Product volumes in our core product area grew steadily, but some of its products area proved unprofitable, and thus profitability fell below target level.
3. The shrimp market is expected to remain weak during the 2H, which will make it difficult to achieve a goal to bring operating income into the black in FY08/3.
4. The Revitalization Plan will be carried on through further review of the composition of product sales. In the medium term, cost-competitive processing sites will be set up and fixed costs for each marine product are further rationalized to reinforce our business structure.

Sales composition and Profitability Trends by Strategic Category in Marine Products



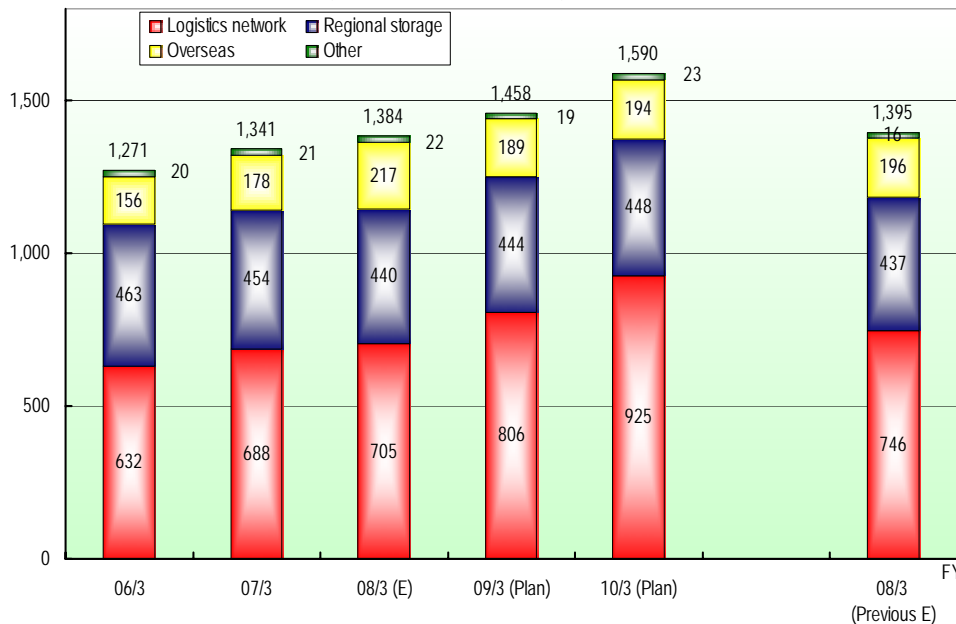
Business Strategy: Logistics

Estimates Revised Upwards on Strong Performance of Overseas and Regional Storage Businesses

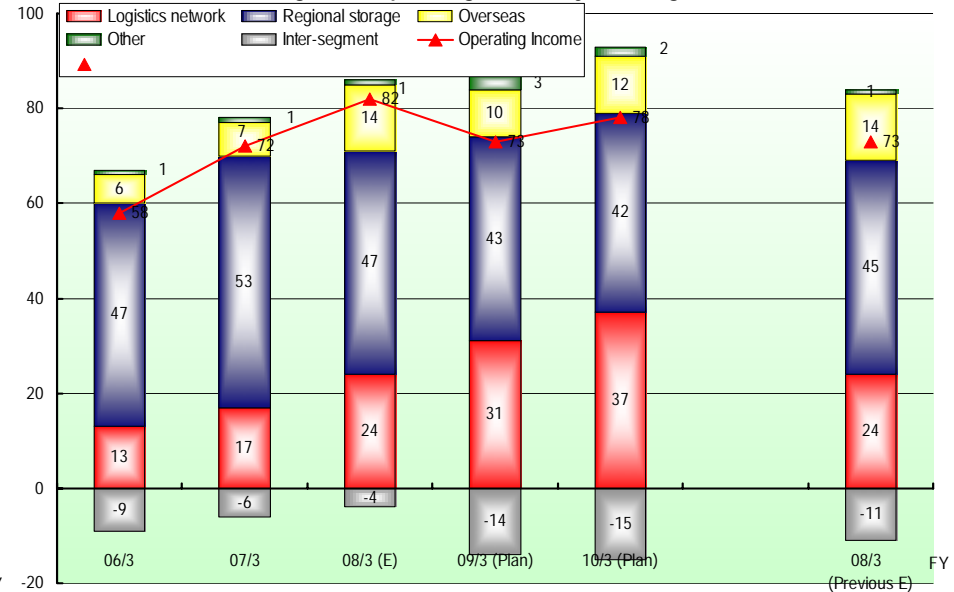


1. Targets of net sales for ¥159 billion and operating income for ¥7.8 billion were set for the final year (FY10/3) in the Medium-Term Business Plan. Operating income forecast revised upward for FY08/3 exceeds the forecasts for FY10/3, however for the present its goal for the final year of the Plan remains unchanged.
2. Overseas business had faced a number of issues through FY07/3, however business in the European market has improved significantly and is now driving growth both in terms of sales and operating income. European operations will now seek to establish solid business bases to support expansion into eastern European market.
3. Regional Storage efficiently managed to maintain capacity utilization rates at previous year levels while there was an industry-wide drop off in livestock product storage volumes which had been long stayed at the highest level because of little turn-over. Elimination of some cold storage facilities last year reduced storage capacity and resulted in lowering sales and operating income, but overall results exceeded our original estimates.
4. Sales in Logistics Network will not significantly grow, but operating income is expected to meet its target because measures being implemented to improve profitability at underperforming centers are proceeding as planned.

100 million yen
Logistics: Sales by Sub-Segment



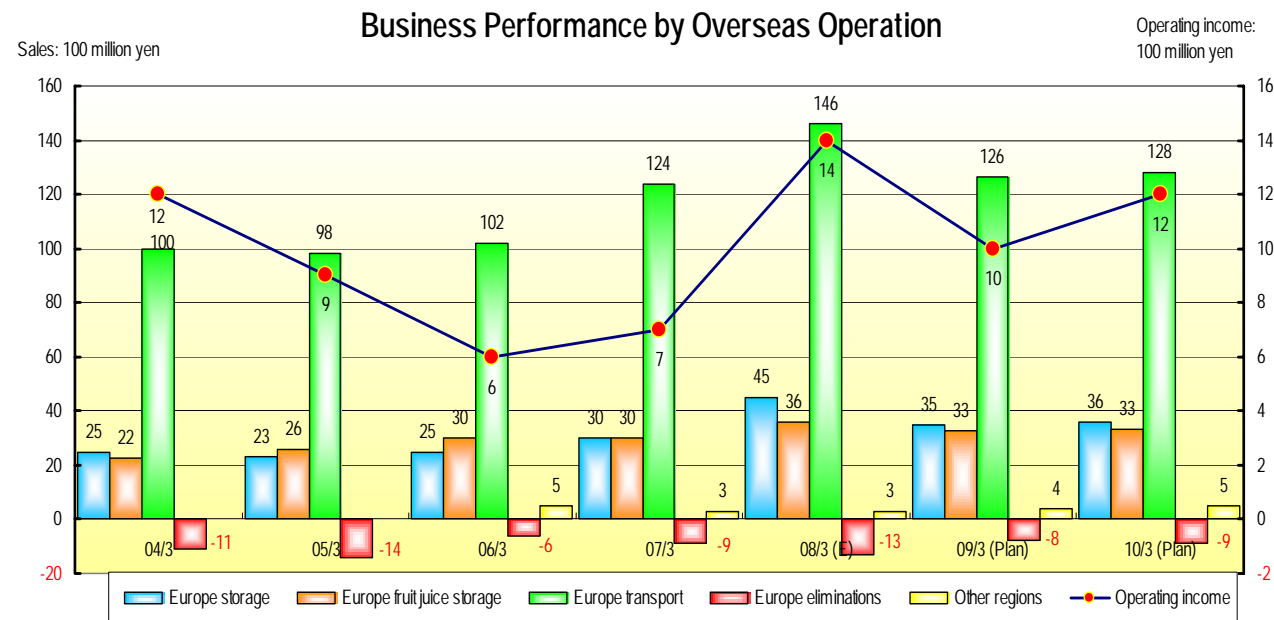
100 million yen
Logistics: Operating Income by Sub-Segment



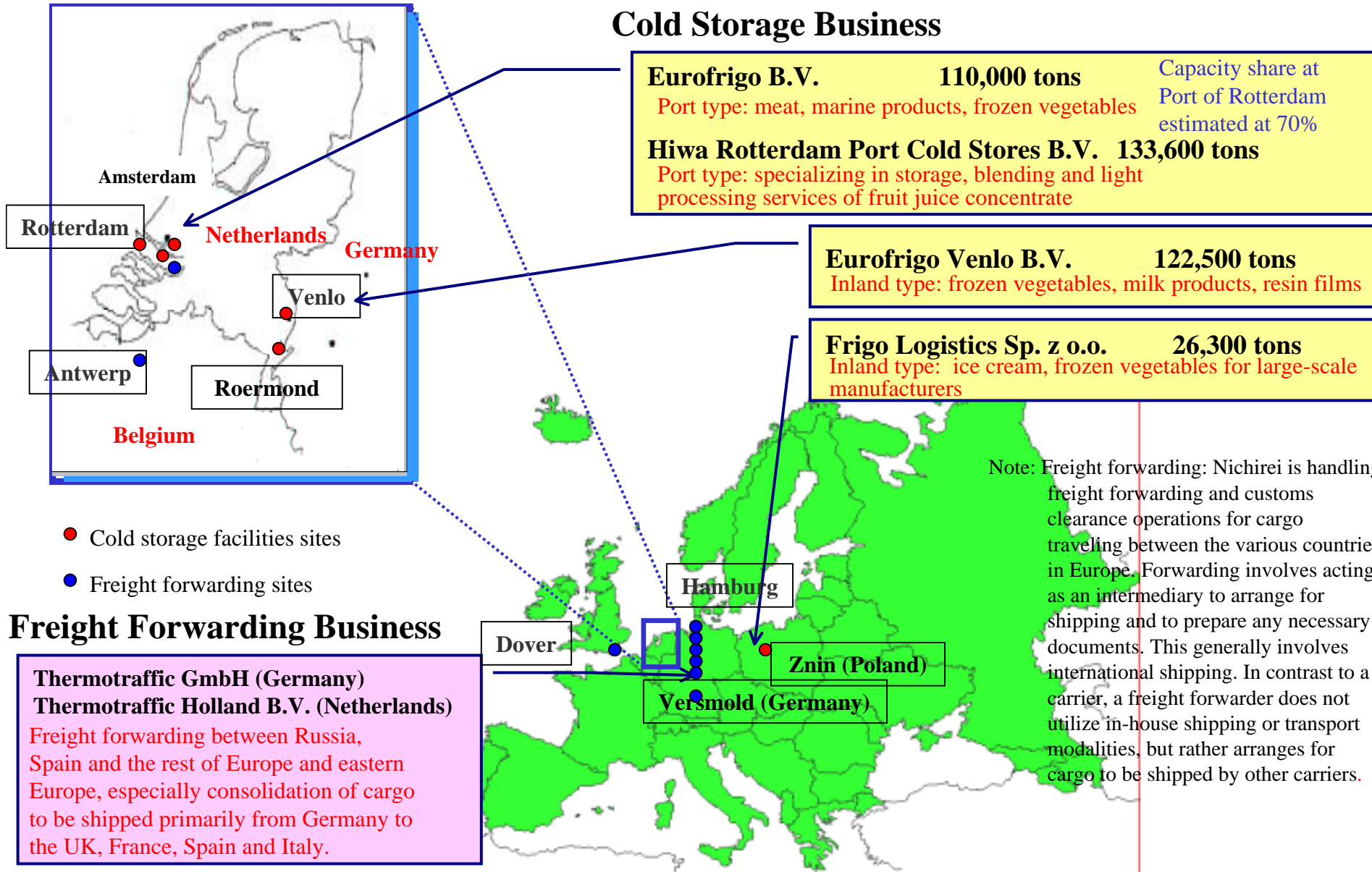
Europe Business with Problems Resolved Boosts Overall Sales



1. There was a recovery in storage volumes of fruit juice concentrate from Central and South America, which had declined due to the effects of big hurricanes two years ago. Business at the port of Rotterdam and inland at Venlo recovered as stepped up marketing efforts to consolidate cargoes helped boosted capacity utilization at cold storage facilities. Rotterdam facilities also succeeded in attracting new large-scale customers by offering a solution service of combined storage and transport that met the needs of Brazilian chicken producers.
2. Transport business is expected to continue to show a strong growth thanks to increased customs clearance revenues at Rotterdam along with increasing transport demand in the eastern European region.
3. Cold storage business in Poland returned to the black, and the following possibilities are now under review for future business development.
 - i. Specific detailed plans are to be drawn up regarding expansion of existing facilities and construction of new centers considering the increasing customer confidence in the quality of logistics services.
 - ii. Active foray by the supermarket chains from the West has generated the needs for logistics services to deliver products from TC (Transfer Centers) to store locations.



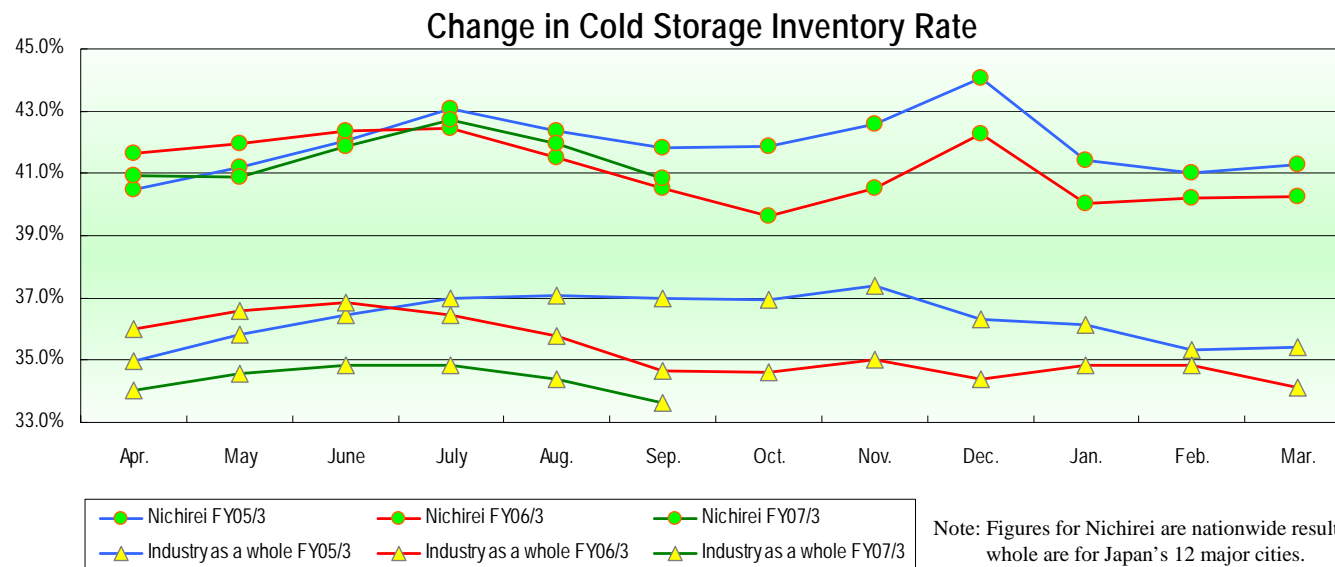
European Business Expanding from the Netherlands/Germany to Eastern Europe



Regional Storage Maintains Capacity Utilization at Previous Year Levels



1. Regional Storage was able to maintain capacity utilization at previous year levels through a successful refilling of vacated storages while higher shipment of livestock products from the storage facilities mainly in the Tokyo metropolitan area pushed capacity utilization rates below previous year levels throughout the industry.
 - i. There was a recovery in storage demand for frozen juice concentrate after the sharp fall in receiving volumes that occurred as a result of severe hurricanes that struck Central and South America two years ago.
 - ii. Locally oriented marketing efforts were successful in expanding cargo consolidation of locally produced agricultural products.
2. Storage utilization rate in the 2H is expected to hold steady at previous year levels. Operating income is forecast to post at previous levels in real term despite curtailing factors including a reduction in storage capacity due to the closure of some facilities and a revision in the depreciation accounting method.



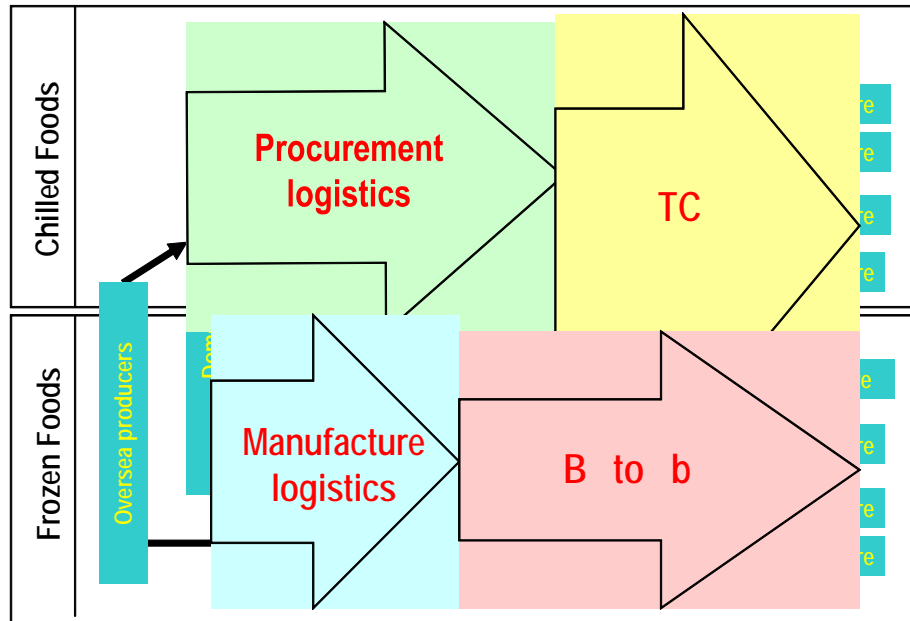
Note: Figures for Nichirei are nationwide results. Figures for the industry as a whole are for Japan's 12 major cities.
 Source: Figures for the industry as a whole were compiled using data from the Japan Association of Refrigerated Warehouses

Sales Flat but Profitability Improves; New Business Consignments Gained



1. Logistics Network business provides a full range of upstream and downstream solutions covering the chilled to frozen temperature range.
2. Goals for the Medium-Term Business Plan are to achieve a 10% annual growth rate within three years, and incremental net sales of ¥23.7 billion.
3. Decline in handling volumes from Nichirei Foods in FY08/3 has slowed the expansion of sales of consigned logistics services among food manufacturers.
4. Significant progress is made in improving profitability at some underperforming distribution centers.
5. New logistics business of fresh greengrocery for GMS was newly contracted. Sales activity in TC solution proposal has been intensified since this last spring.

Structure of the Field of Logistics Network



Growth Factors in Logistics Networks

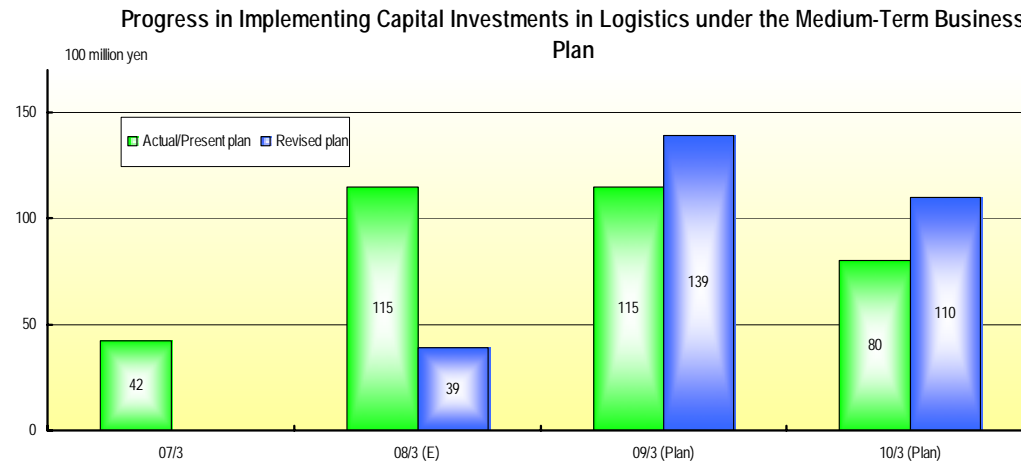
100 million yen

	Estimated size of the overall market	Target customers	New business/solution content	Anticipated growth in sales during 3 years of the Medium-Term Business Plan
Procurement logistics	5,500	<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
TC	3,300	<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
Market logistics	3,800	<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
B to b	8,700	<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
Total	21,300			237

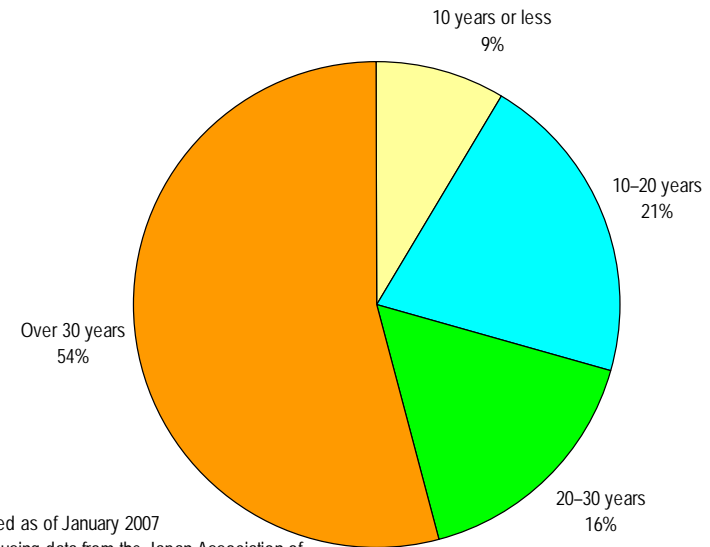
Aggressive Investment in New Cold Storage Facilities Rather at a Slower Pace



1. The Medium-Term Business Plan calls for an aggressive program of capital investment totaling ¥31.0 billion over three years, centered on scrap and build of cold storage facilities and construction on consignment of new transfer centers in Logistics Network. The program, however, is presently about six months behind its original schedule.
2. Many of the existing cold storage facilities in Japan are old, and reconstruction of these old facilities is becoming an imminent issue. Market sees that there will be two camps: those companies that can afford to reconstruct old facilities and those that cannot.
3. Promotion of solution sales for consigned operation services at new TC was renewed since this last spring. The Medium-Term Plan calls for five new TC's to be operated on a consignment basis by the end of the three-year Plan.



Number of Years since Construction of Cold Storage Facilities (Industry wide)



Facilities constructed as of January 2007
 Source: Compiled using data from the Japan Association of Refrigerated Warehouses

Reference Materials

Segment 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)
			Present	Previous		
(Net Sales)						
Processed Foods	1,848	1,773	1,740	1,823	1,900	2,000
Marine Products	811	747	760	800	860	900
Meat and Poultry Products	846	809	820	820	900	1,000
Logistics	1,271	1,341	1,384	1,395	1,458	1,590
Real Estate	100	79	73	70	69	74
Other	87	70	62	65	73	81
Intercompany Elimination	-269	-242	-239	-270	-291	-314
Total	4,694	4,577	4,600	4,703	4,969	5,331
(Operating Income)						
Processed Foods	55	60	53	65	83	97
Marine Products	-17	-4	-6	3	5	6
Meat and Poultry Products	3	6	5	8	9	9
Logistics	58	72	82	73	73	78
Real Estate	61	45	37	34	34	34
Other	1	1	1	2	3	5
Intercompany Elimination	-1	1	-4	-2	-5	-3
Total	160	181	168	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 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.