

Teleconference July 29, 2008



**Business Results**  
**First Quarter**  
**Fiscal Year Ending March 31, 2009**

(Stock code: 2871)

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## Sales and Earnings Up in 1Q Forecasts Unchanged



### FY09/3 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 FY08/3 1Q (Amount)	(E)	(E)	Change from Initial (E) (Amount)	Change from FY08/3 1H (Amount)	(E)	Change from Initial (E) (Amount)	Change from FY08/3 (Amount)
<b>Net Sales</b>	1,194	+60	2,379	-	+68	4,796	-	+160
<b>Operating Income</b>	48	+12	89	-	+9	178	-	+4
<b>Recurring Income</b>	46	+10	81	-	+3	162	-	-6
<b>Net Income</b>	17	-3	37	-	-10	90	-	-6

Note: (E) denotes current forecast; Initial (E) is forecast announced on May 13.

#### **1. Net Sales**

- (i) Net sales were up 5% in all business during the first quarter (April – June) compared to the same period in FY08/3. By segment, sales in Meat and Poultry increased 13% and Logistics 5%. Processed Foods, which had been impacted by the tainted *gyoza* incident, also rose 4% on healthy sales of commercial use products.
- (ii) Initial interim and full-year forecasts are unchanged.

#### **2. Operating Income**

- (i) Operating income in the first quarter rose 33% over the same period in the previous year. Marine Products made a strong recovery into the black, while Processed Foods, Meat and Poultry, and Logistics all recorded increased earnings.
- (ii) The gain in Processed Foods, however, was due in large part to the poor results during the same period of the previous year. The segment is falling behind plan for the interim period due to sluggish sales of acerola and other products.
- (iii) Initial interim and full-year forecasts are unchanged.

#### **3. Recurring Income and Net Income**

Extraordinary losses for the first quarter include ¥1.7 billion difference in change in lease accounting standards.

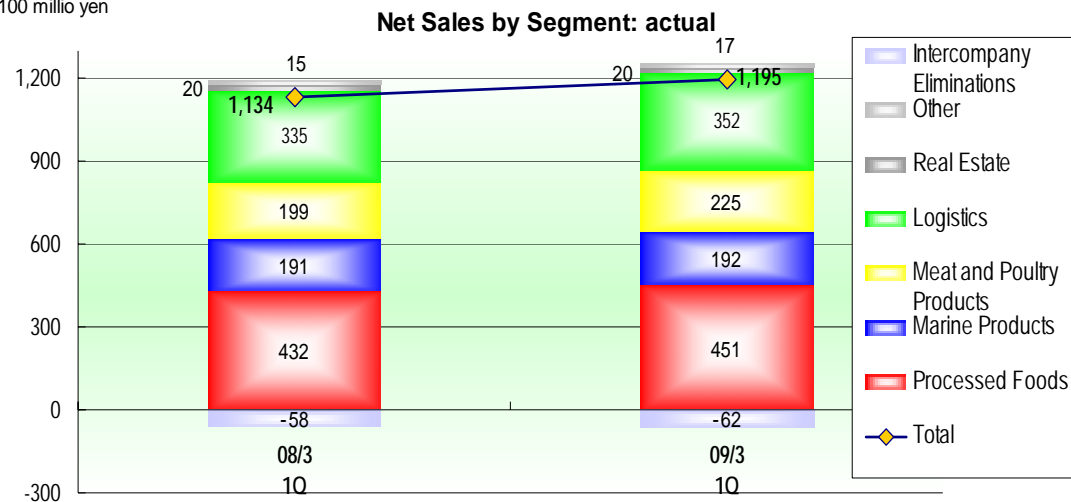
# Processed Foods Up YoY but Behind Plan Marine Products and Meat and Poultry Steady



## Sales and Operating Income by Segment (1)

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

100 million yen



### 1. Processed Foods

Net sales were up 4% in the first quarter compared with the same period in FY08/3. Household use products were down due to the tainted *gyoza* incident and sales of acerola products were slow, but commercial use products have risen in excess of plan. Nichirei's market share in household use has expanded during the reshuffling since the tainted *gyoza* incident. Operating income is up ¥0.2 billion year on year, but is falling behind plan due to sluggish sales of the renewed acerola and other factors. We will focus on promotion strategies for acerola going forward.

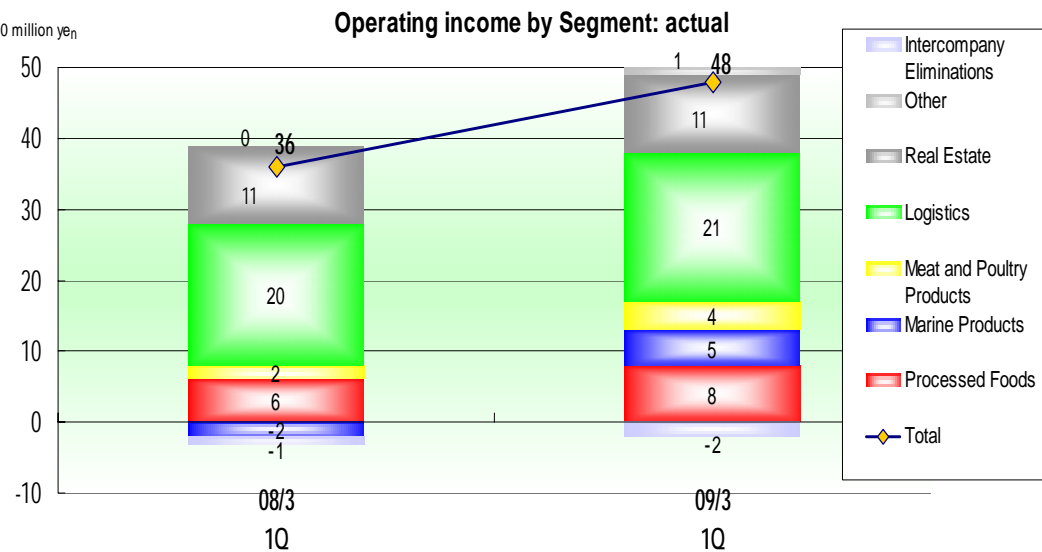
### 2. Marine Products

Net sales showed a slight year-on-year increase during the first quarter, while operating income returned to the black on improved profitability. The profitability of shrimp, which lagged during the first half in FY08/3, has improved since the second half. Along with reductions in fixed costs, earnings rose a substantial ¥0.7 billion.

### 3. Meat and Poultry Products

Net sales grew 13% during the first quarter. Amid rising prices of over all meat and poultry products, increased demand for low-cost chicken gave a substantial boost to earnings centered on imported chicken, up ¥0.2 billion from the same period of the previous fiscal year.

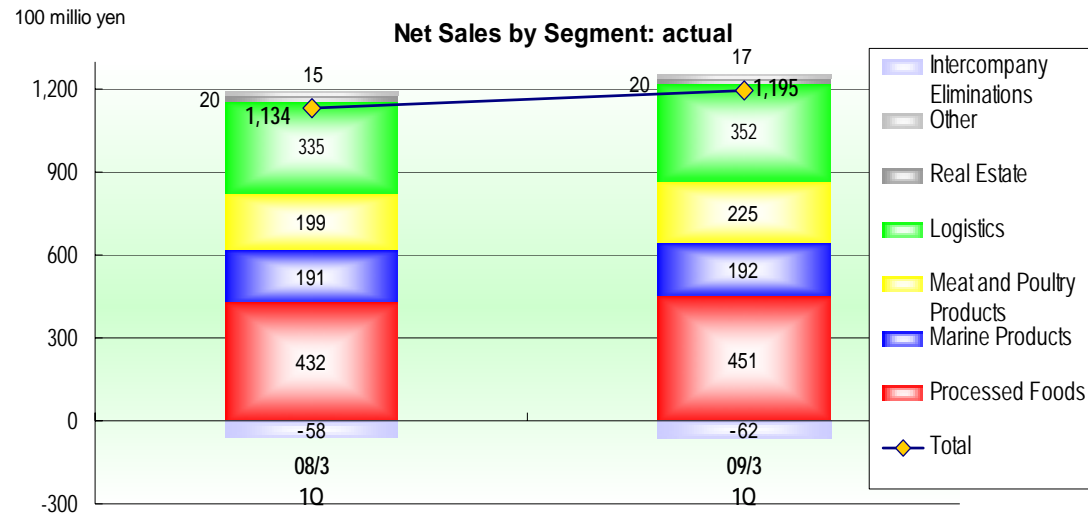
100 million yen



# Logistics Boosted by Strong Overseas Business



## Sales and Operating Income by Segment (2)

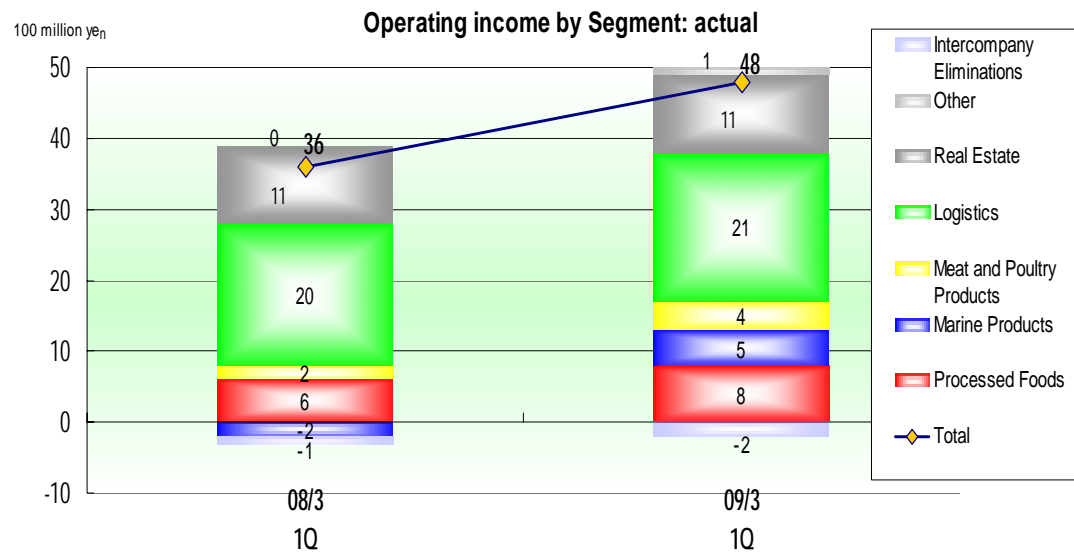


### 4. Logistics

Net sales rose 5% overall in the first quarter with earnings up ¥0.1 billion year on year, due mainly to the continued strong performance of the overseas business led by Europe. In Japan efforts to establish new sales channels for logistics such as convenience stores and fruit and vegetable markets, along with efforts to promote freight consolidation at regional storage facilities gave a boost to sales, but operating income remained flat from the same period in FY08/3.

### 5. Real Estate

Net sales and operating income were on par with the previous fiscal year. Results are in line with plan, centered on leasing units.



### 6. Other

Both sales and earnings were up overall as a result of increased sales in biosciences, centered on culture medium products.

# Commercial Use Products Perform Well

## Impact from the Tainted *Gyoza* Incident Fades for Household Use Products



### 1Q Sales of Frozen Foods

#### 1. Frozen Foods Overall

Sales were up 7% from the same period in FY08/3, helped by strong performance in commercial use, especially chicken and croquette products. Household use sales continue to be affected by the tainted *gyoza* incident, but on a value basis have recovered to nearly the same level as a year earlier.

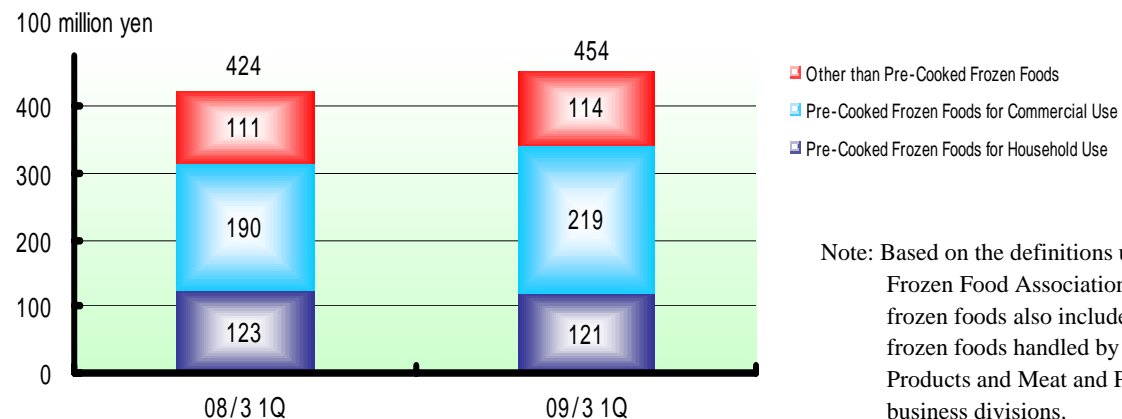
#### 2. Pre-Cooked Frozen Foods

- (i) Household use: Net sales fell by 2% compared to the same period of the previous year. Impact from the tainted *gyoza* incident is fading month by month. Certain products such as *onigiri* are recovering slowly as people cook more at home, but overall household use products have recovered to nearly the same level as a year earlier. In Nichirei's mainstay *Obento-ni-Good!* series, sales of *PariPari Spring Rolls* were positive.

Nichirei's market share has risen steadily since the tainted *gyoza* incident, increasing to 13% in June from 11% in January in which the incident occurred. (according to Nikkei POS data).

- (ii) Commercial use: Net sales were up 15% compared to the same period in FY08/3. Products for the HMR (Home meal replacement) market performed well, mainly chicken and croquette products.

**Historical Net Sales for Frozen Foods**

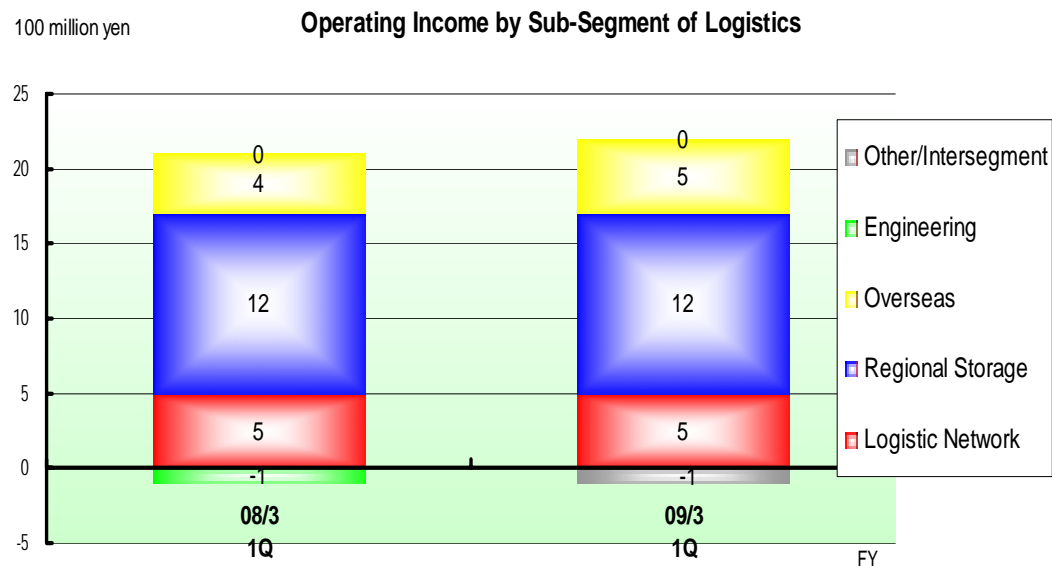
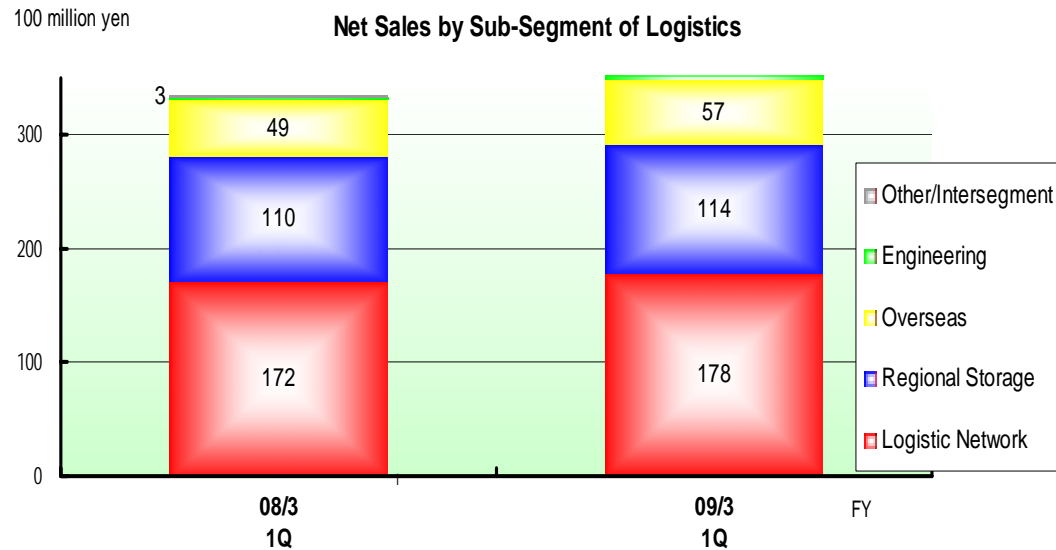


Note: Based on the definitions used by the Japan Frozen Food Association, net sales of frozen foods also includes net sales of frozen foods handled by our Marine Products and Meat and Poultry Products business divisions.

# Storage at Rotterdam Port and Transport at High Levels in Europe



## Factors of Changes in Performance of the Logistics Business



### 1. Logistics Network

- (i) Net sales rose 3% from the same period in FY08/3, boosted by greater transportation revenue from new sales channels such as convenience stores and fruit and vegetable markets.
- (ii) Operating income, despite efforts to improve the surcharge rate, was flat from a year earlier due to rising oil prices.

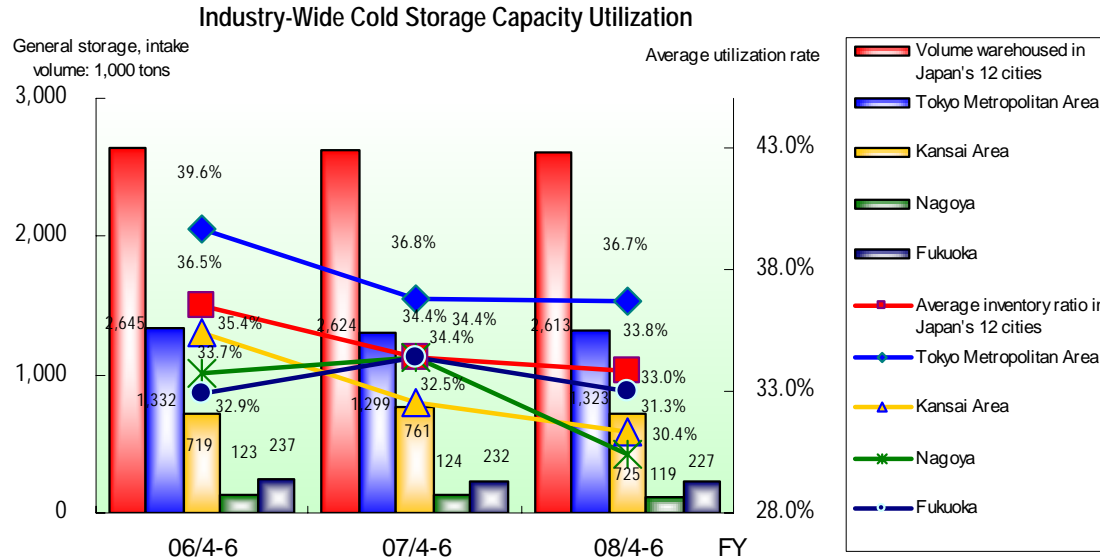
### 2. Regional Storage

- (i) Net sales rose 4% year on year due ongoing efforts to consolidated shipments by region, and the opening of a new distribution center (Yokohama 11,000 tons capacity).
- (ii) Operating income was down slightly due to expenses for establishing the new distribution center and closing of existing facilities.

### 3. Overseas

- (i) Net sales rose 17% in the first quarter with earnings up ¥0.1 billion year on year. Cold storage facilities at Rotterdam Port in Europe are operating at near full capacity. Transport volume is also rising steadily.

# Nichirei's Capacity Utilization Steady as Freight Volumes Fall across the Industry

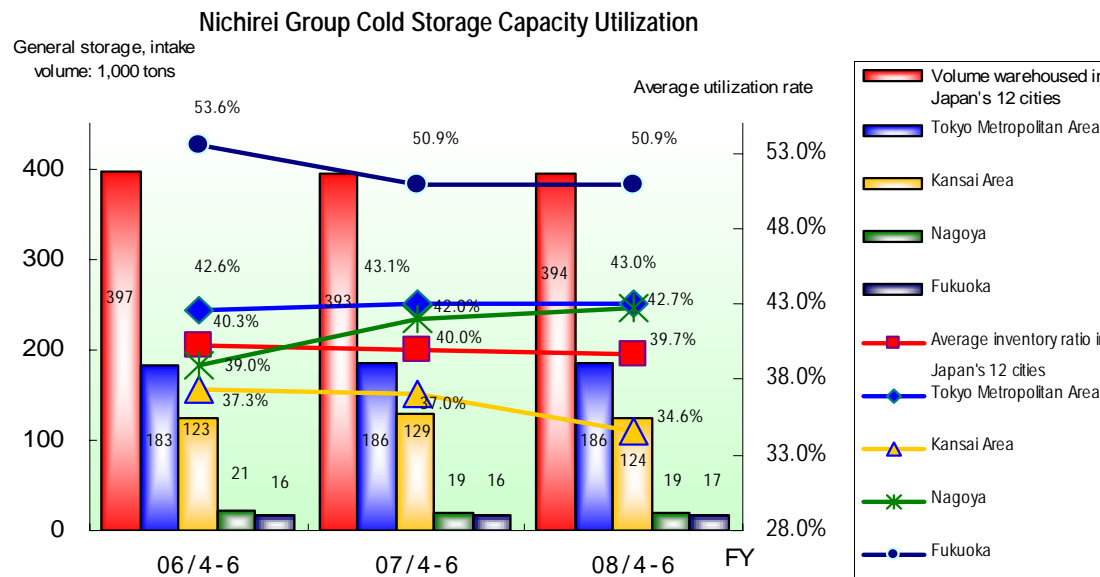


## 1. Industry Situation

Overall intake volume recovered in the Tokyo area, but declined across the 12 major urban regions and other areas. Capacity utilization is also down overall from the same period of the previous fiscal year.

## 2. Nichirei Group Situation

Intake volumes and capacity utilization rates remained at previous year levels.



(Source: Figures were compiled using data from the Japan Association of Refrigerated Warehouses)

# Increase in Lease Assets and Liabilities Following Change in Accounting Standards



## Factors for Changes in Consolidated Balance Sheet for FY09/3 1Q

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

Item	08/3	08/6	Change (Amount)	
<b>[Assets]</b>				
Current assets	1,030	1,120	+89	(i)
Fixed assets	1,547	1,787	+240	(ii)
Total assets	2,578	2,908	+330	
<b>[Liabilities/Shareholders' equity]</b>				
Current liabilities	812	1,089	+277	(iii)
Fixed liabilities	600	662	+61	(iii)
Total liabilities	1,413	1,751	+338	(iii)
Net Assets (Shareholders' equity)	1,164 1,073	1,156 1,066	-8 -6	
(Interest-bearing debt)	661	734	+73	(iv)
Item	07/6	08/6	Change (Amount)	
(Capital investment)	24	35	+11	(v)
(Depreciation and amortization)	23	23	+0	
(Depreciation and amortization of lease assets)	-	9	+9	

### Main Factors

- (i) Accounts receivable increased ¥4.5 billion, together with increased net sales; Inventories increased ¥2.3 billion on stockpiling of Processed Foods, Marine Products, and Meat and Poultry in anticipation of summertime demand.
- (ii) Tangible fixed assets increased ¥20.5 billion from recording of lease assets following a change in accounting standards, and ¥2.2 billion from making Kyurei a subsidiary.
- (iii) Main factor behind increase in current liabilities is ¥12.0 billion transfer of long-term debt from fixed liabilities. Also, to temporarily augment working capital short-term borrowings were increased ¥5.4 billion, and commercial paper ¥7.0 billion. Increase in lease liabilities resulted in ¥20.3 billion addition to fixed liabilities, and ¥3.6 billion to current liabilities.
- (iv) Short-term borrowings and commercial paper were increased to temporarily augment working capital.
- (v) Main capital investments for the first quarter
  - Regional Storage Rebuilding of the Yokohama distribution center  
Expanding of the Matsue distribution center
  - Processed Foods Setting a new production line for Wellness Foods



## 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	
	09/3	08/3	09/3 (E)	08/3	09/3 (E)	08/3	09/3 (E)	08/3
<b>(Net Sales)</b>								
Processed Foods	451	432	476	453	927	885	1,878	1,750
Marine Products	192	191	188	191	380	382	744	747
Meat and Poultry Products	225	199	211	204	436	403	860	839
Logistics	352	335	345	353	697	688	1,425	1,387
Real Estate	20	20	16	19	36	39	73	75
Other	17	15	14	14	31	29	66	63
Intercompany Eliminations	-62	-58	-66	-57	-128	-115	-250	-225
<b>Total</b>	<b>1,195</b>	<b>1,134</b>	<b>1,184</b>	<b>1,177</b>	<b>2,379</b>	<b>2,311</b>	<b>4,796</b>	<b>4,636</b>
<b>(Operating Income)</b>								
Processed Foods	8	6	24	9	32	15	57	41
Marine Products	5	-2	-4	-1	1	-3	2	-5
Meat and Poultry Products	4	2	0	1	4	3	8	6
Logistics	21	20	17	23	38	43	78	85
Real Estate	11	11	7	11	18	22	36	43
Other	1	0	-2	0	-1	0	1	2
Intercompany Eliminations	-2	-1	-1	1	-3	0	-4	2
<b>Total</b>	<b>48</b>	<b>36</b>	<b>41</b>	<b>44</b>	<b>89</b>	<b>80</b>	<b>178</b>	<b>174</b>

Note: Figures for forecast of interim and full year have not been changed from those announced on May 13, 2008.

## 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 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.