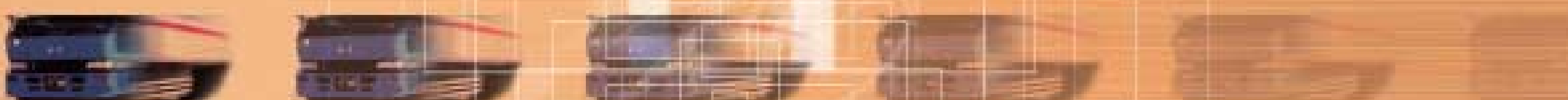
NICHIREI



NICHIREI CORPORATION

Annual Report 2001

Year Ended March 31, 2001

Annual Report 2001

Year Ended March 31, 2001

CONTENTS

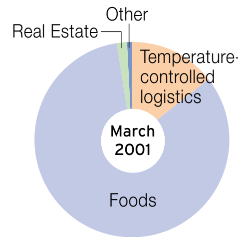
PROFILE

Nichirei Corporation is one of Japan's leading food companies, preeminent in the refrigerated warehousing and frozen foods industries, with operations spanning domestic and international food production, processing, distribution and storage, as well as real estate.

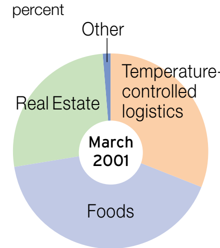
Comprehensive research and development programs, including biotechnology research, support these wide-ranging operations.

In Japan, we operate through 11 branches and a network of 70 Logistics Service Centers. The Company also has 15 sales offices, four food manufacturing plants and three processing plants, as well as 89 subsidiaries and affiliates. We have 27 subsidiaries and affiliates overseas, and an extensive network of suppliers.

Operating revenues by Consolidated Segment
percent



Operating Income by Consolidated Segment
(before intercompany eliminations and corporate)
percent



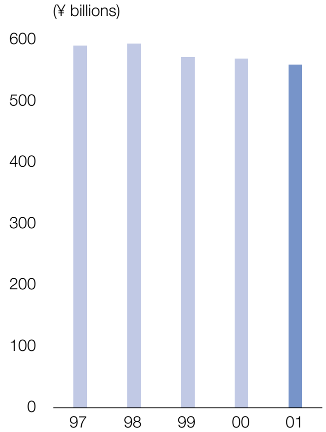
FINANCIAL HIGHLIGHTS

Nichirei Corporation and Consolidated Subsidiaries
Years ended March 31, 2001 and 2000

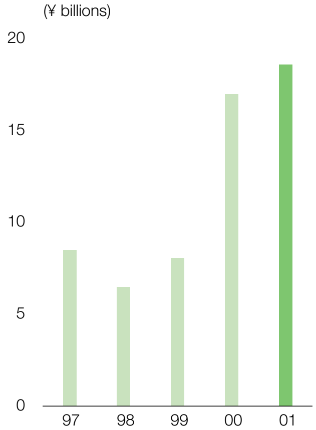
	Millions of yen except per share amounts 2000	2001	% change 2001/2000	Thousands of U.S. dollars except per share amounts 2001
FOR THE YEAR				
Net sales	¥ 569,482	¥ 560,006	-1.7%	$ 4,519,825
Operating income	16,973	18,596	9.6	150,095
Income before income taxes	7,979	6,503	-18.5	52,486
Net income	4,326	4,020	-7.1	32,450
PER SHARE DATA				
Net income				
Basic	¥ 13.91	¥ 12.93	-7.0%	$ 0.104
Diluted	13.87	12.93	-6.8	0.104
AT YEAR-END				
Shareholders' equity	¥ 82,624	¥ 89,395	8.2%	$ 721,513
Total assets	370,623	367,770	-0.8	2,968,286

Notes:
1. U.S. dollar amounts have been translated from yen, for convenience only, at the rate of ¥123.90=U.S.$1, the approximate Tokyo foreign exchange market rate as of March 31, 2001.
2. For the year ended March 31, 2001, 48 subsidiaries were newly included to constitute a total of 106 consolidated subsidiaries, while four affiliates were newly added to a total of 14 affiliates to be accounted for by the equity method.
3. The computation of net income per share assuming no dilution is based on the average number of shares outstanding during each fiscal year.
Net income per share assuming dilution is based on the average number of shares outstanding during the year and assumes conversion of convertible bonds, issued on August 31, 1988. The dilution of net income per share was not occurred as at March 31, 2001.

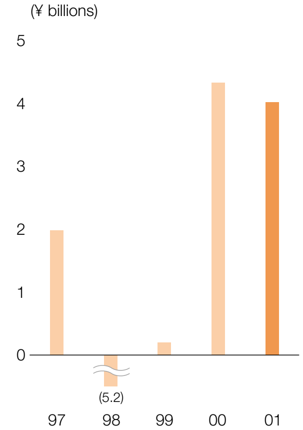
Net Sales
(¥ billions)



Operating Income
(¥ billions)



Net Income
(¥ billions)



MESSAGE TO OUR SHAREHOLDERS

Takemoto Ohto, Representative Director and Chairman (Left)
Mitsudo Urano, Representative Director and President (Right)

A New Management System

This year, the biggest news as we present you Nichirei's annual report is not that we broke yet another highest operating income record, at 18.6 billion yen. Or that our food operations' three strategic categories continued on their upward trend in income, growing 7%. Or that we were able to slash 22.1 billion yen in interest-bearing liabilities. Sure, all of these things are true, but we also have news for you that will ensure Nichirei's future, at double strength. In the fiscal year ending March 2002, Nichirei established a new management system with two representative directors: Takemoto Ohto and Mitsudo Urano serving you as Chairman and President.

What does it all mean? It means that our three-year Medium-Term Restructuring Plan that began in 1998 has been completed successfully, creating a solid foundation for further growth. The figures for this fiscal year ended March 31, 2001 are a showcase of numerous successes resulting from the Plan, which was vigorously implemented under our former Representative Director and President, Tadashi Teshima.

The new system with two "CEOs" speaks of our aggressive initiative toward a renewed growth in the 21st century. Some may raise concerns about having two leaders hindering quick decision-making in this age of rapid changes. We, however, say, two heads are better than one. We believe that our relationship is that of mutual respect for each other's expertise, and one that complements each other. We have no doubt that we, as the two CEOs, can more than double our power as a team.

The most important job the two of us hold to serve you, the shareholders, is to implement a strategy for guiding Nichirei onto the road to long-term growth. To do so, we will always put capital efficiency first, and strive in the areas of Nichirei's core competence. This long-term growth, as we declare in Nichirei's Mission, is one we hope to achieve hand-in-hand with the community. The growth, we believe, also creates new values for all of our stakeholders.

From Restructuring To Growth

In November 2000, Nichirei formulated its new three-year plan, the New Medium-Term Plan, to advance to the road to long-term growth starting with the fiscal year ending March 2002.
The new plan is a step up from our three-year Medium-Term Restructuring Plan that, from the fiscal year ended March 1999 to the fiscal year ended March 2001, helped prepare our business for the cut-throat competition in the 21st century.

Today, in the 21st century, we find ourselves in turmoil, with changes in all areas of politics, economics and society. This, of course, has dramatically affected the business world. The information technology revolution, globalization and aging society have all contributed to rapidly weaken businesses' ability to make profit the conventional way. In a desperate race for survival, companies are busily merging or integrating with each other, or feeling their way into a new area of business.
How can Nichirei not only pull out of this period of drastic changes but also grow?

The first step, we determined in our New Medium-Term Plan, was to establish temperature-controlled logistics operation and food operations – the two areas in which Nichirei performs to its full competence – as our core operations.
The focus of the New Medium-Term Plan, in fact, is to determine the fate of individual operations that make up the two core operations, stressing utmost importance on capital efficiency. The New Plan also focuses on pursuing functions for temperature-controlled logistics operation in areas that do not require major capital investment, and, in food operations, concentrating on strategic categories and revamping the production system.

Certainly, our most aggressive investment on a growth field is in our third-party logistics operation, currently in the works. Yes, we are banking on temperature-controlled logistics. Adding information technology to the traditional temperature-controlled logistics operation of simple delivery and storage, we will provide our customers with the best, comprehensive plan that covers overall logistics, including taking customer orders, processing products and issuing invoices. At Logistics Planner, a new company we co-established with NTT Data Corporation and Itochu Corporation, our goal this term is to lay the groundwork for being consigned with the overall logistics operation for Nichirei's food processing business and to win contracts for logistics operation from five rapidly growing companies in the restaurant industry. We also aim to expand the pool of our clients by gaining contracts from food manufacturers, retailers and e-commerce vendors. Our plan is to emphasize system development as the key to efficiency in logistics. We will reexamine every process of our logistics operation and cutback on costs in areas where it is possible to employ a computer system. With our full-scale operation slated for the coming fiscal year, we will continue to build our system to lay the foundation for the new company to start contributing to our profit in the fiscal year ending March 2003.

We also have plans to thoroughly improve capital efficiency in other temperature-controlled logistics operations by utilizing existing logistics bases and increasing transportation and delivery sales. In our storage business, for example, we will assign different roles among the warehouses to specialize in different functions, while in our distribution business, we will work to improve our operation by eliminating idle time and space.

In our food operations, we will improve our operating profit on sales by concentrating on processed foods in strategic categories and improving efficiency by revamping our production system. As we shift our focus to the strategic categories of fast-growing, high-profit products – cooked rice, Chinese food and chicken – as well as other important subcategories, we will concentrate and expand especially on frozen rice dishes. Our new product, the Authentic Stir-Fried Rice, is backed by Nichirei’s superb processing technology and innovative, product-development ability. In addition, we will process more products overseas to reduce cost of sales and strengthen our relationship with other sections of our company as well as with business partners to bring a steady income and to maintain global prices.

Using unique ingredients that Nichirei has always made sure to be great-tasting, safe, healthy and environmentally friendly, we have built a business model not readily affected by market conditions. Our stance is, and will always be, to tactfully bring forward the power of Mother Nature to create products and profit, never succumbing to cosmetic tricks or fads. Our plan is to revamp our production system into a global one, optimizing production through the best possible production mix. We intend to gain high profit from these uniquely Nichirei products by shifting our strategies: No longer aiming to gain the overall No.1 share, we now aim to be No.1 in numerous categories.

In our marine products and livestock & poultry products operations, we will work in synergy with our processed food operations in our product and sales policies, meeting customer demand by providing discriminating materials and a diversified lineup of everything from commodity-like items to cooked products. With our product policy to reduce market risks, as well as by improving the turnover rate of inventory assets, we also aim to stabilize income.

We will strive relentlessly to realize our most important goal of improving capital efficiency as we lead Nichirei to a new road to long-term growth. We will pursue efficiency by assigning special functions to different warehouses in temperature-controlled logistics operations, and, in food operations, focus on strategic categories and revamp production systems.

Accomplishments For The Fiscal Year Ended March 2001

The fiscal year ended March 2001 was a year that revealed the success of our Medium-Term Restructuring Plan, led by our former Representative Director, Tadashi Teshima, to lay the groundwork for the New Medium-Term Plan that we, the new management, now lead.

Nothing shows the success better than our record-high operating income this fiscal year. Our net sales declined 1.7% this fiscal year to 560.01 billion yen, which, however, was more than last year’s when considering such factors as the decline in revenues owing to sales of our consolidated subsidiaries in the United States, and the changes in accounting procedures for our consolidated wholesaler subsidiary. Our operating income increased 9.6% to 18.6 billion yen, rewriting our record for the highest operating income in the history of our company. Factors for such an achievement include sales of investment real estate to amortize the shortfalls in the obligations for employees’ retirement benefits. Other major factors include revisions, revamps and restructuring measures conducted on our unprofitable operations as part of our Medium-Term Restructuring Plan.

Our net income for this fiscal year, meanwhile, dropped 7.1% to 4.02 billion yen due to a lump-sum amortization of the obligations arising from the payment of employees' retirement benefits.

In temperature-controlled logistics operations, one of our two core operations, we secured a 5% increase in sales by adding more distribution bases and earning more income from transportation and deliveries. As for our storage business, the unit storage price showed signs of ending its downward spiral during the last half of this fiscal year. Added with our aggressive booking of cargo to our refrigerated warehouses in the transportation and delivery business and the launch of the full-scale operation of nation-wide regular service routes by Nippon Teion Ryutsu, our sales and operating income both steadily grew.

In food operations, our other core operation, despite the processed foods continuing to go well, the significant drop in the unit prices of marine, livestock and poultry products resulted in a sales decrease from the year-earlier result, with a 10 billion yen drop in the wholesale of foods due to a change in the accounting procedures.

Of our processed foods, the new products in the overall frozen foods department, Ama-ebi Shumai (Chinese-style steamed dumplings containing pink shrimp and wrapped in thin pasta) and Shrimp & Cheese Au Gratin/Rice became a hit. The Specially Selected Deli Croquettes Series for industrial use featuring the feel of a home-made batter also sold well, being a product of Nichirei's advanced technology. Our three strategic categories also grew 7% over the year-earlier result, continuing a steady trend of increased income.

Overall, incomes from our temperature-controlled logistics operations and processed foods operations both increased.

Our assets and capital, despite a 3-billion-yen increase in employees' retirement benefit obligations, saw a curtailment of 22.1 billion yen in interest-bearing debt, exceeding our initial goal.

Three years of our determination to forge ahead with our restructuring plan greatly improved our management efficiency. However, we will not rest satisfied. To further strengthen Nichirei as a corporate group, we will establish our next program in the form of New Medium-Term Plan to take action following growth strategies.

Growing further, hand-in-hand with the community

As declared in our Group Mission Statement, Nichirei looks hard at people's lifestyles and provide satisfaction for people's hearts. With Nichirei's footprints firmly on the history and development of frozen foods and refrigerated warehousing, we will continue to pioneer the path for the temperature-controlled food industry, rebuilding our core operations and guiding our strategic operations into a new road to growth.

The restructuring and plans for our next phase represent our commitment into the future. By anticipating changes in foods logistics and earning the No.1 position in a diversity of categories, we will see to it that Nichirei's income surges. The race has only begun in the 21st century. The timely restructuring and plans serve as a crucial lifeline for us to thrive, so that we may continue creating value for every stakeholder – our shareholders, customers and employees.

It is our belief that through these restructuring and plans, we will be able to take full advantage of our system – combining energy, talent, structure and comprehensive ability – to raise Nichirei's corporate value and boost our growth.

The glowing achievements of Nichirei this fiscal year were the best indication of our firm determination and strong ability. The future, we believe, looks even brighter.

Takemoto Ohto

Takemoto Ohto, Representative Director and Chairman

M. Urano

Mitsudo Urano, Representative Director and President

Temperature-Controlled

Temperature-controlled logistics are one of Nichirei's core operations. Through this operation, the Company offers its customers services in three areas: 1) cold storage, transportation and delivery services, 2) distribution services to sort, assort and deliver products at distribution centers consigned by specific clients, and 3) third-party logistic services to propose and provide comprehensive distribution solutions for client companies.

Nichirei's temperature-controlled-logistics operation is founded on the nation's largest refrigerated warehouse network, a transportation and delivery system that links these warehouses, and an advanced level of logistics know-how that utilizes information technology. Through Nichirei's New Medium-Term Plan, the Company will take full advantage of these core competencies and strengths and reevaluate all its functions to yield greater synergies. Nichirei's aim is to create a new level of logistics services.

COLD STORAGE

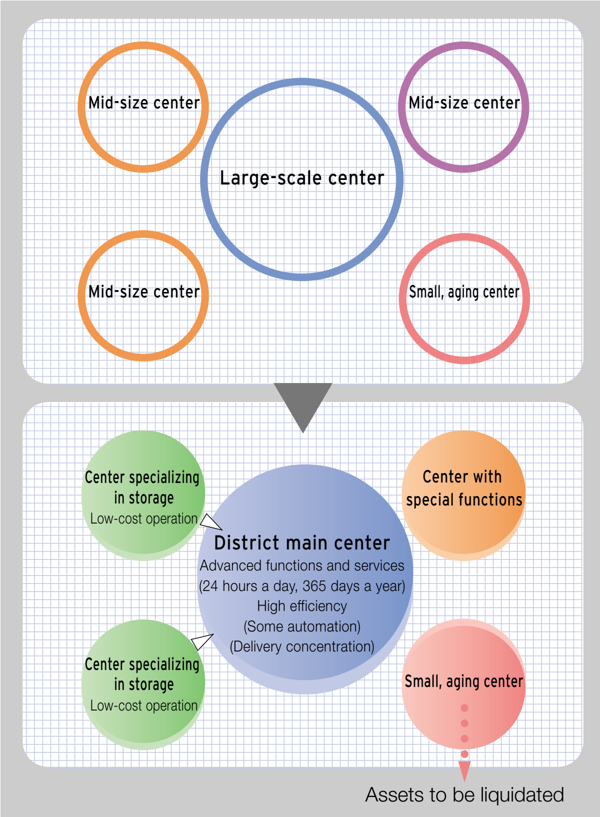
· Promoting specialized warehousing
· Streamlining operations by clarifying site roles and assigning specific functions

Nichirei's cold storage service has consisted of separately operated services: storing services at warehouses and regional refrigerated storages owned by Nichirei and its subsidiaries, and transportation and delivery services provided by Nichirei's subsidiary, Nippon Teion Ryutsu Co., Ltd. Because the services were independently operated, similar clients in the same region were inefficiently served, scattered among different warehouses.

To resolve this problem, Nichirei will introduce its Regional Company System as part of its New Medium-Term Plan. Through this system, the Company will specialize all of its warehouses in different purposes and functions to boost distribution within the same region. First, the Company will select a major warehouse in each of its regions to serve as the central base. Some operations at the warehouse will be automated, while transportation and delivery services also will be added to offer detailed services 24 hours a day, 365 days a year. Then, to cooperate with the major warehouse, several medium-size warehouses in the peripheral will specialize in storage for a more cost-efficient operation. Remaining sites will provide specialized functions. The Company's aim is to improve the efficiency of transportation and delivery, as well as the use of facilities, through such cooperative operation of regional warehouses whose functions are clearly defined.

By integrating the previously separate operations into a regional company, Nichirei aims to further improve its functions. The regional companies, each with its independent accounting system, also will help reduce costs as cost awareness is raised by having the companies compete against one another. In addition, the regional companies offer comprehensive logistics solutions for the specific area.

The Company also plans to close down 10 sites by March 2002 as part of its efforts to liquidate small and aging sites that cannot provide high-performance services.



Logistics

DISTRIBUTION

· Expanding sites and improving operational rates
· Offering customized distribution systems with processing centers.

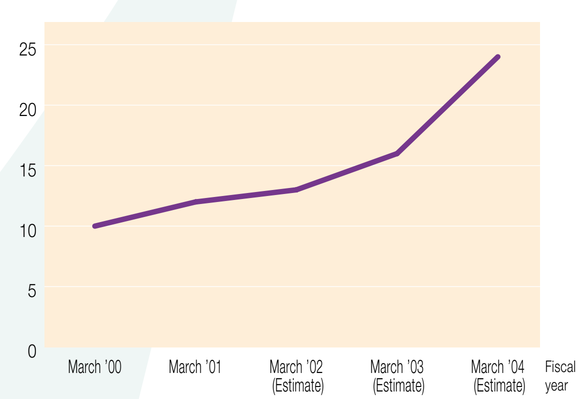
In executing its New Medium-Term Plan, Nichirei will take full advantage of the strengths of the Company's other core business – food operations – to improve its distribution operations.

At the distribution sites that serve as mid-way transportation and delivery sites for livestock and poultry products, marine products, agricultural products, chilled processed foods and delicatessen foods, Nichirei will do what it does best as a food company: preparing foods and packaging them for retail at processing centers. Such expertise puts Nichirei in a league of its own, allowing it to create distribution systems catered to each of its clients. By March 2004, the Company aims to double the number of contracted distribution centers to 24, operating them for businesses in the retail, restaurant and food-supply sectors. To improve operation rates, the Company will establish refrigerated warehouses for storage at some of these mid-way distribution centers.

Meanwhile, Nichirei aims to improve the operation rate of its facilities through measures such as combining consignments from restaurant chains and large retailers. The facilities will be utilized to their full extent, operating from the very early hours and late into the night to give room to accommodate new customers. The goal is to maximize the use of the Company's existing sites.

In June 2001, Nichirei has begun operations in its new facilities in the Tohoku region, and in June 2002, it plans to place other new facilities in operation.

Number of distribution-type operation centers over the years



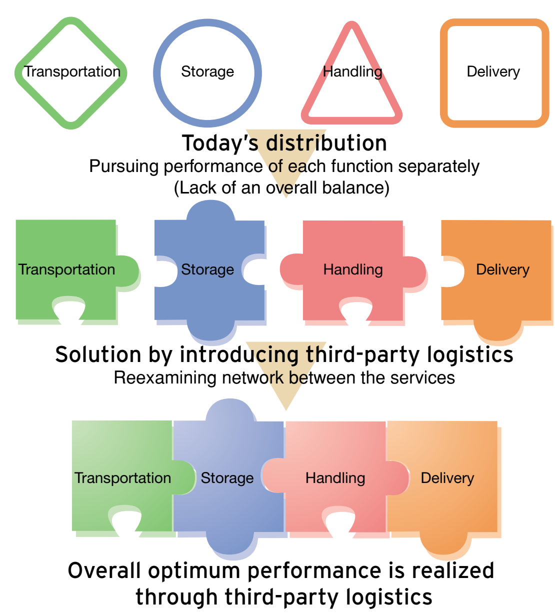
THIRD-PARTY LOGISTICS

· Providing comprehensive contracted distribution services
· Logistics Management Systems (LMS) of the future

In November 2000, Nichirei, together with NTT Data Corp. and Itochu Corp., founded Logistics Planner Inc. as a joint non-asset third-party-logistics company. The joint company will strive to meet the needs for changes in distribution and create a new market. Its goal is to become a leading company in this field, with sales of 20 billion yen for the fiscal year ending March 31, 2004.

Logistics Planner Inc. is determined to obtain contract orders for its services that include consultations for reexamining the client's logistic flow, as well as plans and proposals for overall logistics encompassing order processing, storage, transportation and delivery. The goal in specific numbers is two contracts from food-processing companies, five contracts from restaurant-industry companies, two contracts from retail companies, and two contracts from Internet direct-marketing companies by March 2002.

To achieve these goals, the Company will work on developing information-technology systems, which are key to improving efficiency in logistics operation. To this day, information is being exchanged redundantly via the telephone and fax at different points of logistics such as ordering, warehousing and taking inventory. This has resulted in increased processing and costs. The Company will soon propose the introduction of Logistics Management System, which will allow all departments involved in logistics – such as the plant, warehouse, transportation and delivery – to access the same database using Internet Electronic Data Interchange (EDI). Such sharing of data will integrate the flow of information for a smoother operation.



Foods

Food operations, another central business of Nichirei, consist of operations in processed foods, marine products, and livestock and poultry products. The Company's focus on processed foods is frozen foods, whose growth has skyrocketed among food products. Nichirei's guiding concept for food operations in the 21st century is to create foods that are delicious and fun, as well as reliable, safe and healthful.

Under that concept, Nichirei puts the best of its processing technologies into developing and producing processed and frozen foods for use at home and in industries. In its operations in marine products and livestock and poultry products, Nichirei has the means to secure high-quality foodstuffs for the wholesale market: direct purchasing routes with production sites.

Although Nichirei's goal in its processed and frozen food operations has been to achieve the top spot in sales overall, the Company will change its goal in the New Medium-Term Plan to increase the number of top-selling products in individual categories. The goal for the Company's operations in marine products and livestock and poultry products is to secure profit by consistently delivering distinctive products with the utmost care.

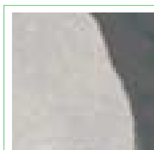
- Focus on natural products, technology and price
- Offering distinctive livestock and poultry products and one-of-a-kind P'CE (Prepare, Cook, Eat) brand marine products

PROCESSED AND FROZEN FOODS

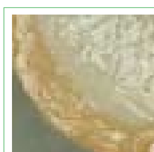
- Strategizing to be No. 1 in product categories; enhancing cooked-rice products
- Creating more No.1 products in their categories on the basis of Nichirei's superior food-processing technology, not faddish popularity

Nichirei's processed foods operations have two strengths: ability to secure high-quality foodstuffs through its marine products and livestock and poultry products operations, and its sophisticated processing technology. These are the strengths that the Company will use to develop high-profit and high-growth products.

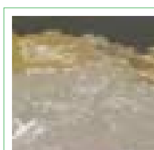
The first of Nichirei's three strategic product categories is cooked-rice products. In its New Medium-Term Plan, the Company aims to hold the top share in this category, and, in March 2001, it introduced Honkaku Itame Chahan, or Authentic Stir-Fried Rice. The product is the result of the special stir-frying equipment the Company had employed as part of its production line. The equipment reproduces the professional chef's heating and timing skills on a mass-production level, coating each grain of rice with egg. The Company is expanding its production facilities in anticipation of this product stirring up 3 billion yen in annual sales. Nichirei is also focusing on developing other products, as well as improving the infrastructure for production systems, such as production tie-up with the Hokuren Federation of Agricultural Cooperatives and facility expansion at the Company's Funabashi Plant and Takatsuki Plant.



Stir-fried rice prepared by a homemaker
The rice surface does not have an egg coating.



Stir-fried rice prepared by a professional chef
The rice surface has an egg coating.



**Nichirei Authentic Chinese Stir-Fried Rice
The rice surface has an egg coating.**

The second category is Chinese food. Nichirei's Ama-ebi Shumai (Chinese-style steamed dumplings containing pink shrimp and wrapped in thin pasta) has secured its place among frozen shumai as a popular item. Nichirei was able to develop an authentic Chinese food by using carefully selected ingredients obtained through its marine products operations and processing them using Nichirei's highly advanced technologies.

With Nichirei's third category, chicken, the Company faces a difficult environment due to the rising costs of raw materials caused by such factors as the weak yen and BSE, so-called "mad-cow disease." Nevertheless, the Company plans to focus on the development of major new products for Spring 2002 and to spark growth in its chicken operations.

The Company will re-configure its global production system and optimize the manufacturing process for each product category in its effort to efficiently manufacture products in volume, as well as manufacture diversified products and budget-oriented products. In procuring materials outside its strong areas, Nichirei will aggressively seek strategic alliances such as those with an Australian subsidiary of the United States' OSI Industries, Inc. in operations involving hamburger-steak manufacturing, as well as those with Sun Valley (Thailand) Limited, a subsidiary of Cargill, Inc., in procuring fried chicken.

MARINE PRODUCTS AND LIVESTOCK AND POULTRY PRODUCTS

- Stabilizing profits with more premium products and overseas-processed products
- Offering unique materials such as peeled, IQF (Individual Quick Freeze) P'CE brand shrimp and medication-free chicken

In its New Medium-Term Plan for marine products, Nichirei will promote sales of foods that meet the special needs of individual customers, as well as sales of ready-to-cook seafood materials for distribution. For customers interested in premium products, Nichirei offers various items in its P'CE brand of pre-processed products, such as IQF peeled shrimp, sushi shrimp and charcoal-grilled eel. For budget-conscious customers, Nichirei is offering prepared, ready-to-cook seafood materials. Nichirei will develop products in each category, increase the share of products processed abroad, and increase gross profit margins. In addition, through cooperation with other divisions within the company and with other strategic partners, Nichirei plans to cultivate ties with vendors, processors and volume retailers.

Nichirei's livestock and poultry products feature materials that are exceptional: they are delicious, reliable, safe, healthful and environmentally friendly. The materials have evolved from the Company's key concerns, which are Nichirei's strict standards on how its materials are raised: not relying on medications, on non-genetically modified feed, and in a recycling method to reduce impact on the environment. Nichirei procures premium materials globally, such as chicken raised without medication in China, Brazil, Thailand and the United States, in addition to those raised in Japan. The Company also cultivates special ingredients and materials catered to its clients. Such customized products offer special qualities not found in commercially available products.

Nichirei's operations in marine products and livestock and poultry products will see greater synergy with the Company's processed-foods operations when the New Medium-Term Plan is followed. The synergy will be in both product policies and sales policies so that Nichirei will be able to offer distinctive raw ingredients and an ample lineup of products from materials to prepared foods. The Company will also aim to stabilize profits through product policies that lower market risks and by improving the turnover rate of inventory and other assets.

ENVIRONMENT MANAGEMENT

The Nichirei Group looks hard at people's lifestyles and provides satisfaction for their hearts. Caring for the environment is a natural part of Nichirei's business as a leading food company that offers fine foods and logistics networks.

The Nichirei Group's main business is the manufacturing, sales, storage and distribution of foods. The Company is aware that its business activities founded on food-freezing technology have an impact on the environment. That is why Nichirei puts relentless efforts into reducing and recycling waste, conserving energy and resources, and procuring raw materials and products that only pose a minimal threat to the environment. Nichirei believes that it has a public obligation to help create a recycling society.

In the fiscal year ended March 31, 2001, the Company engaged in further activities to build an environmental management system. Reflecting such efforts are the certification for ISO14001, the international standard for environmental management system, obtained at two Nichirei plants. Nichirei improved its recycling rate by 7.3% as it sorted the Company's waste thoroughly and switched waste processing companies so that more industrial waste that generates animal and vegetable scraps and sludge at a higher rate were recycled. The Company also conserved energy to reduce carbon dioxide emissions per unit consumption by 4.9%. Nichirei will continue to build and establish an environment management system under its Environmental Preservation Committee established in the fiscal year ended March 2000.

In the fiscal year ending March 2002, Nichirei also is working to adopt an environmental accounting standard as an appropriate means to disclose information, and as a future management tool for environmental protection. Presently, the Company is creating standards for employing the accounting procedure in the entire company.

Goals and results for environmental activities

Following are environmental goals and results based on our

Goals

Environmental Policy I. Reducing environmental impact

- Increase industrial waste recycling rate by 5% compared with the fiscal year ended March 2000
- Promote energy conservation and reduce CO_2 emissions (kgC) by 5%, based on unit consumption, compared with the fiscal year ended March 2000 (Food Operations)
- Develop products while taking environmental impacts into consideration
- Enhance measures to improve the environment around operation centers

Environmental Policy II. Building an Environmental Management System

- Obtain ISO14001 certification at major operation centers; build and maintaining systems based on the standard.
- Consider using a quantitative evaluation method, which is part of an effort to build an environmental accounting system. Announce results publicly

Environmental Policy III. Complying with environmental laws

- Provide guidance and make improvements by regularly patrolling operation centers

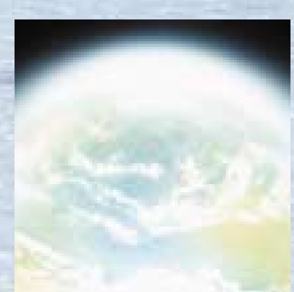
Nichirei is working as one to protect the environment in its efforts to be recognized as a truly global company

Nichirei has worked on obtaining certification for ISO14001, the international standard for environmental management system, at its major food plants whose annual production volumes are 3,000 tons or more.
As a result, the certification was obtained March 2000 by Chiba Chikusan Kogyo Co., Ltd., December 2000 by Yamagata Nichirei Foods and March 2001 by Nichirei Foods Funabashi Plant. In the fiscal year ending March 2002,the Company plans to have two more companies certified, and also have certification attempts launched at two other companies.
Nichirei also has major food plants that are neither ISO-certified nor in the process of being ISO-certified. Such plants are believed to have a considerable amount of impact on the environment. The Company is working to build ISO14001-compliant environmental management systems at such plants, and does not rule out future certifications as it promotes environmental protection activities.
In the fiscal year ended March 2001, environmental specialists in the technology department visited 11 plants to teach and convince the staff about the company-wide management system and the environmental management system that should be built at the plants. To implement these activities without fail and to always make improvements, the ISO14001-certified plants have organized their own internal audit team to conduct internal environmental audits.

for the fiscal year ended —— March 2001

environmental policy for the fiscal year ended March 31, 2001

Results
At 58.3%, the recycling rate increased by 7.3% compared with the fiscal year ended March 2000
CO_2 emissions were reduced by 4.9% compared with the fiscal year ended March 2000
Displayed information on recycling and materials on products. Implemented environmental impact analysis of products through Life Cycle Assessment
Speeded up the process of making improvements and taking measures to solve problems (Completed measures to solve truck noise pollution at two temperature-controlled logistics operation centers)
Completed obtaining certification at all operation centers that were slated for certification. Provided guidance to target operation centers
Evaluations were compiled at three Nichirei-operated plants. Internal standards were prepared.
Implemented checks at the time of safety patrol



Directors, Statutory Auditors and Officers

Representative Director and Chairman
Takemoto Ohto

Representative Director and President
Mitsudo Urano

Senior Managing Executive Officer
Koji Fukuda

Senior Managing Executive Officer
Koji Yokota

Senior Managing Executive Officer
Toshihide Nire

Directors

Representative Director and Chairman	Takemoto Ohto
Representative Director and President	Mitsudo Urano
Senior Managing Executive Officers	Koji Fukuda Koji Yokota Toshihide Nire
Managing Executive Officers	Naohiro Hara Hidehiko Murakami Koichi Maeshima Mitsuyuki Chiba Masahiro Ara
Executive Officers	Masatoshi Toyama Haruo Shiihashi Takeshi Kasai Shu Akiyama Yoshihiko Soma

Statutory Auditors

Standing Statutory Auditor	Kazuhiko Goto
Statutory Auditors	Shingo Aoki Kazuo Kawakami Haruyasu Uchino

Officers

Executive Officers	Tsunehiro Otsuka Satoshi Sakaguchi Hisashi Hasegawa Takeshi Ara Junichi Ohira Yoshimitsu Miya Susumu Hirose

Financial Section

Management's Discussion and Analysis

All fiscal data contained in this section are taken from consolidated financial statements included in the annual report of Nichirei Corporation and its consolidated subsidiaries ("Nichirei"). The financial statements were prepared in accordance with generally accepted accounting principles in Japan.

INTRODUCTION

Nichirei's Creed

Nichirei's mission is to "Look hard at people's lifestyles and provide satisfaction for people's hearts." As managers of Nichirei, we believe the meaning of our company's existence within society lies in working as hard as we can to create products and services that are truly useful to people in their daily lives, and in helping to make healthy, satisfying lifestyles possible. We also believe that the only way to maximize Nichirei's shareholder value is to create new value for everyone connected with all of our businesses – customers, business partners, employees and all other members of society – in accordance with the principles stated above.

In order for Nichirei to create value for society and continue our growth as a corporation in the long term, we must grow hand-in-hand with the community as a widely liked and trusted member of society. What Nichirei needs to do in our everyday operations to accomplish these goals is to create and deliver invaluable services of superior quality. We are convinced that we have the essential strengths – prominent culinary products and logistics network – necessary to meet the goals.

Our core competencies are the Nichirei corporate brands and the strengths we have developed over the years in food processing technologies, temperature-controlled logistics technology and product development. To use these assets most effectively for the benefit of every stakeholder, we believe it is important to make concentrated investments in strategically significant businesses and adopt strategies aimed at maximizing long-term cash flow, while always striving to make efficient use of capital.

Nichirei

Nichirei is engaged in processed foods (manufacturing, processing and sales of frozen and other processed foods) and foodstuffs (processing and sales, mainly of marine products and meat and poultry products) businesses, as well as providing temperature-controlled logistics services for corporate customers. While most of our customers are in Japan, we also serve overseas customers. Nichirei is a leading food company that leads most of the industries in which we are involved.

Nichirei has four consolidated segments: temperature-controlled logistics division, food division, real estate division and other divisions. This fiscal year, these business segments contributed the following proportions of our consolidated sales, in the order listed above: 17.1%, 79.9%, 1.8%, and 1.2%.

In our consolidated financial statements for the year ended March 2001, 51 companies that were excluded from last year's statements have been included for the first time, so that all of our 106 subsidiaries are now consolidated subsidiaries. Also, 14 affiliated companies were accounted for by the equity method.

Our Business

Nichirei operates in four business domains: temperature-controlled logistics, foods, real estate, and other businesses. Of these, we have positioned temperature-controlled logistics and foods as our main fields of strategic importance, which determine the direction of the Nichirei Group.

Temperature-Controlled Logistics Division

In this area – one of Nichirei's strategic fields of operation – we provide solutions that optimize total logistics flow for our customers, along with the mechanisms that make those solutions work, starting with high-quality storage functions, transport and delivery functions, distribution processing functions and distribution centers. As a pioneer in the refrigerated warehousing industry, Nichirei has always remained at the cutting edge of the industry in Japan. We are currently the only company to cover all regions of Japan in this field, and boast the top share of this business in Japan, and the fourth largest share in the world.

Our temperature-controlled logistics division is divided into five sub-segments: cold storage, transport and delivery, distribution, third-party logistics, and overseas. In recent years, the market for temperature-controlled logistics has expanded overall, and customers' needs have changed from storage and delivery of raw materials to storage and delivery of processed products. Along with these changes, there have been big changes in the kind of services demanded of us. For example, we are being asked to provide logistics systems incorporating advanced information technology, as well as to propose comprehensive solutions. Even in these new fields, Nichirei effectively leads the industry in Japan, and we plan to work most actively in this field in the future.

Foods Division

Our Foods Division – our other strategic domain – is divided broadly into two fields: processed foods, and foodstuffs (marine products, livestock and poultry products). The processed foods area is further divided into three sectors: frozen foods; canned and retort-pouched foods and acerola products; and wellness foods. Since 1952, when Nichirei became the first company to sell frozen foods in Japan, we have always led the frozen food industry in the country. Even outside the frozen food sector, Nichirei has used its sophisticated food processing technology to claim the top share in many product sectors.

In the past few years, the scale of the Japanese market for frozen foods has been roughly ¥800 billion to ¥860 billion per year. The household-use portion of that market, the area in which Nichirei is strongest, is currently worth about ¥230 billion. The size of this market has been increasing both in terms of absolute sales volume and its share of the overall market for frozen foods.

Another core business is marine products. With freezing and refrigerating technologies and nationwide and worldwide networks as our core competencies, we have been expanding imports of products such as salmon, shrimp and crab. In the meats sector, we are mainly importing pork, chicken and beef.

Real Estate Division

Real Estate Division is not a strategically important area of our businesses; our main purpose in this area is to make effective, efficient use of the property that Nichirei owns. Toward that end, we are undertaking appropriate projects involving land that we own in all parts of Japan.

Currently, our main projects involve things such as office buildings, parking lots and housing developments. This division accounts for about 1.8% of our sales. We intend to expand these operations in the future, within the scope of our purpose of making efficient use of land owned by the company.

Other Businesses (Biosciences and Horticulture Operations)

Our other businesses (biosciences and horticulture operations) are non-strategic operations that we position as developing businesses. These businesses account for about 0.8% of our net sales. In our biosciences operations, we use our immunity-related technology and natural materials processing technology as a basis for developing, manufacturing and selling antibody products, cell cultivation-related reagents, and cosmetic ingredients.

In our horticulture business, Nichirei has been developing new species in the rare, cool type of orchid, Odontoglossum Genus. We have also been developing technology for mass propagation of seedlings, as well as technology for seedling cultivation. We plan to continue using our strength in product development to create new varieties of flowers that suit the tastes of Japanese consumers.

Forward-Looking Statements

All statements in this annual report which contain such terms as "believe," "anticipate," "estimate," "expect," etc., and all numbers related to estimates of future performance are "forward-looking statements" that are based on the best information available to management at the time that this annual report was prepared and on management's best judgment; they are not statements of historical fact. Actual performance to be achieved by Nichirei in the future may be different from what is expected, due to various uncertain factors that affect business, or due to various risk factors that are mentioned later in this annual report.

The "forward-looking statements" contained herein were determined to be reasonable by management at the time that this annual report was prepared, but sufficient caution is required when basing investment decisions on these statements. Furthermore, Nichirei has no legal obligation to update the information contained in these "forward-looking statements," or to make or publish any revisions.

RESULTS OF OPERATIONS

Business Environment

During the first half of the fiscal year ended March 2001, economies in the United States, Europe and Asia, with the exception of Japan, remained strong. Even in Japan, there was some movement toward independent recovery as evidenced by improvement in corporate profits and increased capital investment. In the second half, however, there was a clear slowdown, partly because of a sudden slackening in the growth of consumer spending in the United States. In Japan, too, the impact of such factors as the non-performing debt problem prevented the advent of full recovery, and a sense of slowdown gradually increased toward the end of the fiscal year.

In Japan, there has been no improvement in the employment or personal income situation, which led to a delay in the recovery of consumer spending. With mounting deflationary pressures, the food industry, which is one of our strategic businesses, has particularly been marked overall by price cuts and increased competition. The business environment, thus, has become harsh.

Overview

As Nichirei's new management team, we have created a three-year plan, the "New Medium-Term Plan," and have begun a group-wide effort aimed at getting Nichirei back on the road to long-term growth today, in the 21st century. This is an important plan that will determine Nichirei's course in the present tumultuous times as well as in the future. During the past three years, in the lead-up time preceding this plan, Nichirei has implemented a broad package of structural reforms under our "Medium-Term Restructuring Plan." This fiscal year, the fiscal year ended March 2001, was the final year of that lead-up period. It was also an important year that presages the success of our "New Medium-Term Plan."

As part of this structural reform, we reviewed every operation in which Nichirei is involved, with customer satisfaction as our top priority and capital efficiency always in mind. We have concentrated investment in growth areas and actively pulled out of unprofitable businesses. What we have done in this vein is to aggressively invest in processed foods as well as the distribution and third-party logistics side of temperature-controlled logistics. Also, this fiscal year we pulled out of our unprofitable North American beef production business. On the management side, we have accomplished things such as adopting role-based, performance-based human resource and compensation systems, and reducing our information system expenses.

As we compare these results to our initial plans, we can say that we were able to achieve very satisfactory results this year through the various measures. In addition to setting a new record for operating profits, we achieved a number of good results, including improved turnover of capital and a reduction in interest-bearing debt.

	Millions of yen, except for EPS per yen		Thousands of U.S. dollars, except for EPS per dollar
	March 2000	March 2001	March 2001
Net sales	¥ 569,482	¥ 560,006	$ 4,519,825
Gross profit margin	18.2%	18.6%	
Operating income margin	3.0%	3.3%	
Income before income taxes and minority interests	¥ 7,979	¥ 6,503	$ 52,486
Net income	4,326	4,020	32,450
EPS – Basic	13.91	12.93	0.104
– Diluted	13.87	12.93	0.104
ROIC*	6.1%	6.9%	

* ROIC = Operating income / Invested capital x 100

Net Sales

Net sales for this fiscal year declined by 1.7% from the previous year to ¥560,006 million (US$4.5 billion). Main reasons for the decrease in net sales were a change in the accounting method for rebate income and expenses at Yukiwa Co., Ltd., as well as direct influences from the decreased sales due to the sales of our U.S. subsidiaries. If we exclude these factors in comparing this fiscal year's sales with the previous year's, the result would be a slight increase in net sales.

Cost of Goods Sold, Selling, General and Administrative Expenses

	Millions of yen		Thousands of U.S. dollars
	March 2000	March 2001	March 2001
Transportation, storage and other expenses	¥ 24,421	¥ 24,204	$ 195,351
Promotion and advertisement expenses	15,150	16,641	134,310
Sales commission	4,686	3,122	25,198
Compensation and benefits	18,239	18,520	149,475
Retirement benefit expenses	-	1,433	11,566
Welfare expenses	2,662	2,632	21,243
Depreciation and amortization	1,440	1,304	10,525
Traveling expenses	1,399	1,466	11,832
Rents	4,049	4,184	33,769
Research and development costs	2,305	2,196	17,724
Other	12,516	9,585	77,361
Total SGA expenses	86,866	85,287	688,357

In the fiscal year ended March 2001, despite the drops in retail and wholesale prices pushing up our cost margin, the cost margin still declined from 81.8% to 81.4%. Our cost of goods sold declined 2.0% during the fiscal year to ¥456,121 million (US$3.7 billion). One reason for the decline in our cost margin is the land sale of ¥1.5 billion we posted this fiscal year. Other factors include our concentration on high-profit products, for example by disposing of our unprofitable U.S. subsidiaries as mentioned above, and by discontinuing sales of unprofitable products based on our "select and focus" policy. In the processed foods sector, for example, we reduced the number of items offered by 10%.

We allocated the proceeds from land sold this fiscal year to a one-time write-off of the transitional obligation that arose between the combined amount of our pension assets and retirement benefits reserves and projected benefit obligations due to a newly introduced accounting standard for retirement and severance benefits as of the fiscal year ended March 2001. The new Japanese accounting standard allows for this transitional obligation to be amortized over a certain number of years based on each company's judgment. Typically, this kind of shortfall is amortized over a period of 15 years. However, because we wanted to dispose of this problem quickly and guide Nichirei onto a growth track while strengthening our financial position, we decided to write off the entire amount at once as part of the three-year "Medium-Term Restructuring Plan" that ended this fiscal year.

Meanwhile, selling, general and administrative expenses decreased by 1.8% to ¥85,287 million (US$688.4 million), accounting for 15.2% of net sales, down from 15.3% in the previous fiscal year. The decreases in selling, general and administrative expenses and its ratio to net sales were the result of our cost-control efforts. The introduction of the new accounting standard for retirement and severance benefits gave rise to ¥1,433 million (US$11.6 million) in retirement benefit costs. Also, retirement benefits were further increased due to the introduction of early retirement promotion packages. Nevertheless, reductions in other selling, general and administrative expenses outweighed these increases, so that there was a net decrease in this category.

Operating Income

Operating income for the fiscal year increased by 9.6% from the previous fiscal year to ¥18,596 million (US$150.1 million), setting another record high. Our operating income margin increased from 3.0% last fiscal year to 3.3%.

Other Income and Expenses; Income Before Income Taxes and Minority Interests

The net amount of other income and expenses this fiscal year was a loss of ¥12,093 million (US$97.6 million). This loss was 34.5% larger than last fiscal year's.

The biggest factor contributing to this loss was the introduction of the new accounting standard for retirement and severance benefits. As mentioned above, we took a one-time charge of ¥16,601 million (US$134.0 million) to eliminate the transitional obligation that arose from the introduction of the new accounting standard, which led to an increase in expenses. Also, in order to make up for this shortfall, we have posted ¥7,727 million (US$62.4 million) in profits for setting up a retirement benefits trust, and ¥2,040 million (US$16.5 million) in profits from setting up fixed-term lease holding rights on land owned by Nichirei.

Effective April 1, 2000, we adopted a new accounting standard for financial instruments. Under this standard, we reassessed our investment securities at market prices, and posted a loss of ¥1,190 million (US$9.6 million) as a result.

Our net interest expense declined by ¥366 million (US$3.0 million) from the previous fiscal year, due to compression of interest-bearing debt and reduced procurement costs.

As a result, income before income taxes and minority interests for the fiscal year declined 18.5% from last fiscal year to ¥6,503 million (US$52.5 million).

Compared to income before income taxes and minority interests using the same standards as were used last fiscal year, application of the retirement benefits accounting has resulted in a posting of ¥15,506 million (US$125.1 million) less in income before taxes and minority interests this fiscal year, while application of the financial instrument accounting also has resulted in a posting of ¥1,414 million (US$11.4 million) less.

Income Taxes

This fiscal year our income taxes decreased 28.6% to ¥2,522 million (US$20.4 million). Our effective tax rate for the fiscal year declined from 44.3% last fiscal year to 38.8%.
The biggest reason for this decline was the decrease in the provisions for the loss carried forward among subsidiaries.

Net Income

Net income for the year through March 31, 2001 was ¥4,020 million (US$32.4 million), down 7.1% from the previous fiscal year. Basic earnings per share and diluted earnings per share both decreased to ¥12.93 (US$0.104).

As a result, our shareholders' return on equity also declined, from 5.3% to 4.7%.

TRENDS BY SEGMENT

Temperature-Controlled Logistics Division

	Millions of yen, except for ratio item (%)		*Thousands of U.S. dollars*
	March 2000	***March 2001***	***March 2001***
Net sales	¥ 95,722	¥ 100,059	$ 807,583
Operating income	8,183	8,136	65,672
Operating income margin	8.5%	8.1%	

In the fiscal year ended March 31, 2001, our Temperature-Controlled Logistics Division, which is one of our strategically important businesses, posted sales of ¥100,059 million (US$807.6 million), up 4.5% from the previous fiscal year. However, operating income declined by 0.6% to ¥8,136 million (US$65.7 million) and the operating income margin decreased from 8.5% to 8.1%.

Because imports of such foods as marine products and livestock and poultry products have been increasing in Japan recently, warehousing volume and capacity utilization at refrigerated warehouses also have been on the rise. This increased demand also led to an end in the slide in storage fees that had been continuing for some time. The trend now is slightly upward. Thus, the increase in sales this fiscal year reflects increased demand in the market as a whole. The reason for the decline in this segment's operating income margin was that we bore initial investment costs, mainly for our third-party logistics and distribution-oriented businesses. If we exclude this factor, there was an increase in operating income from our domestic transport business, thanks to our cost-cutting activities that led to major reductions in loading and unloading costs.

Cold storage

Reflecting increased imports of foodstuffs this fiscal year, warehousing volume and inventory levels increased compared to the previous fiscal year and, especially near seaports in the Greater Tokyo area, warehouses remained full. Storage rates, which had been moving on a downward trend, stopped falling in the second half of the fiscal year and began to rise slightly. On a whole-year basis, however, average rates were lower than last fiscal year's, and sales rose while profits fell.

Nevertheless, we believe that the rise in storage rates that occurred in the second half was not a temporary phenomenon, but reflects the trend in actual demand. Starting next fiscal year, we intend to continue holding down investment and depreciation expenses, and improve this area's income and operating income margin.

This segment also includes frozen transport and delivery that does not use freezer warehouses. Thanks to aggressive expansion and increased demand, both sales and operating income increased in this area.

Distribution

In our temperature-controlled-logistics distribution operations, clients consign their distribution needs to us, and we provide sorting, assorting, and delivery and other services. Both sales and operating income declined in this operations this fiscal year, with chilled products' transit volumes falling below initially projected levels as the poor economic climate in Japan caused a slump in retail sales. However, this fiscal year we launched two new distribution centers, which led to an increase in sales. Because of the initial cost burden related to these centers, operating income declined.

Third-party logistics

We began making specific plans for a third-party logistics business last year, and in November 2000 established a new company called Logistics Planner, Inc. It is, however, still in the preparatory stage, and will not start business until next fiscal year.

Foods Division

	Millions of yen, except for ratio item (%)		Thousands of U.S. dollars
	March 2000	March 2001	March 2001
Net sales	¥ 481,252	¥ 465,702	$ 3,758,695
Operating income	11,434	10,891	87,903
Operating income margin	2.4%	2.3%	

Our Foods Division is comprised of four areas: Processed Foods; Marine Products; Livestock & Poultry Products; and Foodstuffs Wholesaling, Retailing and Other Businesses. This fiscal year, sales by the Foods Division as a whole declined 3.2% from last fiscal year to ¥465,702 million (US$3.8 billion), and operating income declined 4.7% to ¥10,891 million (US$87.9 million). The operating income margin shrank a slight 0.1 percentage point to 2.3%.

The main reason for this decrease in sales and income was lower prices for marine products and livestock products. This fiscal year, we posted increased sales and income from processed foods, and there was a slight increase in sales volumes, even of marine products and livestock products. However, the drop in prices of marine products and livestock products brought down sales and income for the division as a whole. Another reason for the decline in sales was that among Foodstuffs Wholesaling, Retailing and Other Businesses, accounting treatments of Yukiwa Corp. were changed, and that U.S. subsidiaries were sold.

Processed Foods

This fiscal year, the overall market for household-use products was relatively solid, but the industrial-use market continued to shrink due to the slump in the restaurant and contract-food-service industries. In this environment, we worked hard to raise our sales and income margin by eliminating unprofitable products and developing new products using the technical capabilities that are Nichirei's forte.
For example, in the area of household-use foods, we developed and sold new products that other companies could not easily imitate. Such products that boosted our sales and income include Ama-ebi Shumai (Chinese-style steamed dumplings containing pink shrimp and wrapped in thin pasta), using high-quality ingredients that only Nichirei, having its own marine products division, can procure, and Teriyaki Yellowtail, which is specially processed to be deliciously microwavable.

In the industrial-use market, too, we launched products such as Handmade-Style Mini Croquettes. The croquettes, which have a special breading, were such a success that they covered for the drop in sales in an otherwise stagnant industrial-use food market. We intend to continue focusing on products that use distinctive ingredients or are based on our technical strengths, such as food processing and ingredient controls. To that end, we will work hard with our selected partners in Japan and abroad.

Thanks to the success of these various measures, our food processing operations yielded higher sales and higher profits this fiscal year.

Marine Products

Imports of marine products to Japan increased this fiscal year due to such factors as a strong yen and poor catches by domestic fisheries. Consumption, however, continued to slacken. As a result, cargo movements became stagnant and the operating environment tough.

Affected significantly by price decreases and consumers' preference for lower prices, our marine products division experienced declined sales and income this fiscal year.

To overcome these problems, we are building stronger relationships with our overseas suppliers to focus on producing products that are higher in quality, better processed, and are more profitable. Although we managed to increase our sales in terms of volume, that clearly was not enough this fiscal year. For next fiscal year and beyond, we are determined to improve our profitability through efforts such as differentiating our products from those of our competitors.

Livestock & Poultry

Prices in the Japanese livestock and poultry market softened this fiscal year, mainly due to chronic oversupply of imported meats. Meanwhile, outbreaks of problems such as BSE ("mad-cow disease"), foot-and-mouth disease, and O-157 bacteria have raised consumers' awareness on the importance of food safety. In response, we have introduced distinctive products that meet consumer needs for assured food safety as part of our efforts to fight back the effects of falling prices on our sales.

Despite the overpowering price declines causing decreased sales this fiscal year, we were able to increase our operating income due to our aggressive measures to discontinue sales of unprofitable items.

Foodstuffs Wholesaling, Retailing and Other Businesses

In this area, both sales and operating income fell below previous-term levels.

One reason for the decrease in sales was that we sold off unprofitable food manufacturing and sales subsidiaries in the United States. Also, this fiscal year we worked to strengthen our operational base by rebuilding key information systems and enhancing the functionality of major distribution centers through a business alliance between Yukiwa Co., Ltd. and RyoShoku Ltd. We also worked at developing new customers, but because of changes in our accounting methods for handling rebate income and expenses at Yukiwa Co., Ltd., as well as the Japanese distribution industry's shakeup and the downward trend of prices, we ended up with smaller sales than the previous fiscal year.

Real Estate Division

Sales by the Real Estate Division increased 25.5% to ¥10,277 million (US$82.9 million), while operating income increased 30.4% to ¥6,908 million (US$55.8 million). The main reason for the increases was that we liquidated some assets by selling real estate holdings for eliminating, at once, the transitional obligation that arose between the combined amount of our pension assets and retirement benefits reserves and projected benefit obligations due to the introduction of the new accounting standard. Another reason for the increase in sales was that we commenced leasing the Kyoto Hotel (Oike), which we acquired the previous fiscal year.

The Real Estate Division is not one of our strategic businesses. We intend to always keep capital efficiency in mind as we maintain our present leasing business and make our decisions as each occasion demands.

Other Divisions

Sales from our other businesses this fiscal year were ¥6,967 million (US$56.2 million), up 12.7% from the previous fiscal year. Operating income was ¥334 million (US$2.7 million), up 42.1%. Contributing to the increased results were sales at our consolidated subsidiary, Toyo Kouki Co., Ltd., which handled an increased number of constructions such as that of distribution centers and food freezing facilities.

LIQUIDITY AND CAPITAL RESOURCES

We believe that Nichirei's ability to continue generating cash flow through our business activities and to invest in growth areas is an important element for increasing our corporate value, and is the foundation of Nichirei’s fiscal strength. We, the management of Nichirei, also believe that we can secure the liquidity necessary to continue and expand Nichirei’s operations in the fiscal year ending March 31, 2002.

Free Cash Flow

Free cash flow is the amount of cash flow from operating activities after subtracting the cash flow needed for business reinvestment in order to continue our activities. This free cash flow is the cash flow that we managers can freely invest in areas that will allow Nichirei to jump forward, and it is the source of corporate value.

This fiscal year, we were able to generate ¥20,533 million (US$165.7 million) in free cash flow. In accordance with our original “Medium-Term Restructuring Plan,” we allocated most of this to reducing our interest-bearing debt to strengthen our financial constitution.

	Millions of yen		Thousands of U.S. dollars
	March 2000	March 2001	March 2001
Cash flows provided by operating activities	¥ 14,187	¥ 28,739	$ 231,955
Business reinvestment*	(21,376)	(8,206)	66,231
Free cash flow	(7,188)	20,533	165,722

* The amount spent on acquiring property, plant and equipment, net of proceeds from the sales of other property, plant and equipment.

This fiscal year, net cash provided by operating activities increased by ¥14,551 million (US$117.4 million) over the last fiscal year to ¥28,739 million (US$232.0 million). The main reason for this increase was the new accounting standard for retirement and severance benefits which were adopted in Japan from this fiscal year. We posted ¥5,725 million (US$46.2 million) as the net amount of gains and costs of securities contributed to employees' retirement benefit trust.

Net cash used this fiscal year in investment activities increased by ¥736 million (US$5.9 million) over the previous fiscal year to ¥8,514 million (US$68.7 million). Although we reduced this year’s capital expenditure, a decrease in proceeds from sales of marketable securities led to this increase.

Major capital expenditures in the fiscal year ended March 31, 2001 included the introduction of ERP, newly established or expanded distribution centers and equipment for the Temperature-Controlled Logistics Division, and construction of new factories and renewal or expansion of frozen food production lines for the Foods Division. Note that the previous fiscal year’s capital expenditures included the acquisition of land and buildings from the Kyoto Hotel (Oike, 3/4 of the total) as part of our overall efforts to support the reconstruction of the Kyoto Hotel, Ltd.

	Millions of yen, except for ratio item (%)		Thousands of U.S. dollars
	March 2000	March 2001	March 2001
Capital expenditures	¥ 31,310	¥ 11,672	$ 94,208
Temperature-Controlled Logistics	6.5%	38.1%	
Foods	12.4%	32.1%	
Real estate	78.7%	7.9%	
Other	1.7%	4.8%	
Corporate	0.7%	17.1%	

Net cash used in financial activities jumped from ¥6,454 million the previous fiscal year to ¥23,946 million (US$193.3 million) this fiscal year. The reason for this big increase was that we actively reduced interest-bearing debt in order to strengthen our financial structure according to the agenda of our “Medium-Term Restructuring Plan.” The balance of our interest-bearing debt as of March 31, 2001 was ¥172,703 million (US$1.4 billion), down by ¥22,136 million (US$178.7 million) from the end of the previous fiscal year.

As a result, our year-end balance of cash and cash equivalents was ¥5,823 million (US$47.0 million), down ¥3,134 million (US$25.3 million) from the end of the previous fiscal year.

The Balance Sheet

As Nichirei managers, we are constantly aware of our capital structure and its appropriateness relative to our business environment, and we try to minimize the Nichirei’s cost of capital in order to build up our

	Millions of yen, except for book value per share		Thousands of U.S. dollar, except for BPS
	March 2000	March 2001	March 2001
Total assets	¥ 370,623	¥ 367,770	$ 2,968,286
Interest-bearing debt	194,839	172,703	1,393,904
Total debt-to-equity	3.5x	3.1x	
Interest-bearing debt/operating cash flow*	8.8x	7.1x	
Book value per share (BPS)	265.8	287.6	2.321

* Excludes non-continuing items.

corporate value. We also try to always keep liquidity in our balance sheet so that we can conduct our strategies in a flexible manner and to respond to sudden environmental changes and other circumstances.

This fiscal year, we reduced Nichirei's total assets by ¥2,853 million (US$23.0 million), or 0.8%, to ¥367,770 million (US$3.0 billion). The biggest reason for this cut was our active reduction of interest-bearing debt, which we succeeded in cutting by ¥22,136 million (US$178.7 million) this fiscal year. Meanwhile, one factor that limited the reduction in assets was the fair value method of accounting, which was applied to financial instruments as of this fiscal year. This change added ¥9,265 million (US$74.8 million) to our total assets.

The new accounting method for employees' severance and retirement benefits also affected our balance sheet in several ways. First of all, because we contributed marketable securities to establish an employees' retirement benefits trust, our current assets shrank by ¥5.7 billion (US$46.0 million). And because we posted our projected benefit obligations, our long-term liabilities increased by ¥3.2 billion (US$26.2 million).

Our total shareholders' equity as of the end of the fiscal year increased by ¥6,771 million (US$54.6 million) to ¥89,395 million (US$721.5 million), mostly because of this fiscal year's net income and a ¥5,348 million (US$43.2 million) net unrealized holding gain on securities due to the introduction of fair value accounting for financial instruments.

As stated above, this fiscal year we reduced our interest-bearing debt by ¥22,136 million (US$178.7 million) and reduced the debt-to-equity ratio to 1.9. We hope to reduce this ratio further in the mid-term to 1.3, and in the long-term, 1.0. For the time being, we are planning to use cash flow from operating activities to reduce interest-bearing debt to ¥145 billion (US$1.2 billion) by March 31, 2003, and reduce interest-bearing debt/operating cash flow multiple from 7.1 to 6.0 by that time.

Our basic dividend policy is to steadily distribute profits; and this fiscal year, we paid out ¥6 (US$0.048) per share for the entire year. In the future, however, instead of paying a fixed amount of dividends per share, we plan on being versatile in determining on the amount of total dividends, paying more attention on our equity ratio.

Additionally, in the future we plan to pursue flexible financial and capital policies, including retirement of stocks.

RISK MANAGEMENT

Nichirei is exposed to a variety of risks in the course of our normal business operations, including risks arising from currency and interest rate fluctuations. As a means of effectively managing those risks, we engage in derivative trading.

Our use of currency-related derivatives consists of using exchange forward contracts to avoid currency fluctuation risks associated with foreign currency-denominated trading (mainly import and export of merchandise and raw materials). Regarding trading of interest rate-related derivatives, we use interest rate swap agreements to reduce the cost of procuring funds and to avoid interest rate fluctuation risks. Nichirei does not engage in such trading for speculative purposes or with the aim of making profits from the trading itself.

Derivative trading itself is accompanied by its own risks, the most important of which are market risks and credit risks. Market risk refers to the chance that a particular trading position will incur a profit or loss due to changes in the market. The currency exchange forward contracts used by our company and its consolidated subsidiaries are vulnerable to currency fluctuations, while our interest rate swap agreements are subject to risk from changes in interest rates.

Credit risk refers to the possibility that a trading partner will fail to meet its obligations, thereby making us unable to receive expected future effects if we have a contract in effect with that partner. Because Nichirei conducts derivative trading with banks that have appropriate credit ratings, we believe there is virtually no risk that our trading partners will fail to meet their obligations.

Within Nichirei, each operational division establishes policies that govern its currency exchange forward contracts related to normal business transactions, and exchange forward contracts are concluded by each operational division, through the Sales Service Division, based on each division's policies. Details of such contracts are confirmed each time by the Finance Division.

Meanwhile, each time a currency exchange forward contract or interest rate swap agreement is entered into for finance-related purposes, the Finance Division's Finance Team concludes the deal after a proposal has been circulated for approval by relevant officers, and the Finance Division's Accounting Team is made aware of the results.

Other types of derivative trading would be executed on the basis of internal rules approved by the Board of Directors, but in the fiscal year ended March 2001 no such trading was undertaken. Consolidated subsidiaries follow similar procedures for derivative transactions, and Nichirei's Finance Division confirms major trades made by the subsidiaries.

In addition to the risks described above, Nichirei may be exposed to non-financial or immeasurable risks in the course of its normal business operations. Such risks include country risks, credit risks and legal risks, but because of their unpredictable nature, we will not discuss them in this annual report. However, we can say that as of the end of March 2001, Nichirei was not involved in any ongoing litigation.

Currency Rate Risk

Nichirei buys some of its raw materials and merchandise from overseas, for which we pay in foreign currencies. To this extent, we are vulnerable to the risk of fluctuations in currency markets. In order to eliminate some of that risk, we use currency exchange forward contracts. Note that because Nichirei employs hedge accounting, of currency exchange forward positions, those positions whose underlying assets offset the risks on the balance sheet are excluded from disclosure.

Interest Rate Risk

We are exposed to risks arising from interest rate fluctuations through our investment activities and cash management activities. We participate in interest rate swap agreements and currency interest rate swap agreements largely to fix interest rates that apply to our variable-interest obligations. As of the end of March 2001, the total notional principle involved in such transactions was ¥2,400 million (US$19.4 million), which meant there was a revaluation loss of ¥11 million (US$94 thousand) against fair value.

The notional principle in swap agreements represents the nominal value of the contract, and it does not mean that the full amount of notional principle is not subject to market risks or credit risks. Note that because Nichirei employs hedge accounting, of currency exchange forward positions, those positions whose underlying assets offset the risks on the balance sheet are excluded from disclosure.

Stock Price Risk

Nichirei holds available-for-sale securities and shares in various listed and unlisted companies and is thereby exposed to share price fluctuation risk.

Due to changes in accounting standards, from the end of this fiscal year, we have been employing the fair value accounting of financial instruments. All listed stocks, therefore, are evaluated according to market value at the end of this fiscal year. Accordingly, the total book value of these listed stocks on the balance sheet at the end of this fiscal year was ¥37,410 million (US$301.9 million).

In addition, posted on Nichirei’s balance sheet is ¥1,426 million (US$11.5 million) in unlisted stocks not valued at market price.

RESPONSIBILITY FOR FINANCIAL REPORTING

All financial statements included in this annual report were prepared using all available data and our best judgment, based on the responsibility of corporate management according to generally accepted accounting principles in Japan. The financial statements have been audited by independent auditing firm Century Ota Showa & Co., whose objective opinion based on the assessments contained therein is included on p. 40 of this report. However, final responsibility for the accuracy and truthfulness of the financial statements contained in this report rests with us, the corporate management of Nichirei.

In order to obtain reasonable assurance of the accuracy and reliability of our financial statements, we maintain a system of internal controls to see that each transaction is executed exactly as authorized and is reported accurately. However, to preserve the assets entrusted to management by shareholders in a rational way, we must consider both the costs and the expected benefits of our system of internal controls.

At Nichirei, we have paid utmost attention to integrity and diligence when selecting personnel to staff our financial operations. In order to prevent abuse and errors, and in order to preserve the functionality of internal controls, we have these personnel report to us. In addition, our corporate auditor exercises internal controls and performs internal audits and is continuously evaluating our procedures for keeping accounting records, the functionality of internal controls with regard to financial reporting, and the effectiveness of the independent auditor.

Consolidated Balance Sheets

Nichirei Corporation and Consolidated Subsidiaries

As of March 31, 2000 and 2001

ASSETS	Millions of yen		Thousands of U.S. dollars (Note 1)
	2000	**2001**	**2001**
Current Assets:			
Cash and bank deposits	¥ 9,130	¥ **5,910**	$ **47,705**
Marketable securities	21,481	**-**	**-**
Notes and accounts receivable - trade	74,858	**79,537**	**641,949**
Less allowance for doubtful accounts	(704)	**(219)**	**(1,773)**
Inventories (Note 3)	34,509	**37,088**	**299,340**
Deferred tax assets (Note 7)	1,399	**1,142**	**9,220**
Other current assets	11,812	**7,524**	**60,730**
Total current assets	152,487	**130,983**	**1,057,174**
Property, plant and equipment (Note 5):			
Land	46,201	**45,631**	**368,292**
Buildings and structures	205,456	**207,200**	**1,672,319**
Machinery and equipment	86,328	**86,518**	**698,295**
Construction in progress	2,791	**4,140**	**33,421**
	340,777	**343,491**	**2,772,327**
Less accumulated depreciation	(162,060)	**(170,548)**	**(1,376,497)**
Property, plant and equipment, net	178,716	**172,943**	**1,395,830**
Investments and other assets (Note 5):			
Investment securities (Note 4)	14,762	**38,864**	**313,678**
Investments in and advances to non-consolidated subsidiaries and affiliates	5,863	**5,335**	**43,058**
Deferred tax assets (Note 7)	827	**1,861**	**15,027**
Other	19,092	**18,487**	**149,216**
Less allowance for doubtful accounts	(1,126)	**(706)**	**(5,699)**
Total investments and other assets	39,419	**63,843**	**515,282**
Total assets	¥ 370,623	¥ **367,770**	**$2,968,286**

The accompanying notes are integral parts of these statements.

LIABILITIES, MINORITY INTERESTS AND SHAREHOLDERS' EQUITY	*Millions of yen* 2000	**2001**	*Thousands of U.S. dollars (Note 1)* **2001**
Current liabilities:			
Short-term bank loans (Note 5)	¥ 46,572	**¥ 41,098**	**$ 331,709**
Commercial paper	-	**8,000**	**64,568**
Current portion of long-term debt (Note 5)	26,032	**29,585**	**238,788**
Notes and accounts payable - trade	46,006	**50,026**	**403,768**
Income taxes payable	2,910	**3,437**	**27,745**
Accrued expenses	15,854	**16,088**	**129,848**
Other current liabilities	6,237	**8,948**	**72,226**
Total current liabilities	143,615	**157,186**	**1,268,654**
Long-term liabilities:			
Long-term debt (Note 5)	122,235	**94,020**	**758,839**
Directors' and employees' retirement benefits	2,078	**5,322**	**42,958**
Deferred tax liabilities (Note 7)	757	**2,345**	**18,930**
Other	18,322	**18,354**	**148,142**
Total long-term liabilities	143,392	**120,043**	**968,871**
Total liabilities	287,008	**277,229**	**2,237,525**
Contingent liabilities (Note 10)			
Minority interests	990	**1,145**	**9,247**
Shareholders' equity:			
Common stock, par value ¥50 per share:			
Authorized -720,000,000 shares			
Issued and outstanding -			
310,851,065 shares at March 31, 2000	30,307	**-**	**-**
310,851,065 shares at March 31, 2001	-	**30,307**	**244,615**
Capital surplus	23,704	**23,704**	**191,320**
Retained earnings	28,612	**30,701**	**247,789**
	82,624	**84,713**	**683,725**
Net unrealized holding gain on securities	-	**5,348**	**43,168**
Translation adjustment	-	**(665)**	**(5,371)**
Less treasury stock, at cost	(0)	**(1)**	**(8)**
Total shareholders' equity	82,624	**89,395**	**721,513**
Total liabilities, minority interests and shareholders' equity	¥ 370,623	**¥ 367,770**	**$2,968,286**

Consolidated Statements of Income

Nichirei Corporation and Consolidated Subsidiaries
For the years ended March 31, 2000 and 2001

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2000	**2001**	**2001**
Net sales	¥ 569,482	**¥ 560,006**	**$ 4,519,825**
Operating costs and expenses:			
Cost of sales	465,641	**456,121**	**3,681,372**
Selling, general and administrative expenses	86,866	**85,287**	**688,357**
	552,508	**541,409**	**4,369,729**
Operating income	16,973	**18,596**	**150,095**
Other income (expenses):			
Interest and dividend income	805	**728**	**5,883**
Interest expenses	(5,205)	**(4,762)**	**(38,440)**
Other - net (Note 6)	(4,594)	**(8,059)**	**(65,051)**
	(8,994)	**(12,093)**	**(97,609)**
Income before income taxes and minority interests	7,979	**6,503**	**52,486**
Income taxes (Note 7):			
Current	4,692	**5,543**	**44,744**
Deferred	(1,158)	**(3,021)**	**(24,382)**
	3,534	**2,522**	**20,361**
Minority interests	118	**(40)**	**(325)**
Net income	¥ 4,326	**¥ 4,020**	**$ 32,450**

Amounts per share:	Yen		U.S. dollars (Note 1)
Net income:			
- Basic	¥ 13.91	**¥ 12.93**	**$ 0.104**
- Diluted	13.87	**12.93**	**0.104**

The accompanying notes are integral parts of these statements.

Consolidated Statements of Shareholders' Equity

Nichirei Corporation and Consolidated Subsidiaries
For the years ended March 31, 2000 and 2001

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2000	**2001**	**2001**
Common Stock:			
Balance at beginning of year	¥ 30,307	¥ **30,307**	$ **244,615**
Balance at end of year	30,307	**30,307**	**244,615**
Capital Surplus:			
Balance at beginning of year	23,704	**23,704**	**191,320**
Balance at end of year	23,704	**23,704**	**191,320**
Retained earnings:			
Balance at beginning of year	26,555	**28,612**	**230,932**
Cumulative effect of initial adoption of tax-effect accounting	(698)	**-**	**-**
Net income	4,326	**4,020**	**32,450**
Cash dividends	(1,865)	**(1,865)**	**(15,053)**
Bonuses to directors and statutory auditors	(76)	**(171)**	**(1,382)**
Adjustment for inclusion of subsidiaries and affiliates in consolidation or equity method of accounting	372	**104**	**842**
Balance at end of year	¥ 28,612	¥ **30,701**	$ **247,789**

The accompanying notes are integral parts of these statements.

Consolidated Statements of Cash Flows

Nichirei Corporation and Consolidated Subsidiaries
For the year ended March 31, 2000 and 2001

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2000	**2001**	**2001**
Cash flows from operating activities			
Income before income taxes and minority interests	¥ 7,979	¥ **6,503**	$ **52,486**
Depreciation and amortization	16,547	**14,003**	**113,022**
Provision for doubtful accounts	26	**(54)**	**(437)**
Provision for employees' retirement benefits	112	**2,875**	**23,206**
Equity in earnings of affiliates	(493)	**(567)**	**(4,583)**
Loss on devaluation of marketable securities	202	**-**	**-**
Loss on disposal of property, plant and equipment	1,916	**1,121**	**9,054**
Loss on devaluation of investment securities	210	**1,190**	**9,608**
Loss on devaluation of golf membership	556	**305**	**2,467**
Interest and dividend income	(805)	**(728)**	**(5,882)**
Interest expense	5,225	**4,784**	**38,612**
Loss (Gain) on sales of property, plant and equipment	(3,777)	**166**	**1,342**
Gain on sales of marketable securities	(7,434)	**-**	**-**
Gain on out-of-court settlement	(3,604)	**-**	**-**
Gain on sales of investment securities	(31)	**(908)**	**(7,329)**
Loss on financial support for an affiliate	11,916	**-**	**-**
Increase in notes and accounts receivable - trade	(1,895)	**(4,589)**	**(37,041)**
Decrease (Increase) in inventories	2,697	**(2,380)**	**(19,217)**
Increase in notes and accounts payable - trade	1,407	**3,998**	**32,272**
Other	(1,342)	**7,847**	**63,339**
Subtotal	29,412	**33,567**	**270,923**
Interest and dividend income received	1,079	**1,212**	**9,783**
Interest expense paid	(5,345)	**(5,056)**	**(40,807)**
Income taxes paid	(3,042)	**(5,067)**	**(40,903)**
Proceeds from out-of-court settlement	4,000	**4,083**	**32,960**
Loss on financial support for affiliate	(11,916)	**-**	**-**
Net cash provided by operating activities	14,187	**28,739**	**231,955**
Cash flows from investing activities:			
Purchase of marketable and investment securities	(1,375)	**(2,057)**	**(16,606)**
Proceeds from sales of marketable and investment securities	12,026	**3,855**	**31,118**
Purchase of property, and invetment plant and equipment	(31,407)	**(9,500)**	**(76,682)**
Proceeds from sales of property, plant and equipment	10,030	**1,294**	**10,450**
Decrease in short-term loans receivable	807	**117**	**945**
Repayment of long-term loans receivable	(522)	**(36)**	**(293)**
Proceeds from collection of long-term loans receivable	193	**182**	**1,469**
Proceeds from sales of investments in subsidiaries	2,553	**-**	**-**
Other	(84)	**(2,369)**	**(19,121)**
Net cash used in investing activities	(7,778)	**(8,514)**	**(68,720)**
Cash flows from financing activities:			
Decrease in short-term bank loans	(13,296)	**(5,347)**	**(43,163)**
Increase (Decrease) in commercial paper	(15,000)	**8,000**	**64,568**
Proceeds from long-term debt	27,794	**3,073**	**24,805**
Repayment of long-term debt	(4,682)	**(12,109)**	**(97,737)**
Proceeds from issuance of bonds	10,000	**-**	**-**
Redemption of bonds	(10,000)	**(15,466)**	**(124,834)**
Dividends paid	(1,865)	**(1,799)**	**(14,519)**
Other	595	**(296)**	**(2,389)**
Net cash used in financing activities	(6,454)	**(23,946)**	**(193,271)**
Effects of exchange rate changes on cash and cash equivalents	(364)	**339**	**2,738**
Net decrease in cash and cash equivalents	(410)	**(3,382)**	**(27,296)**
Increase in cash and cash equivalents due to change in scope of consolidation	1,582	**247**	**2,001**
Cash and cash equivalents at beginning of year	7,785	**8,957**	**72,293**
Cash and cash equivalents at end of year (Note 13)	¥ 8,957	¥ **5,823**	$ **46,997**

The accompanying notes are integral parts of these statements.

Notes to Consolidated Financial Statements

Nichirei Corporation. and Consolidated Subsidiaries

Note 1: Basis of Presentation

The accompanying consolidated financial statements of Nichirei Corporation (the "Company") and consolidated subsidiaries have been prepared from the consolidated financial statements filed with the Ministry of Finance as required by the Securities and Exchange Law of Japan and in accordance with accounting principles and practices generally accepted and applied in Japan.

Accordingly, the accompanying consolidated financial statements are not intended to present the consolidated financial position, results of operations and cash flows in accordance with accounting principles and practices generally accepted in countries and jurisdictions other than Japan.

Certain reclassifications have been made to present the accompanying consolidated financial statements in a format which is familiar to readers outside Japan.

As permitted by the Securities and Exchange Law, amounts of less than one million yen have been omitted. As a result, the totals in yen shown in the accompanying consolidated financial statements do not necessarily agree with the sums of the individual amounts.

For the convenience of the reader, the accompanying consolidated financial statements have been presented in U.S. dollars by translating Japanese yen amounts at ¥123.90 = US$1.00, the exchange rate prevailing on March 31, 2001.

Note 2: Summary of Significant Accounting Policies

(a) Principles of Consolidation

The accompanying consolidated financial statements include the accounts of the Company and all its 106 (58 in 2000) significant majority-owned subsidiaries for the year ended March 31, 2001. All significant intercompany balances, transactions and profits have been eliminated in consolidation.

Investments in all the Company's 14 affiliated companies are accounted for by the equity method. The excess of cost over underlying net assets at the dates of the investments in consolidated subsidiaries is included in other assets and is being amortized on the straight-line basis over a period of five years.

(b) Cash Equivalents

All highly liquid investments, generally with a maturity of three months or less when purchased, which are readily convertible into known amounts of cash and are so near maturity that they represent only an insignificant risk of any change in their value attributable to changes in interest rates, are considered cash equivalents.

(c) Securities

Effective April 1, 2000, the Company and its domestic consolidated subsidiaries adopted a new accounting standard for financial instruments ("Opinion Concerning Establishment of Accounting Standards for Financial Instruments" issued by the Business Accounting Deliberation Council on January 22, 1999). This standard requires all companies to reclassify securities into three categories depending upon the purpose for holding the securities and to account for the securities as follows: i) trading securities, which are held for the purpose of earning capital gains in the short term, are stated at fair market value, with related gain and loss realized on disposal and unrealized gain and loss from market fluctuations recognized as gain or loss in the statement of income in the year of the change; ii) held-to-maturity debt securities, which a company has the positive intent to hold until maturity, are stated at amortized cost; and iii) available-for-sale securities, which are not classified as either of the aforementioned types of securities, but are stated at fair market value if such value is available, or, if not, at moving-average cost, with unrealized gain and loss, net of the applicable taxes, reported as a separate component of shareholders' equity. Realized gain and loss on sales of such securities are calculated at moving-average cost.

The Company and its consolidated subsidiaries reviewed the purpose of holding their securities at the beginning of the year and classified all as available-for-sale securities. Available-for-sale securities for short-term investment purposes with a total fair value of ¥9 million (US$79 thousand) have been included in "other current assets" under current assets, whereas others with a total fair value of ¥16,038 million (US$129,448 thousand) have been included in "investment securities" under investments and other assets.

(d) Foreign Currency Translation

Receivables and payables denominated in foreign currencies are translated into Japanese yen at the year-end rates. Prior to April 1, 2000, long-term receivables and payables denominated in foreign currencies were translated at their historical rates.

Effective April 1, 2000, the Company and its consolidated subsidiaries adopted a revised accounting standard for foreign currency translation, “Opinion Concerning the Revision of Accounting Standards for Foreign Currency Translation,” issued by the Business Accounting Deliberation Council on October 22, 1999 (the “Revised Accounting Standard”). Under the Revised Accounting Standard, long-term receivables and payables denominated in foreign currencies are translated into Japanese yen at the year-end rate.

The effect of adopting the Revised Accounting Standard on the consolidated statement of income for the year ended March 31, 2001 was immaterial.

(e) Translation of Financial Statements of Consolidated Overseas Subsidiaries

In translating the financial statements of overseas subsidiaries, balance sheet accounts are translated at the exchange rate in effect at each year-end except that investments in subsidiaries and shareholders’ equity accounts are translated at their historical rates. Revenues and expenses are translated at the average rate of exchange prevailing during the year.

As a result of the adoption of the Revised Accounting Standard, the Company and consolidated subsidiaries effective March 31, 2001 have reported translation adjustments in shareholders’ equity and minority interests. The corresponding prior-year amount, which was included in assets, has not been reclassified.

(f) Inventories

Inventories of the Company and its domestic consolidated subsidiaries are stated at cost determined by the monthly average-cost method.

Inventories of the overseas subsidiaries are generally stated at the lower-of-cost-or-market, cost being determined principally by the first-in, first-out method.

(g) Property, Plant and Equipment, Intangible Fixed Assets, and Depreciation

Property, plant and equipment are stated at cost. Depreciation at the Company and at the domestic subsidiaries is computed primarily by the declining-balance method except in cases of office buildings for lease and buildings acquired on or after April 1, 1998 to which the straight-line method is applied. Property, plant and equipment are depreciated at rates based on the estimated useful lives of the respective assets, ranging from 3 to 50 years for buildings and structures and from 2 to 20 years for machinery and equipment as prescribed in the Corporation Tax Law of Japan.

Depreciation at all foreign subsidiaries is computed by the straight-line method, subject to local rules, at rates based on the estimated useful lives of the respective assets.

Intangible assets are amortized by the straight-line method.

(h) Employees' Severance and Retirement Benefits

Prior to April 1, 2000, the Company’s and domestic consolidated subsidiaries’ policy for the provision of employees’ retirement benefits was to accrue 40 percent of the liability which would be required to be paid if all eligible employees terminated their employment with the Company and domestic consolidated subsidiaries voluntarily as of the balance sheet date.

Effective April 1, 2000, the Company and its domestic subsidiaries have adopted a new accounting standard, “Opinion on Setting Accounting Standards for Employees’ Severance and Retirement Benefits,” issued by the Business Accounting Deliberation Council on June 16, 1998. Under this accounting standard, the liabilities and expenses for severance and retirement benefits are determined based on amounts calculated actuarially based on certain assumptions. The Company and its domestic consolidated subsidiaries have provided for severance and retirement benefits at March 31, 2001 based on the estimated amounts of the projected benefit obligation and the fair value of the plan assets as of that date.

The net retirement benefit obligation at transition arising from this change in the amount of ¥16,601 million (US$133,993thousand) as determined at the beginning of the year was amortized all at once this year. Of this balance, ¥13,452 million (US$108,576 thousand) represents the contribution of investment securities to an employees’ retirement benefit trust in August 2000.

As a result of this adoption, total employees’ retirement benefit expenses increased by ¥15,399 million (US$124,289 thousand) and income before income taxes decreased by ¥15,506 million (US$125,156 thousand) over the amounts which would have been recorded under the method followed in the prior year.

(i) Directors' and Statutory Auditors' Retirement Benefits

An accrual for directors' and statutory auditors' retirement benefits of ¥1,133 million (US$9,149 thousand) was included in directors' and employees' retirement benefits at March 31, 2001.

(j) Income Taxes

Deferred tax assets and liabilities are determined based on the differences between financial reporting and the tax bases of the assets and liabilities and are measured using the enacted tax rates and laws which will be in effect when the differences are expected to reverse.

(k) Net Income per Share

Net income per share for the years ended March 31, 2000 and 2001 is computed based on the average number of shares outstanding during each year.

Diluted net income per share is based on the average number of shares outstanding during the year and assumes full conversion of the convertible bonds (issued on August 31, 1988).

(l) Leases

Non-cancelable finance leases are accounted for as operating leases except that lease agreements which stipulate the transfer of the ownership of the leased assets to the lessee are accounted for as finance leases.

Note 3: Inventories

Inventories as at March 31, 2000 and 2001 were as follows:

	Millions of yen		*Thousands of U.S. dollars*
	2000	**2001**	**2001**
Finished goods and merchandise	¥ 31,322	**¥ 33,379**	**$ 269,403**
Raw materials and supplies	3,187	**3,709**	**29,936**
	¥ 34,509	**¥ 37,088**	**$ 299,340**

Note 4: Securities

The following table summarizes the acquisition costs, book value and fair value of securities as of March 31, 2001.

	Millions of yen	*Thousands of U.S. dollars*
Acquisition costs:		
Equity securities	¥ 26,129	$ 210,892
Bonds	2,016	16,273
	28,145	227,165
Book value:		
Equity securities	35,418	285,864
Bonds	1,991	16,074
	37,410	301,939
Difference:		
Equity securities	9,289	74,972
Bonds	(24)	(199)
	¥ 9,264	$ 74,773

The following table shows the aggregate book value of securities with no available fair value as of March 31, 2001:

	Millions of yen	*Thousands of U.S. dollars*
Non-listed equity securities (excluding equity securities traded on the OTC market)	¥ 1,426	$ 11,517

Note 5: Short-Term Bank Loans and Long-Term Debt

Short-term bank loans represent notes maturing within one year.

The weighted average interest rate of all outstanding short-term borrowings at Merch 31, 2001 was 1.563%.

Long-term debt at March 31, 2000 and 2001 are summarized as follows (The given interest rates, which may be denominated in more than one currency, are calculated after consideration of the related interest-rate swaps or currency swaps utilized as hedges.):

	Millions of yen		Thousands of U.S. dollars
	2000	**2001**	**2001**
The Company			
5.0% bonds due 2000	¥ 10,000	¥ -	$ -
2.8% bonds due 2001	20,000	**20,000**	**161,420**
2.075% bonds due 2002	20,000	**20,000**	**161,420**
1.8% convertible bonds due 2003	6,307	**6,307**	**50,903**
2.175% bonds due 2003	5,000	**5,000**	**40,355**
1.52% bonds due 2004	10,000	**10,000**	**80,710**
Unsecured loans, principally from banks and life insurance companies	14,562	**10,274**	**82,925**
Secured loans, principally from banks and government-sponsored agencies (2.75%)	37	**28**	**227**
Consolidated Subsidiaries			
U.S. dollar 5,000,000 industrial revenue bonds due 2009 (5.9%)*1*3	512	**-**	**-**
Yen 5,000,000,000 unsecured notes due 2000 (8.145%)*2*3	5,191	**-**	**-**
Loans, principally from banks	56,656	**51,996**	**419,665**
Less current portion	(26,032)	**(29,585)**	**(238,788)**
	¥ 122,235	**¥ 94,020**	**$ 758,839**

*1 This interest rate of the bonds is the interest rate applicable to the floating-rate industrial development bonds (1989 series) issued by Lancaster County, Nebraska, U.S.A.

*2 This rate is the interest rate on the U.S. dollar currency swap which was entered into after issuing the notes in yen.

*3 The outstanding balances of the bonds as of the end of the previous year were calculated as of December 31, 2000, the balance sheet date of the issuing consolidated subsidiaries.

The aggregate annual maturities of long-term debt (exclusive of all convertible debt) outstanding at March 31, 2001 are summarized as follows:

Year ending March 31,	Millions of yen	Thousands of U.S. dollars
2001	¥ 29,585	$ 238,788
2002	32,399	261,494
2003	14,723	118,830
2004	28,414	229,335
2005 and thereafter	18,423	149,179
	¥ 123,606	$ 997,628

The assets pledged as collateral for long-term debt at March 31, 2001 were as follows:

	Millions of yen	Thousands of U.S. dollars
Property, plant and equipment	¥ 46,400	$ 374,499
Investment securities	40	324
Other assets	389	3,140
	¥ 46,829	$ 377,964

Note 6: Other Income (Expenses)

Other income (expenses) for the years ended March 31, 2000 and 2001 consisted primarily of the following:

	Millions of yen		Thousands of U.S. dollars
	2000	**2001**	**2001**
Gain on securities contributed to employees' retirement benefit trust	¥ -	**¥ 7,727**	**$ 62,369**
Gain on sales of property, plant and equipment	6,122	**557**	**4,495**
Gain on sales of marketable securities	7,434	**-**	**-**
Gain on out-of-court settlement	3,604	**-**	**-**
Amortization of net retirement benefit obligation at transition	-	**(16,601)**	**(133,993)**
Loss on sales of property, plant and equipment	(2,345)	**(723)**	**(5,838)**
Loss on retirement of property, plant and equipment	(2,949)	**(1,236)**	**(9,980)**
Loss on financial support for an affiliate	(11,916)	**-**	**-**
Loss on discontinued operations	(1,910)	**(569)**	**(4,595)**
Other, net	(2,635)	**(2,786)**	**(22,490)**
	¥ (4,594)	**¥ (8,059)**	**$ (65,051)**

Note 7: Income Taxes

The Company and its consolidated subsidiaries are subject to a number of taxes based on income, which in the aggregate resulted in a statutory tax rate of approximately 42 % for the years ended March 31, 2000 and 2001. The effective tax rates reflected in the accompanying consolidated statements of income for the years ended March 31, 2000 and 2001 differ from the statutory tax rate. The differences between the statutory tax rate and the effective tax rates reflect the future tax effects of temporary differences as presented below:

	2000	**2001**
Statutory tax rate	41.9%	**41.9%**
Entertainment and other expenses not deductible	3.4	**4.3**
Dividends and other income received but excluded from taxable income	(1.9)	**(2.2)**
Decrease in income taxes resulting from equity in earnings	(2.6)	**(3.7)**
Inhabitants' per capita taxes	1.8	**2.2**
Additional taxes assessed	1.6	**-**
Elimination of dividends received from overseas affiliates	-	**4.6**
Valuation reserve	-	**(8.9)**
Other, net	0.0	**0.6**
Effective tax rates	44.3%	**38.8%**

The components of deferred tax assets and deferred tax liabilities at March 31, 2000 and 2001 were as follows:

	Millions of yen		*Thousands of U.S. dollars*
	2000	**2001**	**2001**
Deferred tax assets:			
Establishment of employees' retirement benefit trust	¥ -	**¥ 5,636**	**$ 45,493**
Excess of allowed limit of retirement allowance reserve	-	**1,219**	**9,841**
Deferred losses	3,204	**2,991**	**24,146**
Loss on devaluation of marketable securities	597	**465**	**3,756**
Enterprise tax	253	**290**	**2,346**
Excess of allowed limit of bonus reserve	-	**274**	**2,212**
Inventories – unrealized profits and write-downs	220	**259**	**2,097**
Property, plant and equipment – unrealized profits and losses	1,740	**1,609**	**12,993**
Allowance for doubtful accounts	290	**-**	**-**
Depreciation	663	**606**	**4,894**
Other	1,705	**1,455**	**11,747**
Total gross deferred tax assets	8,677	**14,809**	**119,529**
Less valuation allowance	3,555	**3,074**	**24,814**
Deferred tax assets	5,121	**11,735**	**94,715**
Deferred tax liabilities:			
Net unrealized holding gain on securities	-	**(3,892)**	**(31,413)**
Gain on securities contributed to employees' retirement benefit trust	-	**(3,237)**	**(26,132)**
Special depreciation reserve	(74)	**(37)**	**(301)**
Reserve and special reserve for advanced depreciation of property, lant and equipment	(3,164)	**(3,343)**	**(26,987)**
Other, net	(412)	**(565)**	**(4,561)**
Deferred tax liabilities	(3,651)	**11,076**	**(89,397)**
Net deferred tax assets	¥ 1,469	**¥ 658**	**$ 5,317**

Note 8: Leases

The following pro forma amounts represent the acquisition costs, accumulated depreciation and net book value of the leased property as of March 31, 2001 and 2000, which would have been reflected in the consolidated balance sheets if finance lease accounting had been applied to the finance leases currently accounted for as operating leases:

	Millions of yen		*Thousands of U.S. dollars*
Future lease payments:	2000	**2001**	**2001**
Acquisition costs	¥ 32,910	**¥ 30,763**	**$ 248,291**
Less accumulated depreciation	12,919	**11,321**	**91,376**
Net book value	¥ 19,990	**¥ 19,441**	**$ 156,915**

Future minimum lease payments subsequent to March 31, 2000 and 2001 on finance leases are summarized as follows:

Future lease payments:	Millions of yen 2000	Millions of yen 2001	Thousands of U.S. dollars 2001
One year or less	¥ 3,142	¥ **2,835**	$ **22,888**
More than one year	17,507	**17,398**	**140,422**
	¥ 20,650	¥ **20,234**	$ **163,310**

Future minimum lease payments and income subsequent to March 31, 2000 and 2001 on noncancelable operating leases are summarized as follows:

Future lease payments:	Millions of yen 2000	Millions of yen 2001	Thousands of U.S. dollars 2001
One year or less	¥ 350	¥ **383**	$ **3,091**
More than one year	1,002	**915**	**7,391**
	¥ 1,352	¥ **1,298**	$ **10,482**

Future lease income:	Millions of yen 2000	Millions of yen 2001	Thousands of U.S. dollars 2001
One year or less	¥ 4,580	¥ **4,575**	$ **36,927**
More than one year	44,665	**40,025**	**323,048**
	¥ 49,246	¥ **44,601**	$ **359,976**

Note 9: Derivative Financial Instruments

The Company and its subsidiaries enter into forward foreign exchange contracts, interest swaps, currency swaps and other derivatives primarily to manage the risks associated with the exposure of their assets and liabilities to adverse fluctuations in the underlying markets.

The Company and its subsidiaries also use these agreements for the purpose of lowering their funding costs, accessing a variety of funding resources and locking in yields while investing in fixed income markets. Under no circumstances, however, do the Company and its subsidiaries use derivatives for speculative trading purposes.

Because of their purpose as hedges and the high correlation between the hedging instruments and the underlying hedged items, all gain and loss on derivatives positions are deferred in order to offset the reciprocal changes in the value of the underlying items. The outstanding derivatives positions are not subject to separate disclosure under the hedge accounting standard which the Company has adopted effective the fiscal year ended March 31, 2001. The cumulative aggregate amount of unrealized gain and loss on such positions is disclosed as net unrealized holding gain on securities, which is a separate component of shareholders' equity in the Company's balance sheet at March 31, 2001.

The aggregate amounts of unrealized gain and loss on derivatives positions to which hedging accounting has not been applied and which are stated at fair value at March 31, 2001 were as follows:

	Millions of yen		Thousands of U.S. dollars	
	Principal amount (notional amount for swaps)	Unrealized gain and loss	Principal amount (notional amount for swaps)	Unrealized gain and loss
Foreign currency forward contracts	¥ -	¥ -	$ -	$ -
Interest swaps	2,400	(11)	19,370	(94)
Currency swaps	-	-	-	-
	¥ 2,400	¥ (11)	$ 19,370	$ (94)

Note 10: Contingent Liabilities

As at March 31, 2000 and March 31, 2001, the Company and its consolidated subsidiaries had the following contingent liabilities:

	Millions of yen		*Thousands of U.S. dollars*
	2000	**2001**	**2001**
As guarantor of indebtedness of non-consolidated subsidiaries and affiliates	¥ 1,889	**¥ 4,969**	**$ 40,109**
As guarantor of indebtedness of employees	1,424	**1,492**	**12,048**
As guarantor of indebtedness of other company	89	**79**	**643**
	¥ 3,403	**¥ 6,542**	**$ 52,800**

Note 11: Research and Development Expenses and Advertising Costs

Research and development expenses charged to selling, general and administrative expenses for the years ended March 31, 2000 and 2001 were ¥2,196 million ($17,730 thousand) and ¥2,305 million ($18,607 thousand), respectively.

Advertising costs included in selling, general and administrative expenses for the years ended March 31, 2000 and 2001 were ¥3,454 million ($27,878 thousand) and ¥3,910 million ($31,559 thousand), respectively.

Note 12: Employees' Severance and Retirement Benefits

The Company and certain of its domestic subsidiaries have contributory defined benefit plans that cover substantially all their employees after one year of service. Upon retirement for reasons other than dismissal for cause, eligible employees are entitled to lump-sum payments based on their earnings and years of service. On occasion, the Company may also provide programs that entitle employees to additional lump-sum payments to encourage early retirement.

The following table sets forth the funded and accrued status of the plans, and the amounts recognized in the consolidated balance sheet as of March 31, 2001 for the Company's and the consolidated subsidiaries' defined benefit plans:

	Millions of yen	*Thousands of U.S. dollars*
Projected retirement benefit obligation	¥ 25,852	$ 208,659
Fair value of plan assets	(20,010)	(161,502)
Unrecognized actuarial gain	(2,594)	(20,943)
Prepaid pension cost	941	7,595
Net liability	¥ 4,189	$ 33,809

The government-sponsored portion of the benefits under the welfare pension fund plans has been included in the amounts shown in the above table.

The components of retirement benefit expenses for the year ended March 31, 2001 are as follows:

	Millions of yen	*Thousands of U.S. dollars*
Service cost	¥ 1,531	$ 12,364
Interest cost	737	5,955
Expected return on plan assets	(215)	(1,741)
Amortization of net retirement benefit obligation at transition	16,601	133,993
Total retirement benefit expenses	¥ 18,655	$ 150,572

The actuarial assumptions used for the year ended March 31, 2001 are set forth as follows:

Discount rate	3.0%
Expected rates of return on plan assets	1.5 - 3.5%
Period for the recognition of actuarial gain	10 years
Amortization period of net retirement benefit obligation at transition	1 year

In September 2000, the Company contributed certain marketable securities with a total fair value of ¥13,452 million (US$108,576 thousand) to an employees' retirement benefit trust for the contributory pension plans. The securities held in this trust have been qualified as pension plan assets.

Note 13: Supplementary Cash Flow Information

The following table represents a reconciliation of cash and cash equivalents as of March 31, 2001:

	Millions of yen	*Thousands of U.S. dollars*
Cash and bank deposits	¥ 5,910	$ 47,705
Time deposits with a maturity of more than three months	(94)	(759)
Short-term investments and other current assets maturing in less than three months	9	79
Overdrafts included in short-term bank loans	(3)	(28)
Cash and cash equivalents	¥ 5,823	$ 46,997

Note 14: Subsequent Event

Pursuant to a resolution of the Board of Directors at a meeting held on April 17, 2001, the Company issued the following straight bonds:

Series 15 10 Billion Yen Unsecured Straight Bonds
Date of issuance: May 2, 2001
Issue price: ¥100 (par value ¥100)
Coupon rate: 0.97%
Redemption date: May 2, 2006

Series 16 5 Billion Yen Unsecured Straight Bonds
Date of issuance: May 2, 2001
Issue price: ¥100 (par value ¥100)
Coupon rate: 1.43%
Redemption date: May 2, 2008

Note 15: Segment Information

The Company and its consolidated subsidiaries are engaged in the following four business segments: temperature-controlled logistics, foods, real estate and other. Temperature-controlled logistics mainly comprises the refrigerated storage, distribution and transportation of fresh and chilled foods. Food mainly comprises production, processing and marketing of processed food, and importing such foodstuffs as marine, meat and poultry, and agricultural products. Real estate comprises the leasing of office buildings and other. Other comprises the diagnostic medicine business and other.

The business segment information of the Company and its consolidated subsidiaries for the years ended March 31, 2000 and March 31, 2001 is summarized as follows:

	Year ended March 31, 2000 (Millions of yen)						
	Temperature-controlled logistics	*Foods*	*Real Estate*	*Other*	*Total*	*Intercompany eliminations and corporate*	*Consolidated*
Operating revenues	¥ 77,204	¥ 481,022	¥ 7,758	¥ 3,496	¥ 569,482	¥ -	¥ 569,482
Intra-group sales and transfers	18,518	229	427	2,684	21,859	(21,859)	-
Total	95,722	481,252	8,186	6,180	591,341	(21,859)	569,482
Operating expenses	87,539	469,818	2,886	5,944	566,189	(13,680)	552,508
Operating income	8,183	11,434	5,299	235	25,152	(8,179)	16,973
Total assets	118,183	146,867	56,860	5,737	327,649	42,974	370,623
Depreciation and amortization	9,899	4,595	781	565	15,841	706	16,547
Capital expenditures	2,025	3,898	24,627	523	31,074	236	31,310

	Year ended March 31, 2001 (Millions of yen)						
	Temperature-controlled logistics	Foods	Real Estate	Other	Total	Intercompany eliminations and corporate	Consolidated
Operating revenues	¥ 80,492	¥ 465,466	¥ 9,773	¥ 4,273	¥ 560,006	¥ -	¥ 560,006
Intra-group sales and transfers	19,567	235	503	2,693	23,000	(23,000)	-
Total	100,059	465,702	10,277	6,967	583,006	(23,000)	560,006
Operating expenses	91,922	454,811	3,368	6,633	556,736	(15,326)	541,409
Operating income	8,136	10,891	6,908	334	26,270	(7,673)	18,596
Total assets	115,835	146,102	52,602	5,383	319,924	47,845	367,770
Depreciation and amortization	7,430	4,142	1,182	598	13,354	649	14,003
Capital expenditures	4,444	3,751	919	561	9,677	1,994	11,672

	Year ended March 31, 2001 (Thousands of U.S. dollars) (Note 1)						
	Temperature-controlled logistics	Foods	Real Estate	Other	Total	Intercompany eliminations and corporate	Consolidated
Operating revenues	$ 649,655	$3,756,795	$ 78,881	$ 34,492	$4,519,825	$ -	$4,519,825
Intra-group sales and transfers	157,927	1,900	4,065	21,742	185,635	(185,635)	-
Total	807,583	3,758,695	82,946	56,235	4,705,461	(185,635)	4,519,825
Operating expenses	741,911	3,670,792	27,190	53,536	4,493,430	(123,701)	4,369,729
Operating income	65,672	87,903	55,756	2,698	212,030	(61,934)	150,095
Total assets	934,912	1,179,200	424,559	43,448	2,582,120	386,165	2,968,286
Depreciation and amortization	59,973	33,431	9,547	4,829	107,781	5,240	113,022
Capital expenditures	35,874	30,278	7,423	4,530	78,106	16,101	94,208

Century Ota Showa & Co.

The Board of Directors and Shareholders
Nichirei Corporation

We have audited the consolidated balance sheets of Nichirei Corporation and consolidated subsidiaries as of March 31, 2000 and 2001, the related consolidated statements of income and shareholders' equity, and cash flows for the years then ended, all expressed in yen. Our audits were made in accordance with auditing standards, procedures and practices generally accepted and applied in Japan and, accordingly, included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

In our opinion, the accompanying consolidated financial statements, expressed in yen, present fairly the consolidated financial position of Nichirei Corporation and consolidated subsidiaries at March 31, 2000 and 2001, and the consolidated results of their operations for the years then ended, and the consolidated results of their cash flows for the years then ended in conformity with accounting principles and practices generally accepted in Japan applied on a consistent basis.

As described in Note 2 to the consolidated financial statements, Nichirei Corporation and consolidated subsidiaries have adopted new accounting standards for financial instruments, retirement benefit accounting and foreign currency denominated transaction accounting standards in the preparation of their consolidated financial statements for the year ended March 31, 2001.

The U.S. dollar amounts in the accompanying consolidated financial statements with respect to the year ended March 31, 2001 are presented solely for convenience. Our audit also included the translation of yen amounts into U.S. dollar amounts and, in our opinion, such translation has been made on the basis described in Note 1 to the consolidated financial statements.

June 27, 2001

Century Ota Showa & Co

See Note 1 to the consolidated financial statements which explains the basis of preparing the consolidated financial statements of Nichirei Corporation and consolidated subsidiaries under Japanese accounting principles and practices.

5-YEAR CONSOLIDATED FINANCIAL SUMMARY

Nichirei Corporation and Consolidated Subsidiaries

As of March 31

	Millions of yen, except for per share amounts					Thousands of U.S. dollars
	1997	1998	1999	2000	**2001**	**2001**
OPERATING RESULTS-CONTINUING OPERATIONS						
Net sales	¥ 591,190	¥ 594,469	¥ 571,775	¥ 569,482	¥ 560,006	$ 4,519,825
Gross profit	95,003	95,850	94,082	103,840	103,884	838,453
Selling, general and administrative expenses	86,521	89,636	86,036	86,866	85,287	688,357
Operating income	8,481	6,214	8,046	16,973	18,596	150,095
Income (loss) before income taxes	4,946	(3,414)	2,406	7,979	6,503	52,486
Net income (loss)	1,977	(5,172)	233	4,326	4,020	32,450
AT YEAR END						
Total assets	¥ 388,613	¥ 393,032	¥ 365,838	¥ 370,623	¥ 367,770	$ 2,968,286
Shareholders' equity	93,898	86,689	80,567	82,624	89,395	721,513
Property, plant and equipment - net	179,701	176,254	168,812	178,716	172,943	1,395,830
FINANCIAL RATIOS						
As a parcent of sales:						
Gross profit	16.07%	16.12%	16.45%	18.23%	18.55%	
Selling, general and administrative expenses	14.64	15.08	15.05	15.25	15.23	
Operating income	1.43	1.05	1.41	2.98	3.32	
Income (loss) before income taxes	0.84	(0.57)	0.42	1.40	1.16	
Return on equity	2.1	(5.7)	0.3	5.3	4.7	
Equity ratio	24.2	22.1	22.0	22.3	24.3	
OTHER INFORMATION						
Per common share (basic)						
Net income (loss)	¥ 6.36	¥ (16.63)	¥ 0.74	¥ 13.91	¥ 12.93	$ 0.104
Shareholders' equity	302.07	278.88	259.18	265.80	287.58	2.321
Shares outstanding at year-end (shares)	310,848,485	310,851,065	310,851,065	310,851,065	310,851,065	

Effective fiscal year ended March 31, 1999, enterprise tax is included in income taxes as the Japanese accounting standards have changed. The figures in the prior years are before this change, and thus assume that enterprise tax is included in selling, general and administrative expenses.

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Investor Information:
Corporate Relations Office
TEL:03-3248-2235
FAX:03-3248-2119

Domestic Offices:
Branches 11
Logistics Service Centers 68
Sales offices 14
Food Manufacturing Plants 3
Processing Plants 2

Web Site Address:
www.nichirei.co.jp

Established:
December 1, 1945

Common Stock Listing
Nichirei's common stocks are listed on the following exchanges:
Tokyo, Osaka, Nagoya, Fukuoka, Sapporo
(Code: 2871)

Paid-in Capital
¥30,307 million

No. of Shareholders (more than 1,000 shares)
23,178

Common Stock

Authorized	720,000,000 shares
Outstanding	310,851,065 shares

No. of Full-Time Employees
6,907

Transfer Agent and Registrar
Mizuho Trust & Banking Co., Ltd.
Stock Transfer Agency Division
TEL:03-3642-4004

Annual Meeting of Shareholders
The annual meeting of shareholders is normally held in June each year in Tokyo, Japan.

Independent Auditor
Century Ota Showa & Co.

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