# NICHIREI CORPORATION
# ANNUAL REPORT 2002

For the Year Ended March 31, 2002

# *Profile*

***Nichirei Corporation is one of Japan's leading food companies, preeminent in the refrigerated warehousing and frozen food industries, with operations spanning domestic and international food processing, foodstuffs import, 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 62 Logistics Service Centers. The Company also has 11 sales offices as well as 77 subsidiaries and affiliates throughout Japan. We have 18 subsidiaries and affiliates overseas, and an extensive network of suppliers.***

## *Contents*



### Cautionary Statement with Respect to Forward-Looking Statements

This annual report contains, in addition to historical facts, forward-looking statements that are based on Nichirei's and its Group companies' current expectations, estimates and projections regarding plans, outlook, strategies and results for the future. All such statements are based on management's assumptions and beliefs derived from the information available to it at the time of publication of this annual report. Words such as "anticipates," "expects," "intends," "plans," "believes," "seeks," "estimates," "may," "will," and variations of these words or similar expressions are intended to identify forward-looking statements, from which actual results may differ significantly. Thus, it is advised that investors refrain from making investment decisions based solely on these forward-looking statements. Nichirei and its Group companies will not necessarily revise their forward-looking statements in accordance with new information, future events and other results. Risks and uncertainties that could affect the actual results of Nichirei and its Group companies include, but are not limited to:

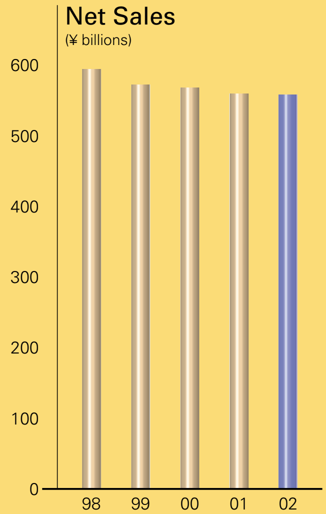
1) economic conditions and industry environment, particularly levels of consumer spending, surrounding the business activities of Nichirei and its Group companies;
2) currency exchange rate fluctuations, particularly involving U.S. dollars and euro;
3) Nichirei's and its Group companies' ability to implement growth strategies and build a low-cost structure;
4) Nichirei's and its Group companies' ability to reduce interest-bearing obligations;
5) effect of natural disasters; and
6) serious and unpredictable effects that may be caused by future events.

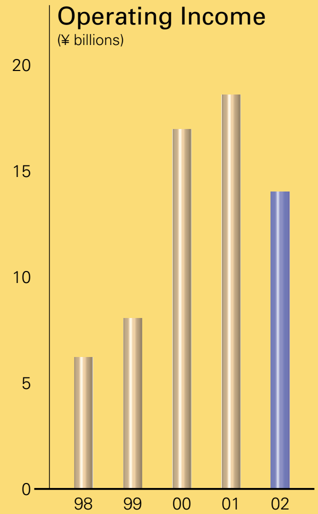
# Financial Highlights

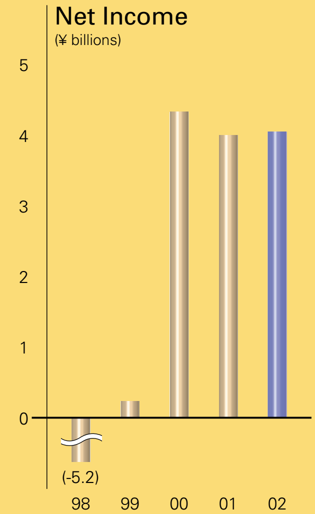
Nichirei Corporation and Consolidated Subsidiaries
Years ended March 31, 2002 and 2001

| | Millions of yen except per share amounts | | % change | Thousands of U.S. dollars except per share amounts |
|---|---|---|---|---|
| | 2001 | 2002 | 2002 / 2001 | 2002 |
| FOR THE YEAR | | | | |
| Net sales | ¥ 560,006 | ¥ 558,191 | -0.3% | $ 4,189,052 |
| Operating income | 18,596 | 14,016 | -24.6% | 105,187 |
| Income before income taxes | 6,503 | 5,235 | -19.5% | 39,292 |
| Net income | 4,020 | 4,062 | 1.0% | 30,486 |
| PER SHARE DATA | | | | |
| Net income | | | | |
| Basic | ¥ 12.93 | ¥ 13.06 | 1.0% | $ 0.098 |
| Diluted | 12.93 | 13.05 | 0.9% | 0.098 |
| AT YEAR-END | | | | |
| Shareholders' equity | ¥ 89,395 | ¥ 87,649 | -2.0% | $ 657,782 |
| Total assets | 367,770 | 353,385 | -3.9% | 2,652,047 |

Notes:
1. U.S. dollar amounts have been translated from yen, for convenience only, at the rate of ¥133.25=U.S.$1, the approximate Tokyo foreign exchange market rate as of March 31, 2002.
2. For the year ended March 31, 2002, 5 subsidiaries were newly included to constitute a total of 93 consolidated subsidiaries, while one affiliate was newly added to a total of 13 affiliates to be accounted for by the equity method.
3. The computation of net income per share assuming no dilution is based on the weighted average number of shares outstanding during each fiscal year.
Net income per share assuming dilution is based on the weighted 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, 2002.



## Temperature-Controlled Logistics

Temperature-controlled logistics are one of Nichirei's core operations. Through five types of temperature-controlled logistics – cold storage, transportation and delivery, distribution, third-party logistics, and European operations – Nichirei offers solutions for optimizing customer's overall logistics flow.

No other company covers all corners of Japan in commercial cold-storage needs as Nichirei, the pioneer in the industry. With market share that ranks No. 1 in Japan and No. 4 worldwide, Nichirei has secured itself a solid position in the business of refrigerated warehousing and transportation-and-delivery services. Today, as more large retailers and restaurant chains outsource their logistics operations, demands are increasing for logistics services that come complete with distribution center functions. To meet such demands, Nichirei has employed some of the most-advanced information technologies in the logistics industry, building a supply-chain management (SCM) system and maintaining high-quality control. It is through the offering of such value-added logistics services that Nichirei aims to expand further into the future.


## Foods

The other core operation of Nichirei, foods, consists of processed foods, marine products, and livestock and poultry products.

At the top of the list of Nichirei's processed foods are frozen foods, followed by canned foods, retort-pouch foods, acerola-based foods and beverages, and health foods. What distinguishes Nichirei's processed food operations from the rest is its worldwide network built under the concept of reliability, safety and health to secure top-quality raw materials from all over the world, as well as its cutting-edge technology and business capacity to provide total support for its customers. Nichirei takes advantage of its unsurpassed record as the leading manufacturer of frozen foods in Japan, implementing growth strategies focusing on its core product categories.

In its marine products operations, Nichirei imports and sells fresh seafood procured from all around the world. Nichirei's pink shrimp ("ama-ebi") and black tiger shrimps, as well as Norwegian salmons, lead the industry in their market share. In the livestock and poultry products operations, Nichirei provides large retailers and restaurants with poultry, pork and beef procured from established partners in Japan and overseas. Collaborative relationships with such partners allow Nichirei to procure materials specially raised without the use of antibiotics and / or growth hormones. Such arrangements also enable Nichirei to operate under a strict quality-assurance system.

## Wholesale Foods

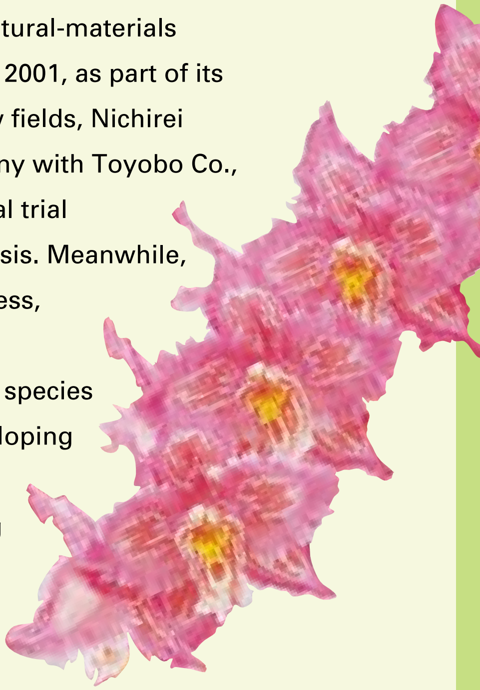
Yukiwa Co., Ltd. is a food wholesaler with strength in foods distributed in cold temperature. Yukiwa, however, does more than just provide means to lineup and distribute products: provide a total solution encompassing functions of product development, logistics and information analysis. Such advanced and diversified functions are what food businesses today seek from wholesalers, and get from Yukiwa.

## Real Estate

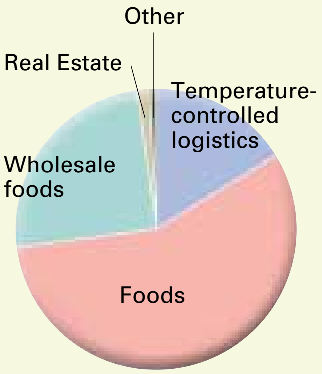
The purpose of Nichirei's real estate operations is to make effective use of company-owned properties. Nichirei plans and executes projects that best suit the location, surroundings and social circumstances of company-owned properties all around Japan. Currently, it is engaged in the development and lease of office buildings in large cities, as well as the development and sales of residential housing.

## Other Operations

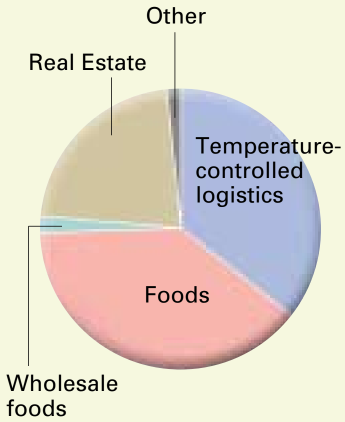
Nichirei continues to nurture its biosciences and flower operations. In biosciences operations, Nichirei develops, manufactures and sells antibody products, cell-culture reagents and raw materials for cosmetic products, based on Nichirei's immunology-related technology and natural-materials processing technology. In 2001, as part of its efforts to expand into new fields, Nichirei established a joint company with Toyobo Co., Ltd. to manufacture clinical trial materials on a contract basis. Meanwhile, in its flower-related business, Nichirei engages in the development of rare, new species of orchids as well as developing mass propagation technologies and seedling cultivation technologies.



**Operating Revenues by Consolidated Segment**
in percent




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



# Message to Our Shareholders

*Takemoto Ohto, Representative Director and Chairman (L)*
*Mitsudo Urano, Representative Director and President (R)*

*The fiscal year ended March 2002 marked the first year that we, Takemoto Ohto and Mitsudo Urano, led Nichirei since taking over the reins from our previous Representative Director and President, Tadashi Teshima, who had successfully implemented Nichirei's Restructuring Plan in a fast-changing business environment. The first major task we performed upon taking our posts as Chairman and President was to pursue the three-year Medium-Term Plan for Nichirei to maintain its brand identity as a naturally good food company in the 21st century, grow powerfully and contribute to society through its food business.*

*To focus, we set temperature-controlled logistics and foods as Nichirei's two core operations. Placed at the top of our agenda was improving capital efficiency: We expanded our temperature-controlled logistics businesses in areas where little capital investment was needed, and focused on strategic categories and rearranged our production system in our foods operation.*

*At the end of our first year, a look at our consolidated business performance for the fiscal year ended March 2002 reveals sales of 558,191 million yen, down 0.3% from the year-earlier result, and operating income of 14,016 million yen, down 4,580 million yen, or 24.6%, from the year-earlier result. With the decline in sales and income, we find ourselves reporting to you results that did not meet the goals for the first year of the Medium-Term Plan. From a long-term prospective, however, we believe it was a year of significant accomplishments – a year in which our qualitative reform for Nichirei's growth began at the source of management and steadily spread throughout the Company.*

## Results and accomplishments for the fiscal year ended March 2002

Nichirei's results for the fiscal year ended March 2002 were significantly affected by external factors. As if Japan's on-going recession wasn't bad enough, there was the yen depreciation against U.S. Dollars and the discovery of BSE (Bovine Spongiform Encephalopathy, or Mad Cow Disease) in Japan that scared consumers away from eating beef.

One of the biggest factors contributing to the near 25% reduction in our operating income over the year-earlier result was the decline in our food operations' income, mostly from that of processed foods. The profit decrease in the processed foods operation was caused not only by the weak yen, but also by the surge in material prices owing to the epidemic-caused suspension on Chinese chicken imports.

The year was a difficult one in terms of hard numbers. The year, however, also was one in which we implemented measures that began to steadily produce results that contribute to Nichirei's profit. We will continue following these measures that aim to meet Nichirei's goal of building capital-efficient business models.

In our processed foods operation, we concentrated our resources on our three major strategic categories – cooked-rice products, Chinese foods and chicken products – which have relatively high profit margins as well as sales growth prospects. As a result of enhancing marketing efforts and developing new products, we achieved an 8% sales increase in the three major categories, buoyed by a significant boost in the sales of cooked-rice products. In addition, we were able to cut costs by consolidating the production of items.

Profit from our temperature-controlled logistics operation remained much the same as the previous year due to the BSE problem slowing down the cargo movement in the latter half of the fiscal year and the launch of new distribution businesses resulting in non-recurring start-up expenses. Meanwhile, the good news is that our capital turnover is steadily improving. Also worth noting is the fact that our European refrigerated warehouses and transportation-and-delivery operations are turning a profit. This is a result of our Group companies reinforcing their collaborative relationship and concentrating on highly profitable operations to secure increased sales and profit.

We are happy to report that we are well ahead of our schedule in reducing interest-bearing loans, an agenda item listed as one of the pillars of our Medium-Term Plan.

## Profit recovery plan for core operations

For the present fiscal year ending March 2003, the second year of the Medium-Term Plan, we must further enhance measures to accelerate the recovery of profit for core operations.

Our food operations generate the most sales and income among all our operations; our processed foods operation will continue to be the driving force on which to build our growth strategy. At the core of our processed foods are frozen foods. With little hope of a further significant market growth, the competition in the frozen food market is expected to intensify.

To achieve the profit growth of our processed foods operation in such a business environment, we will take full advantage of Nichirei's strengths: highly advanced food-processing technology and distinguished raw materials procured through our operations in marine products, and livestock/poultry products. Armed with such unparalleled strengths, we believe we can steer away from the pitfalls of a price war by differentiating ourselves in the prepared-foods industry for the unique value we offer our customers. It is from this perspective that we plan on actively developing products to create new demands.

We will use even more accurate criteria than the previous fiscal year to select product categories with high profit margins and high future growth. We will then concentrate our resources to increase the sales of the selected product categories, or further reduce the cost of their manufacturing costs and selling expenses. We are confident that by implementing such measures, we will be able to increase our profit despite adverse external factors.

The other core operation, temperature-controlled logistics, has steadily improved capital turnover as previously stated. To further improve capital efficiency going forward, we will continue to focus on developing new business models that do not require a large capital investment, and improve profit margins. The promising fields in temperature-controlled logistics are distribution operations and third-party logistics. As there is a steady increase in the need among large retailers and restaurant chains to outsource logistic operations, we will focus on these growing fields of operation.

Furthermore, in our storage operations featuring an effective package of Japan's largest cold-storage network and a transportation-and-delivery system, we will focus on businesses that have a high capital turnover and future growth potential. We already have been working on a plan to employ a new information system to serve as the infrastructure for such business models. Other plans include improving capital turnover by scrapping inefficient facilities and building profit-turning entities, as well as improving profit margins by reducing cargo-handling costs and consolidating Group companies.

## A CEO Team

In the fiscal year ended March 2002, we managed Nichirei as a two-man "CEO team." During the course of the year, we held mutual respect for each other's fields of expertise as we helped each other deal with the vast range of operations in which Nichirei is involved. Our summary of the new two-man system is that it functioned wonderfully well.

To continue to meet our obligations to our shareholders and investors, we must strive to improve our investment performance as we manage Nichirei with the transparency expected from a member of the global community. We emphasize information disclosure, putting efforts into releasing our financial statements early and providing solid, detailed disclosures. Such efforts won us recognition from the Tokyo Stock Exchange as one of the companies with a good disclosure practice.

This fiscal year under review, we introduced the Executive Officers System. The result was a clear distinction between a supervising role and an executive role. We believe our corporate governance is functioning well, and plan to maintain the present system as we further distinguish the two roles from each other.

## Increasing shareholder value by being a reliable, safe company offering naturally good products

During the fiscal year ended March 2002, several major incidents, such as ones involving BSE, took place in Japan to prompt the drop of consumer confidence in food products. This is all the more reason we at Nichirei vow not only to reassure our customers' trust in us by putting food safety and reliability first, but to play a leading role as a food company responsible for Japan's trust in food products. Our measures this year to thoroughly control the use of agricultural chemicals in vegetables purchased from Chinese farmers under our contract, and disclosure of food ingredients more detailed than are required under the Japanese laws, are just a few examples reflecting our responsibility in foods.

We work very hard to win people's trust in food products so that they can enjoy their meals and maintain a healthy lifestyle, knowing that products bearing the Nichirei brand are naturally good, safe and reliable. We hope to further enhance the strength of our brand and create value for society to promote the long-term growth of Nichirei's corporate value and maximize Nichirei's shareholder value.

We believe that the fiscal year was a year in which we were able to build a solid foundation for the realization of Nichirei's hopes for the 21st century.

Takemoto Ohto

Takemoto Ohto, Representative Director and Chairman

M. Urano

Mitsudo Urano, Representative Director and President

# Top Management Interview

*At Nichirei, the processed foods operations have always been the force behind the growth of the company's food business. You have recently indicated that your new strategy will first and foremost stress profit-margin improvement. But how can you increase your profit without actively increasing your sales? How do you plan to expand the overall sales of your processed foods operations?*

In the past, when the size of the frozen food market in Japan kept growing steadily, it certainly made sense to aim for increased overall sales to increase profit. But with the market's annual growth slowing down to 2 to 3% today, Nichirei had to come up with new measures. Two years ago, when we developed our Medium-Term Plan, we revised our policy to reflect the fact that frozen foods are a compilation of varied, numerous menu items.

The products are consumed in a wide range of markets. As you can see, it is not a simple structure in which focusing on a certain "driver" will increase sales and profits. So in our Medium-Term Plan, we developed a strategy to concentrate our resources on Nichirei's fields of strength and further growth: three major strategic categories of cooked-rice products, Chinese foods and chicken products. At the same time, unprofitable products would be eliminated. Now, for the current fiscal year, we plan to take it one step further and replace our strategy with the "New Category Strategy." We will concentrate our efforts on marketing products that meet the following criteria: those whose profit can grow through increased sales, and still have room for sales expansion. This is how, at Nichirei, we anticipate a profit growth in spite of the slowdown in the frozen foods industry.

*I see. So you can say that in the end, the measures may result in an overall sales increase. I suppose they can be called measures focusing on increasing profit. Could you please tell us more about this New Category Strategy?*

The reason behind our shift to the current New Category Strategy is our switch in 2001 to a system to manage profit and loss by the item, which accurately keeps track of sales and costs for each item. With our previous category strategies, each category had a blanket strategy, when in fact,

each category comprised several items such as, in the case of Chinese food, spring rolls and shumai, among others. What's more, in the case of spring rolls for example, the items could also be broken down to those for the household-use market and those for the industrial-use market, which in turn could be broken down to restaurants, school lunches and others. After switching to per-item profit-and-loss management, we were able to see that some items in our strategic category were in fact unprofitable, while some outside the strategic category were highly profitable, with room for more sales growth. This is why we decided to make our selection focus more efficient by developing a more detailed category strategy looking at both the market and menu items, based on what we found through our per-item profit-and-loss management.

In our current New Category Strategy, we not only took into account the items' present profitability, but also market-environment analysis and areas of Nichirei's strength. We then extracted 30 major categories, and classified those categories into three types: seven Expansion categories that aim for profit growth by increasing sales, 14 Improvement categories that improve profit by reducing costs, and nine Development categories that have a promising future. In addition, we plan to set and implement measures that best suit each category's special characteristics. Such measures include reducing the costs of existing products to improve profit margin, lowering the selling expenses ratio, marketing value-added products, and marketing new products to pull in sales.

*How is the process of eliminating items progressing? Also, how are you working to lower the selling expenses ratio that you have just mentioned?*

Last fall, we began our process of eliminating some of our items. It is going as scheduled, and is yielding results. The products we eliminate are mainly unprofitable products. While we had 2,900 items in April 2001, by March 2002, we reduced that number to 2,250. By September this year, we plan to reduce it further to 2,100 items. In October 2001, we began the practice of calculating individual selling expenses such as the cost of sales promotion for each item. As a result, we have succeeded in keeping the selling expenses increase lower than the sales increase. We will continue to use this practice.

Such product-item cuts and cost reduction would not have realized had it not been for the ERP (Enterprise Resource Planning) software that allowed us to switch to the present profit-and-loss management by the item. Until then, we had allocated expenses for each item in proportion to its sales. This meant that the perceived profitability for each item was not very reliable. By employing ERP, however, the accuracy immediately increased, allowing us to calculate the operating profit for each item with considerable accuracy.

Understanding the details of sales and expenses leads to the reduction of expenses. In addition, the ability to clearly determine each item's profitability gives a chance for all parties involved to understand and accept the situation in which some items have to be eliminated. It is also now possible to run a simulation for each item when developing a product strategy. We are one of the few Japanese food manufacturers fully utilizing ERP in their operations, and will use that advantage to actively benefit from this software before the others catch up.

*In the Medium-Term Plan, "re-configuring the production structure" is listed as another main strategy for processed foods. Is this measure yielding results?*

I believe our plan to reduce manufacturing costs by re-configuring the production structure is mostly on schedule, including our plan to improve production efficiency by consolidating the production of items – such as spring rolls – once scattered among several plants. As part of the plan, last year, we established Nichirei Foods, a subsidiary specializing in food production. By consolidating the production at its seven plants, Nichirei Foods has contributed to the lowering of manufacturing costs. Our goal is to reduce our manufacturing costs for the fiscal year 2004 by 5% in comparison with that of the fiscal year ended 2000. That figure stood at 3.6% according to the results for the fiscal year 2002, indicating a steady progress toward our goal.

In April 2002, we also established a new system for the purchasing of raw materials at these major plants. We intend to reduce our costs by consolidating the purchases for the nine plants, which previously procured raw materials separately.

*While I understand that the processed foods will continue to be central to your food business, why is it that you continue to be in the marine products and livestock/poultry products businesses?*

One of the strengths of the processed foods operations at Nichirei is our network for procuring excellent food materials from around the world. In addition, having marine products and livestock/poultry products along with processed foods puts Nichirei at an advantage in meeting the varied demands of the market. We would like to continue to be particular about using materials that are fit for Nichirei's brand, known for being naturally good.

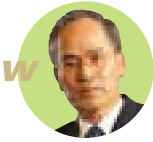
Importing materials involves currency-rate risk, but we will strive even harder to actively eliminate such risks.

*I would like to ask more about the extensive overseas network. It is reported that in recent years, domestic production of frozen food products has peaked while overseas production is booming, rapidly increasing the number of imports. To reduce production costs, shouldn't Nichirei also be increasing the percentage of overseas production?*

In 2001, the amount in yen of prepared frozen food products imported to Japan on the whole industry basis was nearly 30% more than the previous year. Actually, Nichirei was one of the first in the frozen food industry to begin overseas production. Currently, we have two affiliated production companies in China and another in Thailand as we plan to continue increasing the percentage of our overseas production. But because our priority is in quality, we have no intention of increasing our overseas production solely for the purpose of reducing costs. The purpose of overseas production is to use an excellent production technology to process materials unique to the area so that we can provide products better than those produced in Japan.

We will emphasize this purpose as we expand our overseas production.

By building an alliance with world-class food companies such as the OSI Group and Cargill



Group, we plan to accomplish global-scale productions at optimal locations while minimizing our capital investments. Having procured raw materials mainly from the Asian region, we ran some risks such as in 2001 when the international price of chicken and other raw materials surged in some areas, affecting our profit. To diversify such risks, our plan going forward is to procure raw materials not only from Asia but also from many world regions.

*Recently, there has been a growing concern about food safety with the occurrences of BSE (Bovine Spongiform Encephalopathy, or Mad Cow disease) and residual agricultural chemicals. What is Nichirei doing about such issues?*

As a food manufacturer, we stress and pay close attention to food safety. We have recently employed a trace-back system for residual agricultural chemicals for frozen vegetables produced in China. When we enter into an agreement with Chinese produce farmers to grow vegetables, we oblige them to use agricultural chemicals as specified by Nichirei. The trace-back system further enhances this obligation.

Central to the trace-back system is a code system we use to first print information such as the name of the producer and the production date on each vegetable package at the time of shipment from the fields. More codes are added at every phase of production such as transport, collection, agricultural chemical inspection and packaging. The collective production information printed as codes on each package allows a quick trace back to specify problems if ever there was a use of agricultural chemicals that violated the agreement, or a failure in agricultural chemical inspection.

The trace-back system is Nichirei's original quality-assurance system, not seen in others. Our strong, trusting relationship with China's local produce farmers was built over our long-term business. It is a system that can only be realized with the know-how that comes with such experience.

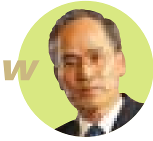
*The other core operation of Nichirei, temperature-controlled logistics, has "improving capital efficiency" on its agenda in the Medium-Term Plan. What improvement measures are you taking in this regard?*

In our temperature-controlled logistics operation, we engaged in vigorous capital investment – in particular, refrigerated warehouses – from the latter 1980s to the early 1990s. As our fixed assets swelled, business environment deteriorated, reducing the profit margin with respect to the assets. To better this situation, we are reducing our assets by shutting down aging refrigerated warehouses whose performance has dropped, and selling the land. In addition, we are improving our return on invested capital by further promoting the efficiency of existing operations, as well as focusing on businesses that do not require a huge capital investment. We also plan to actively engage in operating leases and build alliances with other companies to improve capital efficiency.

*What specifically are the businesses you refer to as "businesses that do not require a huge capital investment"?*

One is the business to arrange transportation and delivery services at existing refrigerated warehouses. As Nichirei is engaged in the business to store customers' goods in our refrigerated warehouses, these goods require transportation and delivery. We promote and provide a business to arrange such transportation and delivery services with trucking companies.

Another is the business to provide logistics services that come complete with distribution center functions for major grocery stores and large retailers. Conventionally, vendors had to deliver their products directly to the stores. By delivering their products instead to a center operated by us, where the products are sorted and delivered to different stores at once, our customers can cut back on distribution costs.




Such distribution centers may seem to require a huge amount of capital investment, but in fact, many distribution centers are leased warehouses on leased land and do not lead to a major capital investment.

Currently, we are scheduled to operate 11 distribution centers for the Aeon Group, one of the largest retailers in Japan. With the first distribution center for Aeon already in operation since 2001, we anticipate a steady profit once all the centers begin operating.

*As for other segments, it looks like the real-estate business's profit contribution is also big.*

In real estate, we utilize the lands in the country we have owned for business purposes for some time. There are former operation sites that were shut down due to aging facilities; we sell such lands as house lots, or build office buildings for lease. Unlike real estate developers, we do not purchase land for developing, making ours a safe real estate business. Also, our business consists mostly of leasing businesses based on long-term agreement, which provides us with a prospective, long-term steady income.

**Nichirei is setting solid prospects for the future by implementing a detailed market strategy through the introduction of extensive information technologies, and by expanding its logistics operations with a new business model that aim to improve capital efficiency. Through the foods we handle, we will continue to help people live healthy, happy lives.**

# Environmental Preservation

One of the most important issues in corporate activities today is to care for the environment. Nichirei has enhanced its efforts to protect the environment by implementing a variety of measures to reduce impacts on the environment and building an environmental management system represented by ISO14001. Nichirei strives on a company-wide basis to preserve the environment and to use resources efficiently.

As the first step in preserving the environment, Nichirei has established its basic policy of reducing impacts on the environment. Nichirei recognizes that reducing wastewater, industrial waste and exhaust fumes generated at its numerous production plants and distribution centers around Japan will greatly contribute to limiting impacts on the environment. Specifically, by the end of the fiscal year 2011, Nichirei aims to reduce final waste disposal by 70% and the emissions of $CO_2$ (generated from electricity and fuel) per ton of production by 15% in comparison with fiscal 2000 figures.  In addition, Nichirei pays keen attention to chemical agents that greatly affect the environment.

Nichirei's policy to reduce impacts on the environment does not stop there. As part of its efforts to help create a recycling society by reducing, compressing and recycling industrial waste such as oil, plastic, Styrofoam, paper and cardboard, Nichirei uses less materials, has made its films lighter and uses recycled paper for packaging. In addition, Nichirei is also examining and developing a selection guideline for environmentally friendly packaging and raw materials.

Nichirei has also built an environmental management system at every place of business to handle place-specific issues. With five plants successfully acquiring ISO14001 certification, the international standard for environmental management, Nichirei will continue to establish environmental management systems at its main food plants, even as it promotes and prepares to acquire more ISO certification.

Environmental Report 2001
(Published in Japanese)

Since 1952 when Nichirei launched the sale of Japan's first prepared frozen foods, it has continued to lead the industry as the company at the frontier of food innovation. From crispy croquettes that cook simply by microwaving to tasty fried rice featuring the just-out-of-the-wok goodness prepared by a professional Chinese chef, Nichirei's numerous hit products —based on the concept of providing delicious foods that are reliable, safe and healthful— are created by a staff of about 100 at the Technology Development Center.

At Nichirei Technology Development Center, the Product Development Group and the Food Research and Development Group provide functions that are central to supporting Nichirei's businesses.

The Product Development Group has a liaison person for every product category to cooperate with Nichirei's marketing and operation divisions. Together, they analyze customer and market demands to develop a multitude of products. An important mission of the Product Development Group is to promote the development of superior-quality products that differ technologically from all the rest. Often, producing such products requires the development of original manufacturing equipment, implemented jointly as needed by the Equipment Development Group and the Product Development Group. The Technology Development Center also has a test plant where new products, before moving on to production lines, are test-produced at a near-actual level for a smooth transition to production.

Meanwhile, the Food Research and Development Group is engaged in a systematic research, development and application of essential technologies that support food operations. The Group captures taste scientifically by analyzing the relationship between human's sense of taste and chemical data of foods, then industrially reproduces authentic taste. In addition, the Group applies nutrition science to develop technologies necessary for food processing.

Two groups that promote research and development to increase Nichirei's competitiveness are the Equipment Development Group and the Advanced Science and Technology Group. The Equipment Development Group develops production facilities and equipment needed to produce Nichirei's signature, hand-prepared-style dishes, as well as striving to develop a new freezer system and equipment to conserve energy and resources to help preserve the environment. The Advanced Science and Technology Group is in search of new technologies that may lead to future businesses, as well as developing key technologies. Specific examples of work in progress include applications of genome technologies and development of food materials featuring new functions through joint researches with universities and other organizations.

To provide customers with reliable, safe products, the Quality Assurance Division's Inspection Laboratory, located within the Technology Development Center, inspects all Nichirei-brand products for microbes, additives and pesticide residue.

# Research and Development

Nichirei continues to innovate new technologies founded on years of experience and expertise, and applies them to its operations. The cutting-edge technologies enhance Nichirei's operations and products to meet the company's ultimate goal – to create new values for customer satisfaction.

# Selected Financial Data

*Nichirei Corporation and Consolidated Subsidiaries*
*For the years ended March 31*

| | 1993 | 1994 | 1995 |
|---|---|---|---|
| **Income Statement Data (¥ million)** | | | |
| Net Sales | ¥ 523,551 | ¥ 523,448 | ¥ 559,828 |
| Cost of sales | 436,062 | 433,667 | 462,780 |
| Gross profit | 87,488 | 89,781 | 97,048 |
| Selling, general and administrative expenses | 73,738 | 77,050 | 81,499 |
| Operating income | 13,750 | 12,731 | 15,548 |
| Income before income taxes and minority interests | 7,148 | 7,561 | 8,127 |
| Net income | 3,789 | 5,013 | 4,104 |
| **Balance Sheet Data (¥ million)** | | | |
| Total assets | ¥ 357,274 | ¥ 365,648 | ¥ 374,708 |
| Property, plant and equipment-net | 163,095 | 166,709 | 171,355 |
| Interest-bearing debt | 187,380 | 189,832 | 193,186 |
| Long-term liabilities | 112,353 | 127,421 | 140,465 |
| Total liabilities* | 273,255 | 277,930 | 278,224 |
| Shareholders' equity | 84,018 | 87,718 | 96,483 |
| **Other Selected Data (¥ million)** | | | |
| Capital expenditures | | (data prior to 1996 not prepared) | |
| R&D expenses | | (data prior to 1996 not prepared) | |
| Depreciation and amortization expenses | | (data prior to 1996 not prepared) | |
| No. of common shares outstanding | 309,426,575 | 310,395,712 | 310,845,905 |
| **Per Share Data (¥, shares)** | | | |
| Net income - primary | ¥ 12.24 | ¥ 16.16 | ¥ 13.21 |
| Net income - fully diluted | | | |
| Cash dividends | 6 | 6 | 6 |
| Shareholders' equity | 271.53 | 282.60 | 310.39 |
| **Financial Ratios (%, times)** | | | |
| As a percent of net sales: | | | |
| Gross profit | 16.71% | 17.15% | 17.34% |
| Selling, general and administrative expenses | 14.08 | 14.72 | 14.56 |
| Operating income | 2.63 | 2.43 | 2.78 |
| Income before income taxes and minority interests | 1.37 | 1.44 | 1.45 |
| Net income | 0.72 | 0.96 | 0.73 |
| Return on equity | 4.6 | 5.8 | 4.5 |
| Current ratio | 0.97 | 1.04 | 1.14 |
| Total debt-to-equity | 3.25 | 3.17 | 2.88 |

*Prior to the year ended March 31, 1999, total liabilities include minority interests.

| 1996 | 1997 | 1998 | 1999 | 2000 | 2001 | **2002** |
|---|---|---|---|---|---|---|
| | | | | | | |
| ¥ 561,453 | ¥ 591,190 | ¥ 594,469 | ¥ 571,775 | ¥ 569,482 | ¥ 560,006 | **¥ 558,191** |
| 467,698 | 496,187 | 498,618 | 477,692 | 465,641 | 456,121 | **458,708** |
| 93,775 | 95,003 | 95,850 | 94,082 | 103,840 | 103,884 | **99,482** |
| 83,474 | 86,521 | 89,636 | 86,036 | 86,866 | 85,287 | **85,466** |
| 10,280 | 8,481 | 6,214 | 8,046 | 16,973 | 18,596 | **14,016** |
| 4,763 | 4,946 | (3,414) | 2,406 | 7,979 | 6,503 | **5,235** |
| 219 | 1,977 | (5,172) | 233 | 4,326 | 4,020 | **4,062** |
| | | | | | | |
| | | | | | | |
| ¥ 382,004 | ¥ 388,613 | ¥ 393,032 | ¥ 365,838 | ¥ 370,623 | ¥ 367,770 | **¥ 353,385** |
| 174,763 | 179,701 | 176,254 | 168,812 | 178,716 | 172,943 | **167,277** |
| 191,767 | 200,632 | 217,322 | 195,994 | 194,840 | 172,704 | **167,439** |
| 126,300 | 131,091 | 137,078 | 130,157 | 143,392 | 120,043 | **100,062** |
| 287,477 | 294,715 | 306,342 | 284,777 | 287,008 | 277,229 | **264,728** |
| 94,526 | 93,898 | 86,689 | 80,567 | 82,624 | 89,395 | **87,649** |
| | | | | | | |
| | | | | | | |
| ¥ 17,456 | ¥ 19,213 | ¥ 12,158 | ¥ 11,103 | ¥ 31,310 | ¥ 11,672 | **¥ 10,282** |
| 2,107 | 2,189 | 2,530 | 2,554 | 2,339 | 2,238 | **2,294** |
| 14,494 | 14,504 | 15,357 | 15,572 | 16,547 | 14,003 | **13,570** |
| 310,845,905 | 310,848,485 | 310,851,065 | 310,851,065 | 310,851,065 | 310,851,065 | **310,851,065** |
| | | | | | | |
| | | | | | | |
| ¥ 0.70 | ¥ 6.36 | ¥ (16.63) | ¥ 0.74 | ¥ 13.91 | ¥ 12.93 | **¥ 13.06** |
| | (data prior to 2000 not prepared) | | | 13.87 | 12.93 | **13.05** |
| 7 | 6 | 6 | 6 | 6 | 6 | **6** |
| 304.09 | 302.07 | 278.88 | 259.18 | 265.80 | 287.58 | **282.00** |
| | | | | | | |
| | | | | | | |
| | | | | | | |
| 16.70% | 16.07% | 16.12% | 16.45% | 18.23% | 18.55% | **17.82%** |
| 14.87 | 14.64 | 15.08 | 15.05 | 15.25 | 15.23 | **15.31** |
| 1.83 | 1.43 | 1.05 | 1.41 | 2.98 | 3.32 | **2.51** |
| 0.85 | 0.84 | (0.57) | 0.42 | 1.40 | 1.16 | **0.94** |
| 0.04 | 0.33 | (0.87) | 0.04 | 0.76 | 0.72 | **0.73** |
| 0.2 | 2.1 | (5.7) | 0.3 | 5.3 | 4.7 | **4.6** |
| 1.02 | 0.98 | 1.00 | 1.00 | 1.06 | 0.83 | **0.78** |
| 3.04 | 3.14 | 3.53 | 3.53 | 3.47 | 3.10 | **3.02** |

# Management's Discussion and Analysis

## OPERATIONS

### Business Environment

In the fiscal year ended March 2002, the course of the overall world economy became harder than ever to predict as information-technology-related industries slowed down, the global economic growth was affected by the continued absence of signs of recovery in the United States, and the world watched in horror as terrorists attacked the United States on September 11. In Japan, too, exports fell off sharply against the backdrop of a declining world economy, leading to cuts in production and capital spending, and to further decline in corporate revenues. The national economy slipped further into recession as consumer spending lagged due to such factors as anxiety over job security caused by a climbing unemployment rate.

In foods-related industries in particular, amid declining prices and increasingly intense competition, Japanese consumers lost faith in the safety and reliability of their food supply due to international epidemics of BSE (Bovine Spongiform Encephalopathy, or Mad Cow Disease), Foot and Mouth Disease and avian influenza, as well as scandals over false labeling of meat products. In the retail industry, the business environment became harsher than ever as major supermarkets filed for bankruptcy and international players pushed into the Japanese market to cause shakeup.

### Overview

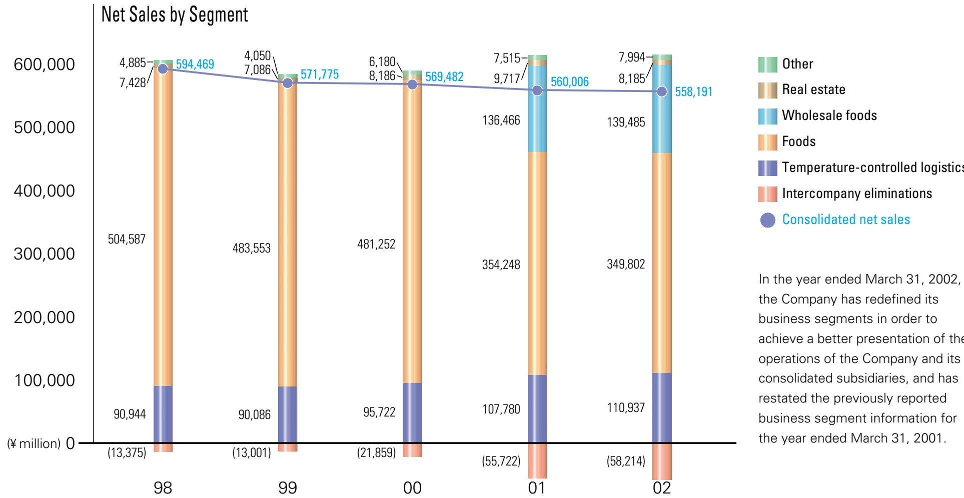
As Nichirei's new management team, we put our energy behind various measures aimed at leading the 21st-century Nichirei into a growth phase in line with our New Medium-Term Plan.

Along the way, we have promoted a growth strategy that establishes two core businesses – temperature-controlled logistics and foods – and makes greater capital efficiency our top priority. We also introduced a business-unit system that clarifies the roles and responsibilities of each company in the Nichirei Group relative to our corporate group's strategy.

In the foods business, we concentrated our resources into three main strategic categories and worked to expand value-added products, introduced ERP (enterprise resource planning) which enabled us to start tracking profit and loss per item, and reduced the number of products we handle, mainly by cutting out unprofitable ones. In temperature-controlled logistics, we continued to close down some of our old and inefficient cold storages and ice-making plants to improve capital efficiency and focused on value-added operations such as third-party logistics.

Despite these efforts, however, sales for the fiscal year ended March 2002 declined 0.3% compared to the previous year, and operating income decreased by 24.6%. Changes in the external environment, such as soaring raw material costs in our foods business due to the effects of a weaker yen and epidemics among poultry and

Net Sales by Segment




In the year ended March 31, 2002, the Company has redefined its business segments in order to achieve a better presentation of the operations of the Company and its consolidated subsidiaries, and has restated the previously reported business segment information for the year ended March 31, 2001.

livestock, dealt heavy blows to profits; and we were unable to compensate for this damage.

## Operating Results

Net sales for this fiscal year were ¥558,191 million (US$4.2 billion), down 0.3% from the previous year. Operating income was ¥14,016 million (US$105.2 million), down 24.6%, and the operating income margin declined from 3.3% to 2.5%. The breakdown by segment was as follows.

## Performance by Segment

With the introduction of our business-unit system this fiscal year, the breakdown by type of business segment has changed. Thus, in order to compare results with last year's, we have retroactively adjusted last year's sector-by-sector sales, operating costs, and operating income.

Net sales for each segment do not include figures for internal transactions conducted among businesses within a single segment.

### Temperature-Controlled Logistics

| | 2001.3 | 2002.3 | Change (%) |
|---|---|---|---|
| Net sales | ¥107,780 | ¥110,937 | 2.9 |
| Operating income | 8,134 | 7,996 | -1.7 |
| Operating income margin | 7.5% | 7.2% | |

(yen in millions)

In temperature-controlled logistics, one of our core businesses, sales increased 2.9% to ¥110,937 million (US$832.6 million) this fiscal year thanks to an increase in the number of our distribution centers. But while business was good in Europe, the initial costs of a new distribution center exceeded our projections. As a result, operating income declined 1.7% to ¥7,996 million (US$60.0 million), with the operating income margin reduced from 7.5% to 7.2%.

**Cold storage**

This fiscal year, cargo movement of imported chilled beef into and out of warehouses declined after the BSE scare occurred in the autumn. Also, shipment of Chinese chicken declined with the recurring ban on importation due to widespread viral contamination. The combined effects of these problems were that cargo turnover declined at refrigerated warehouses in the urban area, storage fees remained flat, net sales decreased 1.8% to ¥94,040 million (US$705.7 million), and operating income fell.

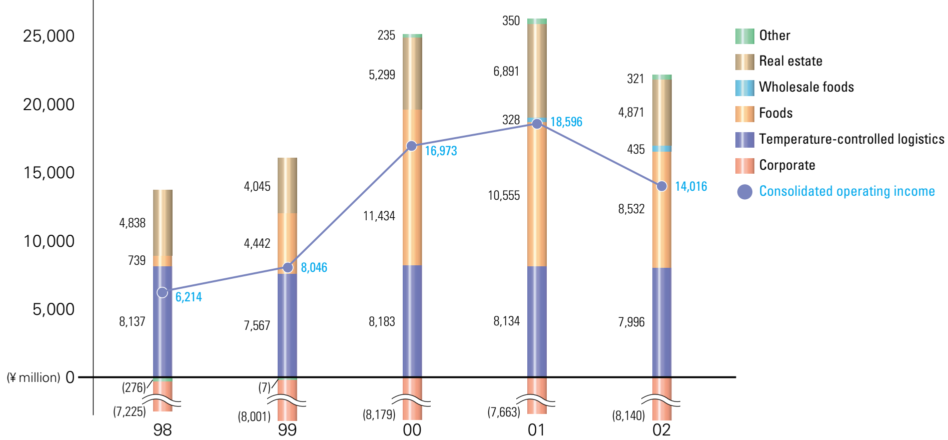
Nevertheless, we continue to actively expand services that combine storage, transportation and delivery functions, such as the cost-effective joint food distribution in which same types of foods made by different manufacturers in the same specified area are "car-pooled" to their destination.

**Distribution**

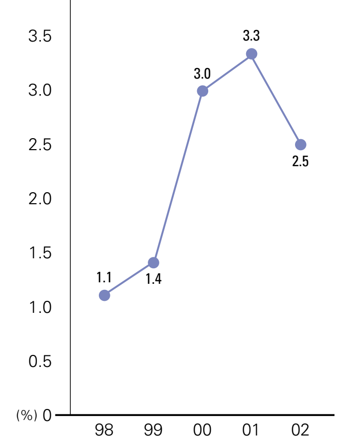
In our distribution center operations, sales increased by 29.5% this fiscal year to ¥15,000 million (US$112.6 million). Operating income, however, fell below the previous year's level.

In the year ended March 2002, we built a new

Operating Income by Segment




Operating Income Margin



distribution center in Sendai that is combined with facilities for processing prepared dishes. However, it took longer than originally projected before this facility began to break even, which was one reason for the decline in income. Meanwhile, other facilities – including two sites that were relocated during this fiscal year – fared well, improving operating margins.

**Third-party logistics**

This fiscal year, our efforts to get new contracts for logistics operations from food processing manufacturers, restaurant businesses and retail chains had nice effects on our net sales, which increased sharply over the previous year to ¥1,457 million (US$10.9 million). However, this was not enough to cover fixed costs, and the full-scale development of this business will not occur until the next fiscal year or thereafter.

**Europe (the Netherlands and Germany)**

We have been developing refrigerated warehouse and distribution businesses in Europe. This fiscal year, because we concentrated more on highly profitable operations and strengthening ties among Group company operations, sales grew 24.7% to ¥8,663 million (US$65.0 million), and operating income also increased.

## Foods

| | 2001.3 | 2002.3 | Change (%) |
|---|---|---|---|
| Net sales | ¥354,248 | ¥349,802 | -1.3 |
| Operating income | 10,555 | 8,532 | -19.2 |
| Operating income margin | 3.0% | 2.4% | |

(yen in millions)

In foods, the other core business, sales in the fiscal year ended March 2002 declined 1.3% over the previous year to ¥349,802 million (US$2.6 billion). This was caused by the lackluster market for marine products, including sharp drops in prices for salmon. Such fall of some unit prices, as well as our decision to handle smaller quantities, played a part in the sales decline.

Our operating income was not without its positive factors. In the second half, we reined in the rising selling expenses on processed foods and recovered income in the field of marine products which had suffered from a sharp drop in the shrimp market earlier. However, operating income declined 19.2% to ¥8,532 million (US$64.0 million) due to the impact of higher costs for chicken products and frozen vegetables caused by the weaker yen and the ban on importation of Chinese chicken. Other factors for the operating income decline included the higher cost of beef for Tengu Company, Inc. in the United States. The division's operating income margin fell from 3.0% to 2.4%.

**Processed Foods**

Sales by the processed foods division declined a slight 0.6% to ¥174,380 million (US$1.3 billion) this fiscal year, having suspended the local sales of products conducted by some of our manufacturing subsidiaries. However, parent-only sales of frozen foods grew by 2%, thanks to new products and sales expansion in the industrial-use market. In the three major strategic categories of cooked-rice products, Chinese foods and chicken products, sales grew 8% mainly on the strength of rice products that displayed strong growth, led by the success of "Honkaku Itame Chahan" (Authentic Stir-Fried Rice) and industrial-use products. On the other hand, operating income declined due to the weaker yen and higher raw material costs mentioned above.

**Marine Products**

Overall, supplies were stable in Japan's domestic marine products industry in the fiscal year ended March 2002. This was because import volumes reached record high levels to make up for the year-on-year drop in domestic catches. However, prices fell with increased deflationary pressure arising from lagging consumption, while at the same time profits were cut by higher costs due to the weaker yen. The business environment was simply harsh.

As a result, sales declined 5.8% to ¥105,867 million (US$794.5 million), influenced by such factors as increased price competition and slow consumption. Meanwhile, operating income increased from the year-earlier result. We maintained profitability by restricting the quantities we handled to avoid risk in a slow market, and through the strong market for certain species such as shrimp and crab during the second half of the year.

We are building quality assurance and optimal processing systems by strengthening ties with overseas food processing companies with whom we can guarantee safe and reliable products. We are also expanding sales of processed shrimp, salmon and other products that are conveniently prepared for customers' ease of use.

**Livestock & Poultry Products**

This fiscal year, the livestock industry in Japan found itself in an extremely tough situation. First, there was the outbreak of Foot and Mouth Disease in Europe, followed by the ban on importation of Chinese chicken due to an epidemic of avian influenza, detection of BSE infection in Japanese cattle, and scandals over false labeling that violated consumers' trust in food producers.

Under these market conditions, we strove to build quality assurance systems and raise our quality control standards. Partly because we handled larger volumes of chicken and pork, sales increased 2.9% to ¥69,243 million (US$519.7 million), but because of a sharp drop in beef volume due to the BSE scare, operating income fell below the previous year's level.

**Other Businesses**

This fiscal year, we posted an operating loss for our Other Businesses subsegment because of the start-up costs associated with a production facility that was brought on line for Tengu Company, Inc. in the United States. Also, operating income went into the red as sales declined 22.3% from the previous year to ¥6,011 million (US$45.1 million) because we sold off our North American foods manufacturing and sales subsidiaries in the second half of last fiscal year.

### Wholesale Foods

| | 2001.3 | 2002.3 | Change (%) |
|---|---|---|---|
| Net sales | ¥136,466 | ¥139,485 | 2.2 |
| Operating income | 328 | 435 | 32.5 |
| Operating income margin | 0.2% | 0.3% | |

(yen in millions)

This fiscal year, our wholesale foods business was subjected to difficult conditions arising from a credit crisis sparked by the collapse of major retailers and the prolonged slump in consumer spending. Nevertheless, Yukiwa Co., Ltd., our wholesale foods subsidiary, worked hard to reduce fixed expenses and increase productivity in addition to establishing key information systems and promoting EDI (electronic data interchange). Sales grew 2.2% to ¥139,485 million (US$1.0 billion) as our major distributor clients added retail outlets to their networks and we expanded our business with clients in the restaurant industry. Due to reductions in general and administrative expenses, operating income grew 32.5% to ¥435 million (US$3.3 million).

### Real Estate

| | 2001.3 | 2002.3 | Change (%) |
|---|---|---|---|
| Net sales | ¥9,717 | ¥8,185 | -15.8 |
| Operating income | 6,891 | 4,871 | -29.3 |
| Operating income margin | 70.9% | 59.5% | |

(yen in millions)

In the real estate segment this fiscal year, sales and income fell far short of the previous year, when we sold additional real estate holdings in order to cover, in a single term, the transitional obligation that arose when the introduction of a new accounting standard caused a shortfall in retirement benefit reserves. This fiscal year, sales were down 15.8% to ¥8,185 million (US$61.4 million), with operating income down 29.3% to ¥4,871 million (US$36.6 million).

### Other Businesses

| | 2001.3 | 2002.3 | Change (%) |
|---|---|---|---|
| Net sales | ¥7,515 | ¥7,994 | 6.4 |
| Operating income | 350 | 321 | -8.5 |
| Operating income margin | 4.7% | 4.0% | |

(yen in millions)

This fiscal year, sales increased in our biosciences business while operating income declined. In our flower business, sales increased as operating losses shrank. Meanwhile, our consolidated subsidiary, Toyo Koki Co., Ltd., undertook more contracts to construct delivery centers for the Nichirei Group. As a result of these, sales of Other Businesses grew by 6.4% to ¥7,994 million (US$60.0 million), while operating income decreased 8.5% to ¥321 million (US$2.4 million).

## Other Income and Expenses

The net amount of other income and expenses this fiscal year was a loss of ¥8,780 million (US$65.9 million), compared to a loss of ¥12,093 million in the previous year. The main reasons for the smaller loss are the ¥1,310 million reduction in net interest expenses due to lower funding costs, and the fact that in the previous fiscal year, there was a one-time charge of ¥16,601 million to eliminate the shortfall that arose from the introduction of a new accounting standard for retirement and severance benefits.

Meanwhile, although there were no extraordinary losses this fiscal year pertaining to the new retirement benefit accounting standard, there were the extraordinary loss of ¥1,459 million (US$11.0 million), for relocating Chiba Chikusan Kogyo's production plant to optimize our production system, and the extraordinary loss of ¥1,258 million (US$9.4 million), for shutting down some of our operation facilities to trim down our assets.

### Income Before Income Taxes and Minority Interests

Income before income taxes and minority interests for the fiscal year ended March 2002 decreased 19.5% from the previous year to ¥5,235 million (US$39.3 million). The pre-tax income margin decreased from 1.2% to 0.9%.

### Net Income

After deducting minority interests, net income for the fiscal year ended March 31, 2002 was ¥4,062 million (US$30.5 million), up 1.0% from the previous fiscal year. Basic earnings per share rose to ¥13.06 (US$0.098), with diluted earnings per share up to ¥13.05 (US$0.098). Meanwhile, return on equity fell slightly, from 4.7% to 4.6%.

The rise in net income was the result of a decrease in income taxes to ¥1,299 million (US$9.8 million). This tax decrease was caused mainly by the ¥1,622 million (US$12.2 million) decrease in deferred income tax resulting from the liquidation of Nichirei Foods, Inc., which was part of the restructuring of our North American operations.

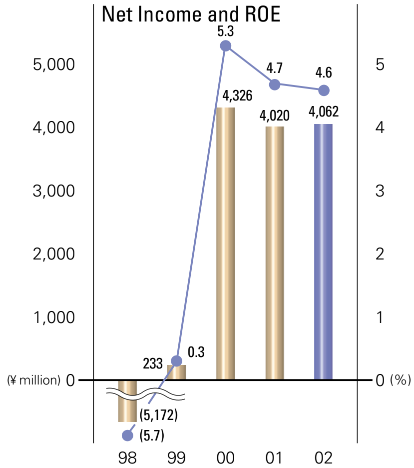
## LIQUIDITY AND CAPITAL RESOURCES

### Cash Flows

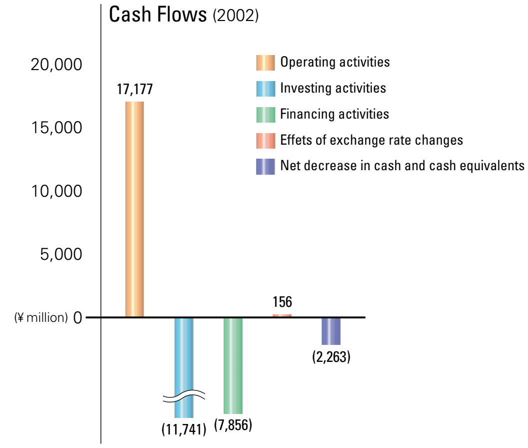
Cash flows generated by operating activities in the fiscal year ended March 2002 amounted to ¥17,177 million (US$128.9 million), down ¥11,561 million (US$86.8 million) from the previous year. One of the main reasons for this decline was that income before income taxes and minority interests fell ¥1,267 million (US$9.5 million). Other factors include the absence this year of the ¥4,083 million (US$30.6 million) in settlement funds that we received last year. Also absent was a non-cash flow effect of ¥5,725 million (US$43.0 million) that we had last year in the difference of the set up cost of employee's retirement benefit trust and its associated recognized gains.

In order to boost the efficiency of our use of capital invested in operating activities, this fiscal year, we proceeded with faster collection of cash

Net Income and ROE




Cash Flows (2002)



from accounts receivable and inventories. But because of an increase in amount of payables with short-term settlement terms, among other reasons, cash outflows for purchasing accounts have increased. At the same time, reductions in interest-bearing debt and lower costs for fund procurement have led to a reduction in interest payments.

Cash flows generated used in investment activities this fiscal year amounted to an outflow of ¥11,741 million (US$88.1 million), down ¥3,226 million (US$24.2 million) from last year. This was largely because we spent ¥1,531 million (US$11.5 million) more on the acquisition of investment securities while revenues from the sale of investment securities fell by ¥1,835 million (US$13.8 million).

To continue making our assets more liquid and sound, in the fiscal year ended March 2002, we proceeded with the sale of fixed assets and investment securities, while also acquiring some investment securities in the interest of maintaining and improving our business relationships. We kept capital spending within the scope of depreciation expenses, and concentrated our investments in our core businesses, the temperature-controlled logistics and foods operations.

Cash flows used in financial activities decreased by a significant ¥16,089 million (US$120.7 million), resulting in an outflow of ¥7,856 million (US$59.0 million). Reasons for this include the increase of short-term borrowings by ¥7,341 million (US$55.1 million) as well as the issuance of corporate bonds of ¥15,000 million (US$112.6 million).

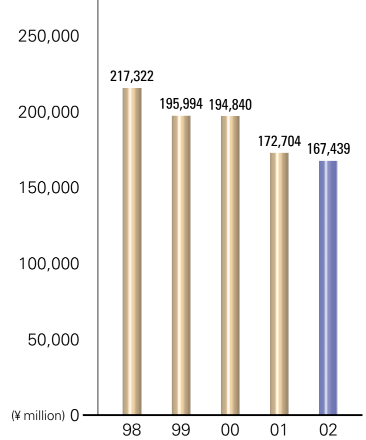
In the previous fiscal year, we used cash flows generated by operating activities and the proceeds from issuance of commercial paper as the funds required for redeeming corporate bonds and repaying long-term loans. But this fiscal year, because long-term interest rates have fallen, we issued new corporate bonds to procure ¥15,000 million (US$112.6 million) of the ¥20,000 million (US$150.1 million) we needed for redemption of outstanding corporate bonds. To raise the remaining ¥5,000 million (US$37.5 million) and funds for repayment of long-term loans, we issued commercial paper and took out short-term loans.

Our balance of interest-bearing debt as of March 31 stood at ¥167,439 million (US$1.3 billion), down ¥5,265 million (US$39.5 million) from the previous year. But because cash flow generated by operating activities fell short of our initial projection, we were unable to reach our initial target of reducing our year-end balance of interest-bearing debt to below ¥163,000 million (US$1.2 billion).

Net interest expense declined by ¥1,310 million (US$9.8 million) from the previous fiscal year, due to compression of interest-bearing debt and reduced fund procurement costs.

As a result of the activities described above, our balance of cash and cash equivalents at the end of the fiscal year was ¥3,559 million (US$26.7 million), down ¥2,263 million (US$17.0 million) from the end of the previous fiscal year. The drop in our year-end balance of cash and cash equivalents is the result of efforts to make more efficient use of funds, for example by concentrating surplus funds within our

Interest-bearing Debt



company through the introduction of a cash management system.

### The Balance Sheet

In the fiscal year ended March 31, 2002, we reduced Nichirei's total assets by 3.9%, or ¥14,385 million (US$108.0 million), to ¥353,385 million (US$2.7 billion).

The biggest reasons for this reduction in assets were a decrease of ¥4,567 million (US$34.3 million) in fixed assets arising from the difference between capital spending and depreciation expenses, and a ¥7,686 million (US$57.7 million) drop in the carrying values of investment securities due to some sales and differences in year-end market values.

Furthermore, we shifted ¥17,269 million (US$129.6 million) in corporate bonds to be redeemed within one year and long-term borrowings from the fixed liabilities to the current liabilities, while at the same time our liabilities for accounts payable decreased by ¥4,939 million (US$37.1 million). In addition, in our shareholder's equity account, because of the drop in the book value of shares at the end of the fiscal year, net unrealized holding gains on other securities fell by ¥5,054 million (US$37.9 million).

Our total shareholders' equity as of the end of the fiscal year decreased by ¥1,746 million (US$13.1 million) to ¥87,649 million (US$657.8 million). Although there was a decline in net unrealized holding gains on securities, this was partially offset by increases of ¥1,993 million (US$15.0 million) in retained earnings and ¥1,328 million (US$10.0 million) in the translation adjustment.

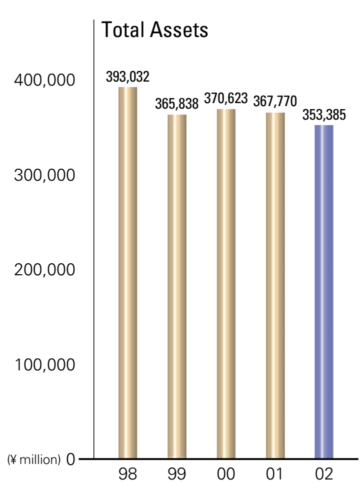
## MARKET RISK MANAGEMENT

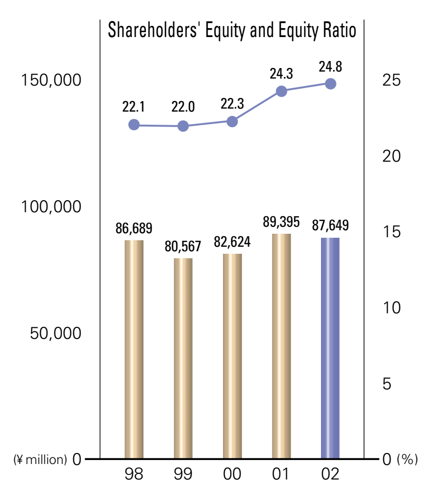
Market risk is an inevitable part of day-to-day operations for Nichirei, which raises funds to conduct business globally. The objective of the risk management is not to totally avoid the market risks, but to control the overall risks so as to earn profits for increasing the corporate value.

The market risks to which we are exposed in the course of Nichirei's normal business operations mainly include currency fluctuation risks associated with overseas raw-materials procurement and overseas temperature-controlled logistics operations, and interest-rate fluctuation risks of our funding. We recognize that our risk from currency fluctuations is increasing due to the rising volume of raw materials we procure overseas.

In the past, Nichirei had mostly used currency exchange forward contracts to offset all or some of the currency fluctuation risks associated with individual transactions. Today, as the market risks increase and the need for funding in foreign currencies rises, we also engage in other derivative financial products such as currency coupon swaps.

To manage interest-rate fluctuation risks, we often enter into interest-rate swap agreements. The sole purpose of these trades is to hedge the risk of interest-rate increases for the interest-bearing debts on Nichirei's balance sheet, and not for making profits from the trading itself.



# Consolidated Balance Sheets

*Nichirei Corporation and Consolidated Subsidiaries*

*As of March 31, 2001 and 2002*

| Assets | Millions of yen | | Thousands of U.S. dollars (Note 1) |
|---|---|---|---|
| | 2001 | **2002** | **2002** |
| **Current assets:** | | | |
| Cash and bank deposits | ¥ 5,910 | **¥ 3,587** | **$ 26,921** |
| Notes and accounts receivable - trade | 79,537 | **78,844** | **591,705** |
| Less allowance for doubtful accounts | (219) | **(300)** | **(2,257)** |
| Inventories (Note 3) | 37,088 | **36,794** | **276,130** |
| Deferred tax assets (Note 7) | 1,142 | **2,032** | **15,257** |
| Other current assets | 7,524 | **6,935** | **52,046** |
| Total current assets | 130,983 | **127,893** | **959,803** |
| **Property, plant and equipment (Note 5):** | | | |
| Land | 45,631 | **45,221** | **339,377** |
| Buildings and structures | 207,200 | **208,451** | **1,564,365** |
| Machinery and equipment | 86,518 | **85,098** | **638,635** |
| Construction in progress | 4,140 | **3,041** | **22,822** |
| | 343,491 | **341,812** | **2,565,199** |
| Less accumulated depreciation | (170,548) | **(174,535)** | **(1,309,837)** |
| Property, plant and equipment, net | 172,943 | **167,277** | **1,255,362** |
| **Investments and other assets (Note 5):** | | | |
| Investment securities (Note 4) | 38,864 | **30,595** | **229,612** |
| Investments in affiliates | 5,335 | **5,951** | **44,666** |
| Deferred tax assets (Note 7) | 1,861 | **3,884** | **29,156** |
| Other | 18,487 | **19,321** | **145,000** |
| Less allowance for doubtful accounts | (706) | **(1,539)** | **(11,551)** |
| Total investments and other assets | 63,843 | **58,214** | **436,882** |
| Total assets | ¥ 367,770 | **¥ 353,385** | **$2,652,047** |

*The accompanying notes are integral parts of these statements.*

| Liabilities, minority interests and shareholders' equity | *Millions of yen* 2001 | 2002 | *Thousands of U.S. dollars (Note 1)* 2002 |
|---|---|---|---|
| **Current liabilities:** | | | |
| Short-term bank loans (Note 5) | ¥ 41,098 | **¥ 43,401** | **$ 325,713** |
| Commercial paper | 8,000 | **15,000** | **112,570** |
| Current portion of long-term debt (Note 5) | 29,585 | **32,287** | **242,308** |
| Notes and accounts payable - trade | 50,026 | **45,087** | **338,371** |
| Income taxes payable | 3,437 | **1,587** | **11,917** |
| Accrued expenses | 16,088 | **16,734** | **125,586** |
| Other current liabilities | 8,948 | **10,566** | **79,299** |
| Total current liabilities | 157,186 | **164,665** | **1,235,764** |
| **Long-term liabilities:** | | | |
| Long-term debt (Note 5) | 94,020 | **76,751** | **575,993** |
| Directors' and employees' retirement benefits (Note 12) | 5,322 | **4,775** | **35,839** |
| Deferred tax liabilities (Note 7) | 2,345 | **210** | **1,583** |
| Other | 18,354 | **18,325** | **137,524** |
| Total long-term liabilities | 120,043 | **100,062** | **750,938** |
| Total liabilities | 277,229 | **264,728** | **1,986,702** |
| **Contingent liabilities (Note 10)** | | | |
| **Minority interests** | 1,145 | **1,007** | **7,563** |
| **Shareholders' equity:** | | | |
| Common stock: | | | |
| Authorized – 720,000,000 shares | | | |
| Issued and outstanding - | | | |
| 310,851,065 shares at March 31, 2001 | 30,307 | **-** | **-** |
| 310,851,065 shares at March 31, 2002 | - | **30,307** | **227,451** |
| Capital surplus | 23,704 | **23,704** | **177,896** |
| Retained earnings | 30,701 | **32,694** | **245,364** |
| Net unrealized holding gain on securities | 5,348 | **294** | **2,209** |
| Translation adjustment | (665) | **663** | **4,977** |
| Less treasury stock, at cost | (1) | **(15)** | **(114)** |
| Total shareholders' equity | 89,395 | **87,649** | **657,782** |
| Total liabilities, minority interests and shareholders' equity | ¥ 367,770 | **¥ 353,385** | **$2,652,047** |

# Consolidated Statements of Income

*Nichirei Corporation and Consolidated Subsidiaries*
*For the years ended March 31, 2001 and 2002*

| | Millions of yen | | Thousands of U.S. dollars (Note 1) |
|---|---|---|---|
| | 2001 | **2002** | **2002** |
| **Net sales** | ¥ 560,006 | **¥ 558,191** | **$ 4,189,052** |
| **Operating costs and expenses:** | | | |
| Cost of sales | 456,121 | **458,708** | **3,442,468** |
| Selling, general and administrative expenses | 85,287 | **85,466** | **641,396** |
| | 541,409 | **544,174** | **4,083,865** |
| **Operating income** | 18,596 | **14,016** | **105,187** |
| **Other income (expenses):** | | | |
| Interest and dividend income | 728 | **494** | **3,711** |
| Interest expenses | (4,762) | **(3,223)** | **(24,195)** |
| Other - net (Note 6) | (8,059) | **(6,050)** | **(45,410)** |
| | (12,093) | **(8,780)** | **(65,894)** |
| **Income before income taxes and minority interests** | 6,503 | **5,235** | **39,292** |
| **Income taxes (Note 7):** | | | |
| Current | 5,543 | **2,542** | **19,084** |
| Deferred | (3,021) | **(1,243)** | **(9,329)** |
| | 2,522 | **1,299** | **9,756** |
| **Minority interests** | (40) | **(126)** | **(949)** |
| **Net income** | ¥ 4,020 | **¥ 4,062** | **$ 30,486** |

| **Amounts per share:** | Yen | | U.S. dollars (Note 1) |
|---|---|---|---|
| Net income: | | | |
| Basic | ¥ 12.93 | **¥ 13.06** | **$ 0.098** |
| Diluted | 12.93 | **13.05** | **0.098** |

*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, 2001 and 2002*

| | Millions of yen | | Thousands of U.S. dollars (Note 1) |
|---|---|---|---|
| | 2001 | **2002** | **2002** |
| **Common stock:** | | | |
| Balance at beginning of year | ¥ 30,307 | **¥ 30,307** | **$ 227,451** |
| Balance at end of year | ¥ 30,307 | **¥ 30,307** | **$ 227,451** |
| **Capital surplus:** | | | |
| Balance at beginning of year | ¥ 23,704 | **¥ 23,704** | **$ 177,896** |
| Balance at end of year | ¥ 23,704 | **¥ 23,704** | **$ 177,896** |
| **Retained earnings:** | | | |
| Balance at beginning of year | ¥ 28,612 | **¥ 30,701** | **$ 230,402** |
| Net income | 4,020 | **4,062** | **30,486** |
| Cash dividends | (1,865) | **(1,865)** | **(13,997)** |
| Bonuses to directors and statutory auditors | (171) | **(203)** | **(1,527)** |
| Adjustment for inclusion of subsidiaries and affiliates in consolidation or equity method of accounting | 104 | **-** | **-** |
| Balance at end of year | ¥ 30,701 | **¥ 32,694** | **$ 245,364** |
| **Unrealized holding gain on securities:** | | | |
| Balance at beginning of year | ¥ - | **¥ 5,348** | **$ 40,139** |
| Net change during the year | 5,348 | **(5,054)** | **(37,931)** |
| Balance at end of year | ¥ 5,348 | **¥ 294** | **$ 2,209** |
| **Translation adjustments:** | | | |
| Balance at beginning of year | ¥ - | **¥ (665)** | **$ (4,995)** |
| Net change during the year | (665) | **1,328** | **9,972** |
| Balance at end of year | ¥ (665) | **¥ 663** | **$ 4,977** |

*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, 2001 and 2002*

| | Millions of yen | | Thousands of U.S. dollars (Note 1) |
|---|---|---|---|
| | 2001 | **2002** | **2002** |
| **Cash flows from operating activities:** | | | |
| Income before income taxes and minority interests | ¥ 6,503 | ¥ **5,235** | $ **39,292** |
| Depreciation and amortization | 14,003 | **13,570** | **101,844** |
| Provision for doubtful accounts | (54) | **1,035** | **7,773** |
| Provision for employees' retirement benefits | 2,875 | **(178)** | **(1,338)** |
| Equity in earnings of affiliates | (567) | **(430)** | **(3,227)** |
| Loss on disposal of property, plant and equipment | 1,121 | **599** | **4,502** |
| Loss on devaluation of investment securities | 1,190 | **803** | **6,027** |
| Loss on discontinued operations | - | **538** | **4,038** |
| Loss on transfer of production plant | - | **1,011** | **7,591** |
| Interest and dividend income | (728) | **(494)** | **(3,711)** |
| Interest expense | 4,784 | **3,223** | **24,195** |
| Loss (gain) on sales of property, plant and equipment | 166 | **(479)** | **(3,602)** |
| (Gain) loss on sales of investment securities | (908) | **1,006** | **7,556** |
| (Increase) decrease in notes and accounts receivable - trade | (4,589) | **39** | **295** |
| (Increase) decrease in inventories | (2,380) | **218** | **1,639** |
| Increase (decrease) in notes and accounts payable - trade | 3,998 | **(4,965)** | **(37,261)** |
| Other | 8,153 | **3,224** | **24,195** |
| Subtotal | 33,567 | **23,959** | **179,810** |
| Interest and dividend income received | 1,212 | **846** | **6,351** |
| Interest expense paid | (5,056) | **(3,264)** | **(24,501)** |
| Income taxes paid | (5,067) | **(4,363)** | **(32,748)** |
| Proceeds from out-of-court settlement | 4,083 | - | - |
| Net cash provided by operating activities | 28,739 | **17,177** | **128,912** |
| **Cash flows from investing activities:** | | | |
| Purchase of investment securities | (2,057) | **(3,589)** | **(26,935)** |
| Proceeds from sales of investment securities | 3,855 | **2,019** | **15,158** |
| Purchase of property, plant and equipment | (9,500) | **(9,509)** | **(71,363)** |
| Proceeds from sales of property, plant and equipment | 1,294 | **884** | **6,635** |
| Decrease (increase) in short-term loans receivable | 117 | **(6)** | **(49)** |
| Repayment of long-term loans receivable | (36) | **(24)** | **(182)** |
| Proceeds from collection of long-term loans receivable | 182 | **76** | **578** |
| Other | (2,369) | **(1,592)** | **(11,953)** |
| Net cash used in investing activities | (8,514) | **(11,741)** | **(88,113)** |
| **Cash flows from financing activities:** | | | |
| (Decrease) increase in short-term bank loans | (5,347) | **1,993** | **14,959** |
| Increase in commercial paper | 8,000 | **7,000** | **52,533** |
| Proceeds from long-term debt | 3,073 | **1,115** | **8,372** |
| Repayment of long-term debt | (12,109) | **(10,920)** | **(81,953)** |
| Proceeds from issuance of bonds | - | **15,000** | **112,570** |
| Redemption of bonds | (15,466) | **(20,000)** | **(150,094)** |
| Dividends paid | (1,799) | **(1,916)** | **(14,384)** |
| Other | (296) | **(128)** | **(966)** |
| Net cash used in financing activities | (23,946) | **(7,856)** | **(58,962)** |
| Effects of exchange rate changes on cash and cash equivalents | 339 | **156** | **1,173** |
| Net decrease in cash and cash equivalents | (3,382) | **(2,263)** | **(16,989)** |
| Increase in cash and cash equivalents due to change in scope of consolidation | 247 | - | - |
| Cash and cash equivalents at beginning of year | 8,957 | **5,823** | **43,700** |
| Cash and cash equivalents at end of year (Note 13) | ¥ 5,823 | ¥ **3,559** | $ **26,711** |

*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 in accordance with accounting principles and practices generally accepted and applied in Japan, which may differ in certain material respects from accounting principles and practices generally accepted in countries and jurisdictions other than Japan, and are compiled from the consolidated financial statements prepared by the Company as required by the Securities and Exchange Law of 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 ¥133.25 = US$1.00, the exchange rate prevailing on March 31, 2002.

## 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 93 (106 in 2001) majority-owned subsidiaries. All significant intercompany balances, transactions and profits have been eliminated in consolidation.

The excess of cost over underlying net assets at the dates of the investments in the consolidated subsidiaries is included in other assets and is being amortized on the straight-line basis over a period of five years.

Investments in all the Company’s 13 (14 in 2001) affiliated companies are accounted for by the equity method.

### (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 them 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 their purpose in holding securities at the beginning of the year and classified all as available-for-sale securities.

### (d) Foreign Currency Translation

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

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 Overseas Consolidated Subsidiaries**

In translating the financial statements of the overseas consolidated subsidiaries, the balance sheet accounts are translated at the exchange rate in effect at each year-end except that 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 its consolidated subsidiaries, effective March 31, 2001, have reported translation adjustments as a component of shareholders' equity and minority interests.

**(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 its domestic subsidiaries is computed primarily by the declining-balance method except that the straight-line method is applied to office buildings for lease and to buildings acquired on or after April 1, 1998. 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 its 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 the domestic consolidated subsidiaries voluntarily as of the balance sheet date.

Effective April 1, 2000, the Company and its domestic subsidiaries 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 standard, the liabilities and expenses for severance and retirement benefits are calculated actuarially based on certain assumptions. The Company and its domestic consolidated subsidiaries have provided for severance and retirement benefits at March 31, 2001 and 2002 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 was ¥16,601 million as determined at the beginning of the year and has been amortized at one time in the year ended March 31, 2001. Of this balance, ¥13,452 million represents the contribution of investment securities to an employees' retirement benefit trust in August 2000.

As a result of this adoption, employees' retirement benefit expenses increased by ¥15,399 million in the aggregate and income before income taxes decreased by ¥15,506 million for the year ended March 31, 2001 compared with the amounts which would have been recorded if the method followed in the prior year had been adopted.

**(i) Directors' and Statutory Auditors' Retirement Benefits**

An accrual for directors' and statutory auditors' retirement benefits of ¥1,133 million and ¥754 million ($5,664 thousand) has been included in directors' and employees' retirement benefits at March 31, 2001 and 2002, respectively.

**(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**

The computation of basic net income per share is based on the weighted average number of shares of common stock outstanding during each year.

The computation of diluted net income per share is based on the weighted average number of shares of common stock outstanding during each year assuming full conversion of the convertible bonds.

**(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, 2001 and 2002 were as follows:

| | *Millions of yen* | | *Thousands of U.S. dollars* |
|---|---|---|---|
| | 2001 | **2002** | **2002** |
| Finished goods and merchandise | ¥ 33,379 | **¥ 33,820** | **$ 253,815** |
| Raw materials and supplies | 3,709 | **2,973** | **22,315** |
| | ¥ 37,088 | **¥ 36,794** | **$ 276,130** |

## Note 4: Securities

The following table summarizes the acquisition costs, book value and fair value of the available-for-sale securities as of March 31, 2001 and 2002.

| | *Millions of yen* | | *Thousands of U.S. dollars* |
|---|---|---|---|
| | 2001 | **2002** | **2002** |
| Acquisition costs: | | | |
| Equity securities | ¥ 26,129 | **¥ 26,019** | **$ 195,272** |
| Bonds | 2,016 | **2,128** | **15,977** |
| | ¥ 28,145 | **¥ 28,148** | **$ 211,249** |
| Book value: | | | |
| Equity securities | ¥ 35,418 | **¥ 26,196** | **$ 196,598** |
| Bonds | 1,991 | **2,031** | **15,243** |
| | ¥ 37,410 | **¥ 28,227** | **$ 211,841** |
| Difference: | | | |
| Equity securities | ¥ 9,289 | **¥ 176** | **$ 1,326** |
| Bonds | (24) | **(97)** | **(734)** |
| | ¥ 9,264 | **¥ 78** | **$ 592** |

The following table shows the aggregate book value of available-for-sale securities with no available fair value as of March 31, 2001 and 2002:

| | *Millions of yen* | | *Thousands of U.S. dollars* |
|---|---|---|---|
| | 2001 | **2002** | **2002** |
| Non-listed equity securities (excluding equity securities traded on the OTC market) | ¥ 1,426 | **¥ 2,347** | **$ 17,617** |

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

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

The weighted average interest rates of all outstanding short-term borrowings at March 31, 2001 and 2002 were 1.563% and 1.137%, respectively.

Long-term debt at March 31, 2001 and 2002 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 |
|---|---|---|---|
| | 2001 | **2002** | **2002** |
| **The Company:** | | | |
| 2.8% bonds due 2001 | ¥ 20,000 | ¥ **-** | $ **-** |
| 2.075% bonds due 2002 | 20,000 | **20,000** | **150,094** |
| 1.8% convertible bonds due 2003 | 6,307 | **6,307** | **47,332** |
| 2.175% bonds due 2003 | 5,000 | **5,000** | **37,523** |
| 1.52% bonds due 2004 | 10,000 | **10,000** | **75,047** |
| 0.97% bonds due 2006 | - | **10,000** | **75,047** |
| 1.43% bonds due 2008 | - | **5,000** | **37,523** |
| Unsecured loans, principally from banks and life insurance companies | 10,274 | **8,926** | **66,987** |
| Secured loans, principally from banks and government-sponsored agencies (1.75%) | 28 | **318** | **2,392** |
| **Consolidated subsidiaries:** | | | |
| Loans, principally from banks | 51,996 | **43,486** | **326,355** |
| Less current portion | (29,585) | **(32,287)** | **(242,308)** |
| | ¥ 94,020 | ¥ **76,751** | $ **575,993** |

The aggregate annual maturities of long-term debt outstanding at March 31, 2002 are summarized as follows:

| Year ending March 31, | *Millions of yen* | *Thousands of U.S. dollars* |
|---|---|---|
| 2003 | ¥ 32,287 | $ 242,308 |
| 2004 | 15,205 | 114,111 |
| 2005 | 27,959 | 209,825 |
| 2006 | 4,349 | 32,642 |
| 2007 and thereafter | 29,237 | 219,415 |
| | ¥ 109,038 | $ 818,301 |

The assets pledged as collateral for long-term debt at March 31, 2001 and 2002 were as follows:

| | Millions of yen | | Thousands of U.S. dollars |
|---|---|---|---|
| | 2001 | **2002** | **2002** |
| Property, plant and equipment | ¥ 46,400 | ¥ **36,654** | $ **275,083** |
| Investment securities | 40 | **228** | **1,715** |
| Other assets | 389 | **389** | **2,920** |
| | ¥ 46,829 | ¥ **37,272** | $ **279,719** |

## Note 6: Other Income (Expenses)

Other income (expenses) for the years ended March 31, 2001 and 2002 consisted primarily of the following:

| | Millions of yen | | Thousands of U.S. dollars |
|---|---|---|---|
| | 2001 | **2002** | **2002** |
| Gain on securities contributed to employees' retirement benefit trust | ¥ 7,727 | ¥ **-** | $ **-** |
| Gain on sales of property, plant and equipment | 557 | **552** | **4,148** |
| Amortization of net retirement benefit obligation at transition | (16,601) | **-** | **-** |
| Gain on sale of leasehold rights on land | 2,040 | **-** | **-** |
| Loss on sales and disposal of property, plant and equipment | (1,960) | **(796)** | **(5,974)** |
| Loss on discontinued operations | (569) | **(1,258)** | **(9,445)** |
| Loss on transfer of production plant | - | **(1,459)** | **(10,955)** |
| Loss on sales of investment securities | (83) | **(1,026)** | **(7,707)** |
| Other, net | 829 | **(2,062)** | **(15,476)** |
| | ¥ (8,059) | ¥ **(6,050)** | $ **(45,410)** |

## 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 41.9% for the years ended March 31, 2001 and 2002. The effective tax rates reflected in the accompanying consolidated statements of income for the years ended March 31, 2001 and 2002 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:

| | 2001 | **2002** |
|---|---|---|
| Statutory tax rate | 41.9% | **41.9%** |
| Entertainment and other expenses not deductible | 4.3 | **5.0** |
| Dividends and other income received but excluded from taxable income | (2.2) | **(2.3)** |
| Decrease in income taxes resulting from equity in earnings | (3.7) | **(3.6)** |
| Inhabitants' per capita taxes | 2.2 | **2.7** |
| Elimination of dividends received from overseas affiliates | 4.6 | **3.8** |
| Undistributed earnings of overseas affiliates | - | **3.0** |
| Valuation reserve | (8.9) | **(28.4)** |
| Other, net | 0.6 | **2.8** |
| Effective tax rates | 38.8% | **24.8%** |

The components of deferred tax assets and deferred tax liabilities at March 31, 2001 and 2002 were as follows:

| | *Millions of yen* | | *Thousands of U.S. dollars* |
|---|---|---|---|
| | 2001 | **2002** | **2002** |
| **Deferred tax assets:** | | | |
| Establishment of employees' retirement benefit trust | ¥ 5,636 | **¥ 5,636** | **$ 42,301** |
| Excess over allowed limit of retirement allowance reserve | 1,219 | **1,246** | **9,354** |
| Deferred losses | 2,991 | **1,650** | **12,387** |
| Loss on devaluation of marketable securities | 465 | **546** | **4,104** |
| Enterprise tax | 290 | **-** | **-** |
| Excess over allowed limit of bonus reserve | 274 | **436** | **3,273** |
| Inventories – unrealized profits and write-downs | 259 | **405** | **3,045** |
| Property, plant and equipment – unrealized profits and losses | 1,609 | **1,604** | **12,039** |
| Allowance for doubtful accounts | - | **376** | **2,822** |
| Depreciation | 606 | **809** | **6,073** |
| Other | 1,455 | **2,288** | **17,176** |
| Total gross deferred tax assets | 14,809 | **15,000** | **112,574** |
| Less valuation allowance | (3,074) | **(1,672)** | **(12,549)** |
| Deferred tax assets | 11,735 | **13,328** | **100,026** |
| **Deferred tax liabilities:** | | | |
| Net unrealized holding gain on securities | (3,892) | **(120)** | **(907)** |
| Gain on securities contributed to employees' retirement benefit trust | (3,237) | **(3,237)** | **(24,299)** |
| Special depreciation reserve | (37) | **(17)** | **(131)** |
| Reserve and special reserve for advanced depreciation of property, plant and equipment | (3,343) | **(3,372)** | **(25,310)** |
| Other, net | (565) | **(872)** | **(6,550)** |
| Deferred tax liabilities | (11,076) | **(7,621)** | **(57,196)** |
| Net deferred tax assets | ¥ 658 | **¥ 5,707** | **$ 42,830** |

## 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 2002, 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* |
|---|---|---|---|
| | 2001 | **2002** | **2002** |
| Acquisition costs | ¥ 30,763 | **¥ 31,709** | **$ 237,966** |
| Less accumulated depreciation | (11,321) | **(11,640)** | **(87,359)** |
| Net book value | ¥ 19,441 | **¥ 20,068** | **$ 150,607** |

Future minimum lease payments subsequent to March 31, 2002 on finance leases are summarized as follows:

| Future lease payments: | | Millions of yen | | Thousands of U.S. dollars |
|---|---|---|---|---|
| One year or less | ¥ | 2,822 | $ | 21,184 |
| More than one year | | 17,966 | | 134,830 |
| | ¥ | 20,788 | $ | 156,014 |

Future minimum lease payments and income subsequent to March 31, 2002 on noncancelable operating leases are summarized as follows:

| Future lease payments: | | Millions of yen | | Thousands of U.S. dollars |
|---|---|---|---|---|
| One year or less | ¥ | 384 | $ | 2,887 |
| More than one year | | 750 | | 5,634 |
| | ¥ | 1,135 | $ | 8,521 |

| Future lease income: | | Millions of yen | | Thousands of U.S. dollars |
|---|---|---|---|---|
| One year or less | ¥ | 4,580 | $ | 34,377 |
| More than one year | | 35,488 | | 266,329 |
| | ¥ | 40,069 | $ | 300,707 |

## Note 9: Derivative Financial Instruments

The Company and its subsidiaries enter into forward foreign exchange contracts, coupon swaps, 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 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 presented as a separate component of shareholders' equity in the Company's balance sheets at March 31, 2001 and 2002.

The aggregate 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, 2002 were as follows:

| | Millions of yen | | | |
|---|---|---|---|---|
| March 31, 2001 | | Principal amount (notional amount for swaps) | | Unrealized gain and loss |
| Forward foreign currency contracts | ¥ | - | ¥ | - |
| Interest swaps | | 2,400 | | (11) |
| Currency swaps | | - | | - |
| | ¥ | 2,400 | ¥ | (11) |

| | 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 |
| Forward foreign currency contracts | ¥ | - | ¥ | - | $ | - | $ | - |
| Interest swaps | | 2,400 | | (7) | | 18,011 | | (58) |
| Currency swaps | | - | | - | | - | | - |
| | ¥ | 2,400 | ¥ | (7) | $ | 18,011 | $ | (58) |

## Note 10: Contingent Liabilities

As at March 31, 2002, the Company and its consolidated subsidiaries had the following contingent liabilities:

| | *Millions of yen* | *Thousands of U.S. dollars* |
|---|---|---|
| As guarantor of indebtedness of non-consolidated subsidiaries and affiliates | ¥ 5,243 | $ 39,348 |
| As guarantor of indebtedness of employees | 1,433 | 10,757 |
| As guarantor of indebtedness of other companies | 79 | 600 |
| | ¥ 6,756 | $ 50,705 |

## 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, 2001 and 2002 were ¥2,196 million and ¥2,233 million ($16,761 thousand), respectively.

Advertising costs included in selling, general and administrative expenses for the years ended March 31, 2001 and 2002 were ¥3,454 million and ¥3,565 million ($26,755 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 as an 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 and 2002 for the Company's and the consolidated subsidiaries' defined benefit plans:

| | *Millions of yen* | | *Thousands of U.S. dollars* |
|---|---|---|---|
| | 2001 | **2002** | **2002** |
| Projected retirement benefit obligation | ¥ 25,852 | **¥ 25,696** | **$ 192,846** |
| Fair value of plan assets | (20,010) | **(15,180)** | **(113,928)** |
| Unrecognized actuarial loss | (2,594) | **(7,483)** | **(56,158)** |
| Prepaid pension cost | 941 | **987** | **7,415** |
| Net liability | ¥ 4,189 | **¥ 4,020** | **$ 30,174** |

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 years ended March 31, 2001 and 2002 were as follows:

| | *Millions of yen* | | *Thousands of U.S. dollars* |
|---|---|---|---|
| | 2001 | **2002** | **2002** |
| Service cost | ¥ 1,531 | **¥ 1,571** | **$ 11,795** |
| Interest cost | 737 | **641** | **4,814** |
| Expected return on plan assets | (215) | **(106)** | **(800)** |
| Amortization of unrecognized actuarial loss | - | **259** | **1,947** |
| Amortization of net retirement benefit obligation at transition | 16,601 | **-** | **-** |
| Total retirement benefit expenses | ¥ 18,655 | **¥ 2,366** | **$ 17,757** |

The actuarial assumptions used for the years ended March 31, 2001 and 2002 are set forth as follows:

| | 2001 | 2002 |
|---|---|---|
| Discount rate | 3.0% | **3.0%** |
| Expected rates of return on pension plan assets | 1.5 - 3.5% | **1.5%** |
| Period for the recognition of actuarial gain and/or loss | 10 years | **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 to an employees' retirement benefit trust for the contributory pension plans. The securities held in this trust qualify 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 and 2002:

| | *Millions of yen* | | *Thousands of U.S. dollars* |
|---|---|---|---|
| | 2001 | **2002** | **2002** |
| Cash and bank deposits | ¥ 5,910 | **¥ 3,587** | **$ 26,921** |
| Time deposits with a maturity of more than three months | (94) | **(28)** | **(210)** |
| Short-term investments and other current assets maturing in less than three months | 9 | **-** | **-** |
| Overdrafts included in short-term bank loans | (3) | **-** | **-** |
| Cash and cash equivalents | ¥ 5,823 | **¥ 3,559** | **$ 26,711** |

## Note 14: Segment Information

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

In the year ended March 31, 2002, the Company introduced a business unit system (an intra-group company system). In connection with this introduction, the Company has redefined its business segments in order to achieve a better presentation of the operations of the Company and its consolidated subsidiaries and has restated the previously reported business segment information for the year ended March 31, 2001.

The business segment information of the Company and its consolidated subsidiaries for the years ended March 31, 2001 and 2002 is summarized as follows:

| | *Year ended March 31, 2001 (Millions of yen)* | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| | *Temperature-controlled logistics* | *Foods* | *Wholesale foods* | *Real estate* | *Other* | *Total* | *Intercompany eliminations and corporate* | *Consolidated* |
| Operating revenues | ¥ 88,016 | ¥ 321,987 | ¥ 135,954 | ¥ 9,670 | ¥ 4,376 | ¥ 560,006 | ¥ - | ¥ 560,006 |
| Intra-group sales and transfers | 19,763 | 32,261 | 511 | 47 | 3,138 | 55,722 | (55,722) | - |
| Total | 107,780 | 354,248 | 136,466 | 9,717 | 7,515 | 615,729 | (55,722) | 560,006 |
| Operating expenses | 99,646 | 343,693 | 136,137 | 2,826 | 7,164 | 589,468 | (48,058) | 541,409 |
| Operating income | ¥ 8,134 | ¥ 10,555 | ¥ 328 | ¥ 6,891 | ¥ 350 | ¥ 26,260 | ¥ (7,663) | ¥ 18,596 |
| Total assets | ¥ 116,869 | ¥ 122,214 | ¥ 28,445 | ¥ 51,375 | ¥ 6,556 | ¥ 325,462 | ¥ 42,308 | ¥ 367,770 |
| Depreciation and amortization | ¥ 7,401 | ¥ 3,891 | ¥ 279 | ¥ 1,172 | ¥ 608 | ¥ 13,354 | ¥ 649 | ¥ 14,003 |
| Capital expenditures | ¥ 4,425 | ¥ 3,558 | ¥ 211 | ¥ 919 | ¥ 561 | ¥ 9,677 | ¥ 1,994 | ¥ 11,672 |

| | Year ended March 31, 2002 (Millions of yen) | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| | *Temperature-controlled logistics* | *Foods* | *Wholesale foods* | *Real estate* | *Other* | *Total* | *Intercompany eliminations and corporate* | *Consolidated* |
| Operating revenues | ¥ 90,932 | ¥ 316,584 | ¥ 138,446 | ¥ 8,125 | ¥ 4,101 | ¥ 558,191 | ¥ - | ¥ 558,191 |
| Intra-group sales and transfers | 20,004 | 33,217 | 1,038 | 59 | 3,893 | 58,214 | (58,214) | - |
| Total | 110,937 | 349,802 | 139,485 | 8,185 | 7,994 | 616,405 | (58,214) | 558,191 |
| Operating expenses | 102,941 | 341,269 | 139,049 | 3,314 | 7,673 | 594,248 | (50,073) | 544,174 |
| Operating income | ¥ 7,996 | ¥ 8,532 | ¥ 435 | ¥ 4,871 | ¥ 321 | ¥ 22,156 | ¥ (8,140) | ¥ 14,016 |
| Total assets | ¥ 111,928 | ¥ 122,959 | ¥ 26,260 | ¥ 49,151 | ¥ 6,748 | ¥ 317,047 | ¥ 36,337 | ¥ 353,385 |
| Depreciation and amortization | ¥ 6,926 | ¥ 3,587 | ¥ 148 | ¥ 1,170 | ¥ 561 | ¥ 12,395 | ¥ 1,175 | ¥ 13,570 |
| Capital expenditures | ¥ 3,830 | ¥ 4,257 | ¥ 11 | ¥ 210 | ¥ 432 | ¥ 8,742 | ¥ 1,539 | ¥ 10,282 |

| | Year ended March 31, 2002 (Thousands of U.S. dollars) | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| | *Temperature-controlled logistics* | *Foods* | *Wholesale foods* | *Real estate* | *Other* | *Total* | *Intercompany eliminations and corporate* | *Consolidated* |
| Operating revenues | $ 682,422 | $ 2,375,867 | $1,039,002 | $ 60,981 | $ 30,780 | $4,189,052 | $ - | $4,189,052 |
| Intra-group sales and transfers | 150,130 | 249,291 | 7,793 | 450 | 29,219 | 436,882 | (436,882) | - |
| Total | 832,552 | 2,625,158 | 1,046,795 | 61,430 | 60,000 | 4,625,934 | (436,882) | 4,189,052 |
| Operating expenses | 772,542 | 2,561,121 | 1,043,526 | 24,874 | 57,589 | 4,459,653 | (375,788) | 4,083,864 |
| Operating income | $ 60,010 | $ 64,037 | $ 3,268 | $ 36,556 | $ 2,410 | $ 166,281 | $ (61,094) | $ 105,187 |
| Total assets | $ 839,986 | $ 922,771 | $ 197,079 | $ 368,865 | $ 50,643 | $2,379,344 | $ 272,703 | $2,652,047 |
| Depreciation and amortization | $ 51,983 | $ 26,927 | $ 1,116 | $ 8,785 | $ 4,213 | $ 93,024 | $ 8,821 | $ 101,845 |
| Capital expenditures | $ 28,748 | $ 31,948 | $ 87 | $ 1,583 | $ 3,244 | $ 65,610 | $ 11,556 | $ 77,167 |

# Shin Nihon & 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, 2001 and 2002, and 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, 2001 and 2002, and the consolidated results of their operations and their cash flows for the years then ended in conformity with accounting principles and practices generally accepted in Japan applied on a consistent basis, after restatement for the change, with which we concur, in the classification of business segments as described in Note 14.

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

The U.S. dollar amounts in the accompanying consolidated financial statements with respect to the year ended March 31, 2002 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.

June 26, 2002

Shin Nihon & Co

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

# Overseas Network

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Fax:61 (2) 9241-2122

# Directors, Statutory Auditors and Officers

*Representative Director and Chairman*
Takemoto Ohto

*Representative Director and President*
Mitsudo Urano

*Senior Managing Executive Officers*
Koji Fukuda

*Senior Managing Executive Officers*
Koji Yokota

*Senior Managing Executive Officers*
Toshihide Nire

## Directors

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

## Statutory Auditors

| | |
|---|---|
| *Standing Statutory Auditor* | Kazuhiko Goto |
| *Statutory Auditors* | Shingo Aoki<br>Kazuo Kawakami<br>Haruyasu Uchino |

## Officers

| | |
|---|---|
| *Executive Officers* | Hiroki Yamamoto<br>Tsunehiro Otsuka<br>Satoshi Sakaguchi<br>Hisashi Hasegawa<br>Takeshi Ara<br>Junichi Ohira<br>Yoshimitsu Miya<br>Susumu Hirose |

# Investor Information

**Offices:**
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6-19-20 Tsukiji, Chuo-ku
Tokyo 104-8402 Japan

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

Domestic Offices:
Branches 11
Logistics Service Centers 62
Sales offices 11

**Web Site Address:**
http://www.nichirei.co.jp/ir/en/index.html

**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 (who possess 1,000 shares or more)**
23,976

**Common Stock**

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

**No. of Full-Time Employees**
6,761

**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**
Shin Nihon & Co.

ANNUAL REPORT 2002

NICHIREI CORPORATION

# NICHIREI CORPORATION

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