Building momentum for growth

NICHIREI Annual Report 2004

Year ended March 31, 2004

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 6 branches. The Company also has 11 sales offices as well as 69 subsidiaries and affiliates throughout Japan. We have 18 subsidiaries and affiliates overseas, and an extensive network of suppliers (all as of June 30, 2004).

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 establish a comprehensive quality assurance system that encompasses product development, raw materials procurement, production and sales.
4) Nichirei's and its Group companies' ability to develop new products and services.
5) Nichirei's and its Group companies' ability to implement growth strategies and build a low-cost structure;
6) Nichirei's and its Group companies' ability to reduce interest-bearing obligations;
7) Nichirei's and its Group companies' ability to gain benefits through alliance with other companies.
8) effect of natural disasters; and
9) serious and unpredictable effects that may be caused by future events.

Contents

Financial Highlights

Nichirei Corporation and Consolidated Subsidiaries

Years ended March 31, 2004 and 2003

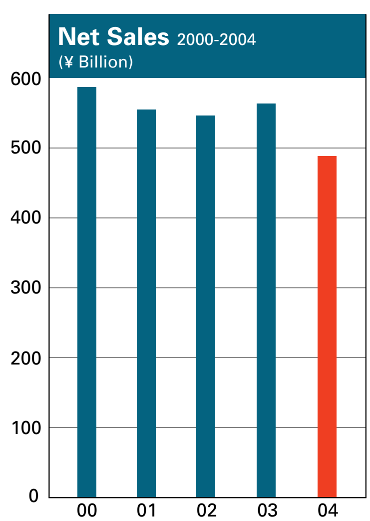
	Millions of yen except per share amounts		percent change	Thousands of U.S. dollars except per share amounts
FOR THE YEAR	**2003**	**2004**	**2004/2003**	**2004**
Net sales	¥ 563,440	¥ 496,611	(11.9) %	$ 4,701,428
Operating income	18,275	13,976	(21.5)	132,319
Income before income taxes	9,377	(3,817)	—	(36,139)
Net income	5,216	(1,891)	—	(17,902)
Per share data				
Net income				
Basic	¥ 16.16	¥ (6.28)	—	$ (0.059)
Diluted	16.08			
AT YEAR-END				
Shareholders' equity	¥ 90,666	¥ 90,176	(0.5) %	$ 853,704
Total assets	330,703	284,700	(13.9)	2,695,264

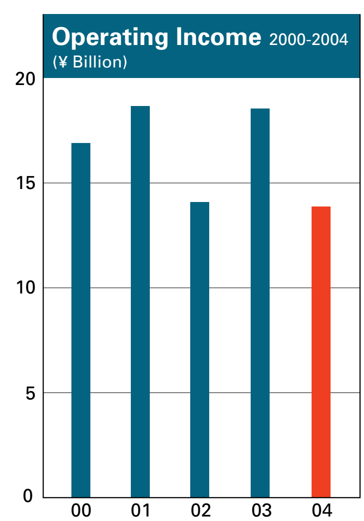
Note:

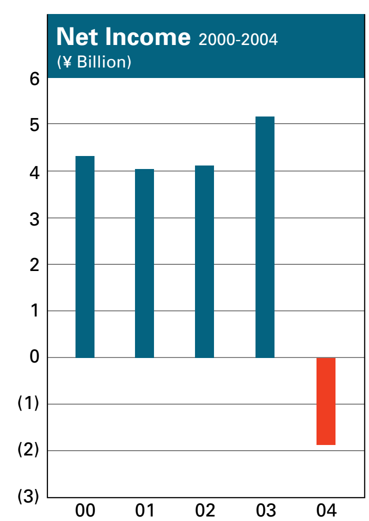
1. U.S. dollar amounts have been translated from yen, for convenience only, at the rate of 105.63=U.S.$1, the approximate Tokyo foreign exchange market rate as of March 31, 2004.

2. For the year ended March 31, 2004, seven subsidiaries were excluded from consolidation, resulting in a total of 70 consolidated subsidiaries, while two affiliates were newly added and two ceased to be accounted for by the equity method, for a total of 15 equity-method affiliates.

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).







Nichirei At a Glance

Processed Foods

Processed foods is one of Nichirei's core operations. It includes frozen foods, in which Nichirei leads the industry in Japan, acerola-based beverages, retort-pouch foods, canned foods and health foods. Nichirei has established a comprehensive quality assurance system that covers everything from product development and raw materials procurement to production and sales.

Meat and Poultry Products

In meat and poultry products Nichirei provides large retailers and restaurants with poultry, pork and beef procured from established partners in Japan and overseas. Nichirei is committed to delivering products that are delicious, safe, reliable, healthful and environmentally friendly.

Marine Products

In marine products Nichirei imports and sells seafood procured from all around the world. Net sales compare with those of Japan's leading marine products companies, with Nichirei being especially strong in the handling of several items such as shrimp, herring roe and octopus. Nichirei is enhancing the line of value-added products that meet customers' needs, as well as handling more premium products.

Wholesale Foods

Yukiwa Co., Ltd. was a food wholesaler with strength in foods distributed in cold temperature. In October 2003, Yukiwa merged with Ryoshoku Food Service Limited, a subsidiary of Ryoshoku Limited. The new company, RY Food Service Limited, is outside the scope of Nichirei's consolidated financial statements.

Logistics

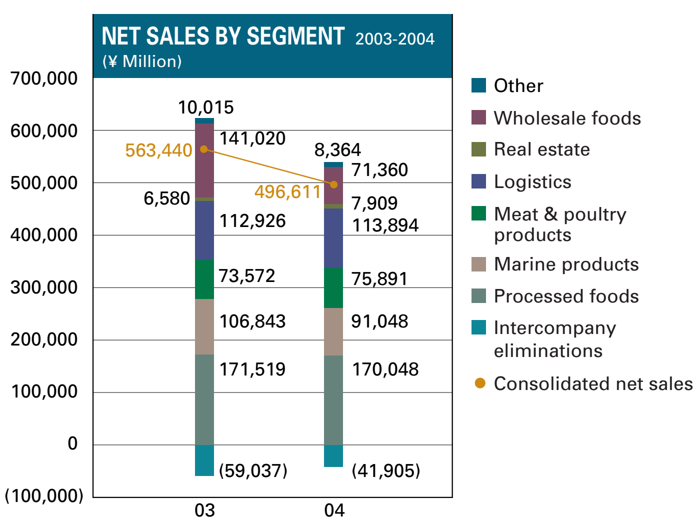
Logistics is Nichirei's other core operation. In addition to providing a wide range of logistics functions such as refrigerated warehousing, sorting, transportation and delivery, Nichirei combines those functions to offer solutions for optimizing customers' overall logistics flow. In Japan, its logistics operation consists of the Logistics Network Business, which is the demand-growing business domain, and Regional Storage Business. Outside Japan, Nichirei's overseas logistics operations are centered in Europe. With market share that ranks No. 1 in Japan and No. 4 worldwide, Nichirei has secured a solid position in the refrigerated warehousing business.

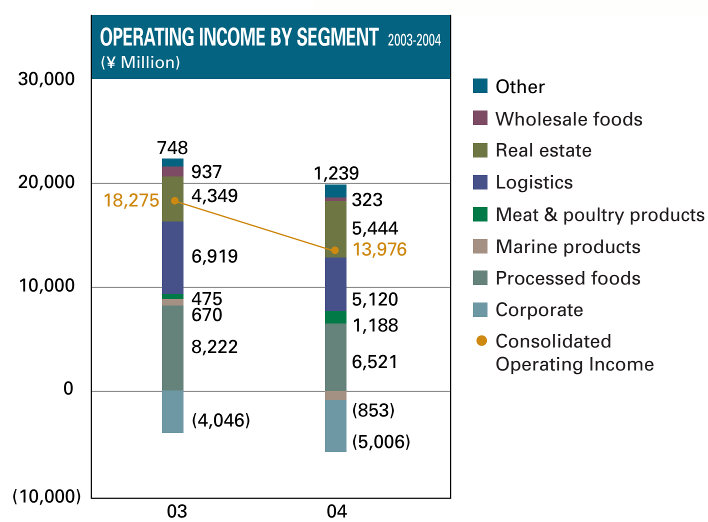
Real Estate

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 sale of residential housing.

Other Operations

Nichirei continues to nurture its biosciences and horticulture operations. The company 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. Meanwhile, in its flower-related businesses, Nichirei engages in the development of rare and new species of orchids as well as developing mass propagation technologies and seedling cultivation technologies.





Representative Director and Chairman
Takemoto Ohto

Representative Director and President
Mitsudo Urano

Message to Our Shareholders

The fiscal year ended March 2004 provided a sobering experience for us as both our sales and operating income suffered a double-digit decline. In this final year of our Medium-Term Plan, we not only were unable to achieve our goals, but posted losses in the end.

As we pick up the pieces, however, we are more than comforted by the realization that the past three years of pursuing the Medium-Term Plan were a success in terms of greatly improving our capital efficiency, and giving us an opportunity to reevaluate our direction and business domains. We may not have been able to realize expected growth in our core operations, but we were able to gain much insight on boosting growth, starting this fiscal year. The knowledge achieved through this experience has been incorporated into our New Medium-Term Plan, which centers on Nichirei's strengths.

We are ready to take on the challenge of working on a growth strategy again.

Evaluating the previous Medium-Term Plan

New business-unit system shows results; capital efficiency improves

The Medium-Term Plan was formulated in November 2000 with the goal of guiding Nichirei to long-term growth in the 21st century, based on the success of structural reform we had undertaken. This was during a time when the Japanese economy was suffering from a prolonged slump and the business environment was going through dramatic changes. To achieve this goal, we placed three items on our agenda: 1) Rearranging business domains and introducing a business-unit system, 2) Promoting a growth strategy that positions temperature-controlled logistics and foods as core operations, and

3) Pursuing capital efficiency and optimizing capital structure. The Nichirei Group acted as one to implement these measures.

Now that the Medium-Term Plan has ended, our overall evaluation is that we were able to achieve major results in two out of the three items on our agenda: Rearranging business domains and introducing a business-unit system, and pursuing capital efficiency and optimizing capital structure.

After reorganizing our operations into Temperature-Controlled Logistics, Foods, Real Estate and Developing (Biosciences and Horticulture) operations, we further reorganized ourselves into six division-companies in April 2003 to promote independent management for each division, including Nichirei's two core operations, Logistics and Processed Foods, as well as Marine Products, Meat & Poultry Products, Biosciences and Horticulture. Today, a year after introducing this system, each division-company functions as an accountable, independent business operation. Meanwhile, each division-company worked on pursuing capital efficiency and optimizing capital structure by actively reexamining capital in use and cutting back on capital investment. As a result, we continued to reduce our assets, dramatically paring down interest-bearing debts beyond our target of 145 billion yen, to 124.3 billion yen. Shareholders' equity ratio also improved, to 31.7%.

Still on our agenda: Realizing growth of core operations

We realize that we need to seriously reexamine why we were not able to lead our Temperature-Controlled Logistics and Foods operations to growth, once we had positioned them as core operations. While we succeeded in improving profitability in our Processed Foods operation by continuously enhancing cost control, we were not able to realize sales increases as expected. In our Logistics operation, we were not fully effective in transforming the low-growth, storage-oriented business structure to a high-capital-turnover business structure that stresses third-party-logistics and transportation-and-delivery operations. Going forward, we must remedy these shortcomings.

Financial performance for the fiscal year ended March 2004

Nichirei's financial performance for the fiscal year ended March 2004, which was the final year of the Medium-Term Plan, unfortunately resulted in losses, with both sales and operating income suffering a double-digit decline. The primary factor for the sales decline was Yukiwa Co., Ltd., formerly a consolidated subsidiary, being placed outside the scope of Nichirei's consolidated financial statement and being accounted for by the equity method after its merger in October. The decline in operating income, however, was largely caused by the insufficient measures we took to adapt to changes in the external business environment.

Our consolidated net sales decreased 11.9% from the previous year to 496,611 million yen. Although by segment, sales increased in Logistics and Meat & Poultry Products, the primary reason for the overall sales decline was the fall in Marine Products sales, caused by poor catches, which forced us to reduce our pool of main products. This was in addition to the 52.8 billion yen dip in sales caused by Yukiwa no longer being a part of the consolidated financial statement. When the Yukiwa effect is excluded, the sales decline was 2.7%.

Consolidated operating income decreased 23.5% to 13,976 million yen. When not counting the Yukiwa effect, the decrease was 20.2% due primarily to the drop in income in the Logistics, Processed Foods and Marine Products operations. Despite steady performances in its distribution and overseas businesses, the Logistics operation experienced a setback due to a continued decline in the handling of goods coming into and being stored at the warehouses of our refrigerated warehousing business. Main factors for the operating income decline in our Processed Foods operation include the increase in raw material costs owing to the bird-flu epidemic, as well as the rise in sales expenses incurred by an aggressive sales promotion that in turn increased the sales of prepared frozen foods for household use. As for our Marine Products, we posted operating losses due to the aforementioned reduction in the products we handled causing a shortfall for covering fixed expenses.

In the end, we posted a loss of 1,891 million yen for the fiscal year ended March 2004 due primarily to the 18,087 million yen we posted in extraordinary losses, which included the 14,434 million yen loss from the sale of the land and building formerly leased to Kyoto Hotel by Nichirei Shoji Co., Ltd., a Nichirei consolidated subsidiary. We had determined that selling the land and building to a third party to reduce the Kyoto Hotel rent was our best option as it would prevent the Kyoto Hotel from bankruptcy, minimize our losses, and avoid future price-fluctuation risks that arise resources on our core operations. While Nichirei has a balance of 3,500 million yen in guarantees for the Kyoto Hotel, the hotel continues to operate steadily. We believe that a dramatic improvement in the operating incomes in the future will gradually reduce our interest-bearing debt.

The New Medium-Term Plan

Aiming again to grow; establish a group structure

Having reviewed the results and issues of the previous Medium-Term Plan that ended March 2004, we formulated a new three-year Medium-Term Plan that begins in the fiscal year ending March 2005. While giving consideration to using resources efficiently, the two pillars of this New Medium-Term Plan are 1) the prompt implementation of business growth, and 2) reinforcement of the Group structure that will serve as the foundation for executing business strategies.

Our financial goal at the end of the New Medium-Term Plan is shown in the table below. The real aim of the New Medium-Term Plan, however, is to first and foremost guide Nichirei back on track for medium-to-long-range growth. We will realize business growth for both of our core operations by enhancing our earning power and expanding in growth fields. For Logistics, the promising growth field is the distribution network business, and for Processed Foods, it is frozen foods for industrial use. In the following Top Management Interview and Growth Strategy for Processed Foods and Logistics, we will explain our thinking behind specific strategies for realizing growth. Please refer to them.

Establishing a Group-operation structure that serves as the foundation for executing business strategies

To establish a Group-operation structure, which is the second pillar of the New Medium-Term Plan, we will further develop the Division-Company Structure, whose foundation we have built during the previous Medium-Term Plan. To build an accountability structure, we will go forward with assigning substantial authority to each division-company. The execution of strategies at each division-company will be monitored by our corporate headquarters, and resources will be distributed from the perspective of what is best for the entire Group. Also distributed to each division-company will be capital and interest-bearing debt. Each company will strive to maximize returns on the capital employed.

To increase and promote our corporate brand value, our utmost priority will be to make the products and services offered by each company safe and reliable. We believe we have a social responsibility to aim for sustainable growth from a global perspective, with consideration of the economy, environment and society.

New Medium-Term Plan

Targets for the Year ending March 31, 2007

Net sales	¥ **537** billion
Operating income	¥ **20.3** billion
Net income per share	¥ **34.47**
Interest-bearing debt	¥ **97** billion or lower

Increasing corporate value for medium-to-long term

The New Medium-Term Plan introduced above was formulated as we renewed our commitment to Nichirei's growth, and is based on data and issues that remained after the previous Medium-Term Plan was over. We must not make the same mistake again. It is our intention to execute our plan with all our might and will.

At Nichirei, we will devote our heart and soul to creating new value for the world as a trusted, safe and reliable brand. We have a clear medium-to-long-range vision as we get back on track for corporate value growth.

Takemoto Ohto
Representative Director and Chairman
Takemoto Ohto

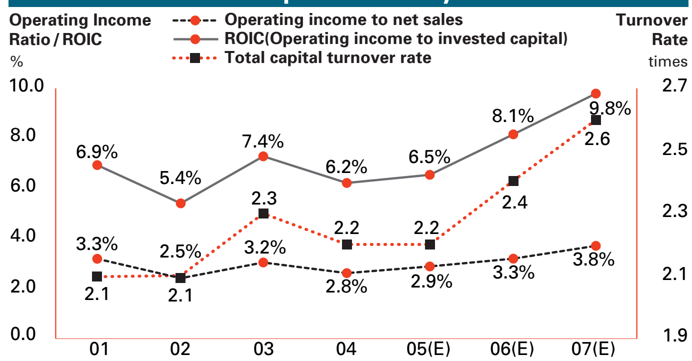
M. Urano
Representative Director and President
Mitsudo Urano

Top Management Interview

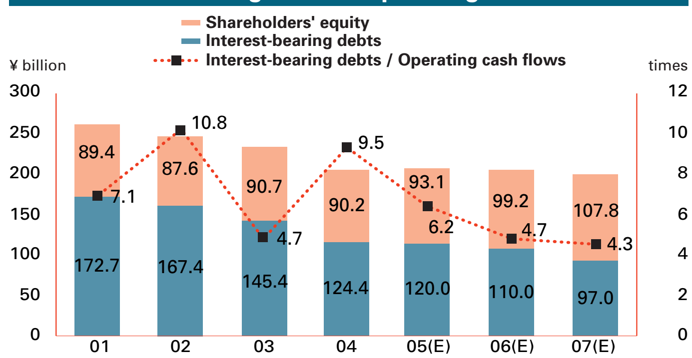
Representative Director and President
Mitsudo Urano

Q President Urano, in the last annual report, you listed "Improving the balance sheets" and "Defining the growth strategy" as two key issues that needed to be addressed in order to guide Nichirei to growth. In the New Medium-Term Plan that started in April 2004, where do you position these two key issues, and how do you intend to address them?

Trends of Capital Efficiency Indexes



Interest-bearing Debts / Operating Cash Flows



A In the New Medium-Term Plan, the most important strategy for the entire Group is to promptly execute our business-growth strategy based on a slimmed-down, strong corporate structure while making efficient use of our capital, which, to a certain degree, has already been accomplished. In other words, we aim to work on our growth strategy while further improving the balance sheet.

During the previous Medium-Term Plan, we addressed the issue of improving our balance sheet by making it a top priority to reduce interest-bearing debts. We reduced assets through our business operation that stressed capital efficiency, and used the cash flow from operating activities to successfully reduce the debts, meeting our target ahead of schedule. These are significant results that I believe helped solidify the foundation toward our future growth. There is room for improvement, however, in that our debt-equity ratio was 1.4 at the end of the fiscal year. In the next three years, we plan to gradually increase our capital efficiency and further reduce interest-bearing debt. Our goal is to improve our interest-bearing debt/operating cash flow from 9.5 in the fiscal year ended March 2004 to 4.3, and to reduce our debt-equity ratio to a level below 1.

To achieve these goals, starting this fiscal year we have set up a system to distribute capital and interest-bearing debt to each division-company so that each will be committed to improving capital efficiency and reducing interest-bearing debt. The Corporate Section at the headquarters will monitor the usage of capital by each company to check on the progress of the plan.

Q What about "Defining the growth strategy"?

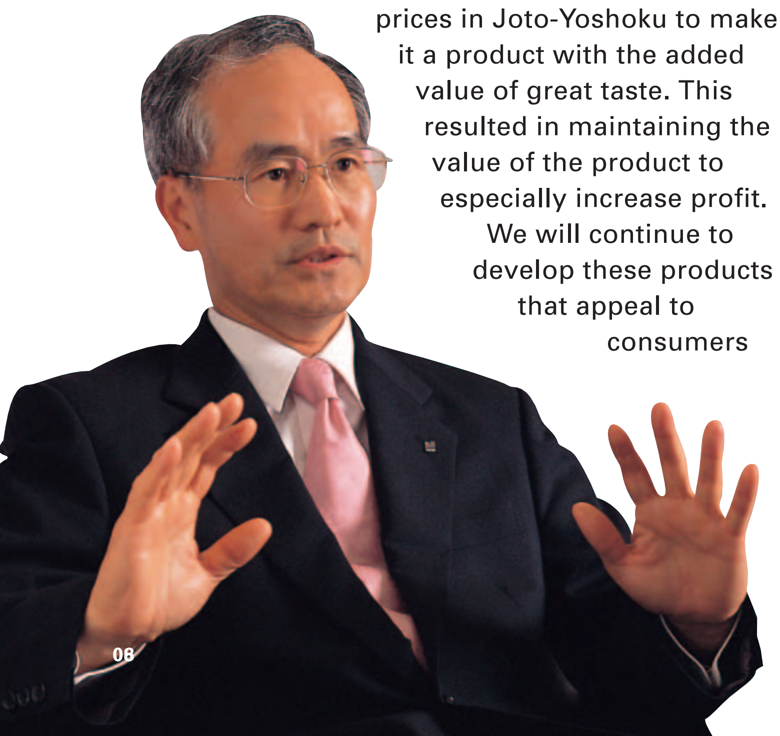
A In last year's message, I stated that we were identifying the growth fields but that we still did not have a clear-cut growth strategy. Having spent the past year determining the two, I can now clearly define in the New Medium-Term Plan the business fields that will be the foundation of growth for Nichirei as a whole, and growth strategies for them. While Processed Foods and Logistics remain our core operations in the New Medium-Term Plan, we have reexamined growth fields within those operations, and have formulated strategies to realize growth in those fields.

First, in Processed Foods, we will redefine our business domain as one that provides ready-to-serve foods to consumers. We will cultivate markets that had not been addressed sufficiently by us, and add chilled-foods development as one of our options to expand our business field as we strive to boost growth in both sales and operating income.

Second, in Logistics, we will define two separate fields: growth field that centers on getting distribution centers contracted out as well as transportation and distribution operations, and a mature field called regional-storage business. For each of the fields, we intend to reorganize an operation structure and develop services that maximize growth potential.

Q During the previous Medium-Term Plan in the Processed Foods operation, you worked on improving profitability through continuous cost-control measures, including thoroughly managing profits by the item. However, you were unable to achieve sales growth. Going forward, I understand that you will aim to achieve sales growth by focusing on the business of providing ready-to-serve foods. How do you intend to expand on your previous efforts?

A Although we were not able to achieve growth for Processed Foods overall, we were able to increase the sales of product groups such as the Joto-Yoshoku (Premier Western-style Foods) Series and the *Obento*-ni-Good (Good for *Bento* Boxed Lunches) Series. Despite the fact that these were frozen foods for household use, whose market growth has slowed, we were able to increase earnings. We can say that we consciously put a different spin on the seven traditional values of processed foods : good taste, health and nutrition, safety and reliability, ease and convenience, fun, stable supply, and reasonable prices, in making these products. For example, we sacrificed convenience and reasonable prices in Joto-Yoshoku to make it a product with the added value of great taste. This resulted in maintaining the value of the product to especially increase profit. We will continue to develop these products that appeal to consumers



for their specific added value. At the same time, we know that we need to keep creating new value to realize sustainable growth.

My belief is that there are many more fields that we can cultivate within the conventional foods market, which is Nichirei's strength, by using "health" as the keyword. Nichirei has the experience and know-how of calorie-count guarantee and ingredient guarantee gained through years of providing meal products for diabetic and kidney-disease patients. By developing such expertise beyond the realm of frozen foods and into ready-to-serve foods, under the concept of pursuing health and science in the daily diet, we can cultivate a new market. Such a field has yet to be sufficiently researched or developed as part of the processed foods business. I believe that it is a field we need to advance into with a medium-range perspective.

Another growth field on which we plan to focus is frozen foods for industrial use. While the overall market is not expected to grow, we can expand our share by actively introducing our products not only in markets where Nichirei products are already dominant, but also in uncultivated markets. Along with the growth of health-oriented wellness foods, the expansion of these frozen foods for industrial use will propel our sales growth.

Q I understand that the Logistics operation was unable to increase earnings in the previous Medium-Term Plan because it did not adapt sufficiently to the rapid changes in the business environment. We cannot expect the Japanese temperature-controlled logistics market to grow much in the future. Please explain to us what kind of growth you envision for the New Medium-Term Plan.

A It is true that we cannot expect the Japanese temperature-controlled food logistics market to grow significantly from its current market size of about 1.2 trillion yen. But if you look at the market closely, you can see that there are two trends in the Japanese market. In the Refrigerated Warehousing market, in which customers store frozen products in our refrigerated warehouses, demand is seriously dropping, especially in the countryside, due to production going offshore and shippers reducing inventory. While warehousing demand is not likely to increase in the near future, demand for logistics improvement has been big, especially in the retail and restaurant industry at the end of the distribution channel. We are convinced that this market, consisting of logistics center operations and transportation and distribution, will steadily continue to grow. The future of Nichirei's Logistics depends on how much we can increase our share in this expanding transportation and distribution market.

Nichirei is the largest provider of temperature-controlled logistics services in Japan. We realize, however, that to adapt rapidly to changes in the market and grow, we must be able to make management decisions quicker, provide service qualities and cost structures that meet the needs of each customer, and reallocate our resources. For this reason, when the New Medium-Term Plan started in April 2004, we divided the Logistics operation into two domains. One is the growing transportation and delivery, or the Logistics Network Business, and the other is the mature Regional-Storage Business. The two businesses, established after evaluating the difference in their growth ability, will help reaffirm Nichirei's competitive advantage. Each business involves operations that previously were handled separately by the parent company and the subsidiaries. The parent company has since transferred its portion of the operations to subsidiaries, some of which have been newly established. Further, the Regional-Storage Business has been divided into nine regional companies that each handles its own local market, the key to the success in this business.

Under the new structure in the New Medium-Term Plan, we will promote the growth of the Logistics operation as we expand our logistics network.

Q What do you think are the growth potentials of Marine Products and Meat & Poultry Products?

A Last fiscal year in Marine Products, several procurement problems occurred all at once to significantly reduce our earnings and cause us to post losses. However, such substantial fluctuations in the market have occurred only twice in the last 12 years. Situations such as this, we believe, are very unusual. Although we cannot completely avoid fluctuations in the overseas market, we have reinforced our management system to minimize market fluctuation risk by, for example, tightening control on working capital. Our strategy is to continue using capital efficiently, concentrating on product materials that are our strengths and increase earnings, while also aiming to improve our business structure so that it is less vulnerable to the market situation. We believe that Marine Products is certainly a field that has growth potential as long as we reexamine our sales channels and the product materials we sell through them. What we need to change and improve the most is the sales channel. We project that in the long term, demand from traditional wholesale seafood markets will decline. We will thus enhance our sales to businesses at the end of the sales channel, such as the retail, ready-to-serve foods and restaurant industries, as well as actively develop processed products that meet users' needs and create product materials with extra value. In our overseas business as well, we will enhance sales to build new channels.

As for our Meat & Poultry Products operation, we are steadily increasing and establishing the lineup of product materials while being committed to the keywords, "good taste," "safety" and "reliability." We will continue to follow this path, and stay devoted to the development of products from the customers' perspective to strengthen our system in the New Medium-Term Plan.

Q How are you going to promote the growth of the Biosciences and Horticulture operations, which are positioned as developing businesses?

A In Biosciences, we supply culture media that are essential to production in the promising, expanding field of bio-pharmaceuticals. We have not built a track record yet, but are confident that the culture media field will grow to eventually become the core of the Biosciences operation. To that end, we will strive to enhance our culture media business.

In Horticulture, our main product, the odontoglossum, a type of orchid, has provided challenges due to its cultivation difficulties. Because of this, dissemination has been held back. We aim to speed up the establishment of our flowering technology to establish main cultivation areas and expand the seedling market.

Growth Strategy for Core Operations

Processed Foods

Company President
Masatoshi Toyama

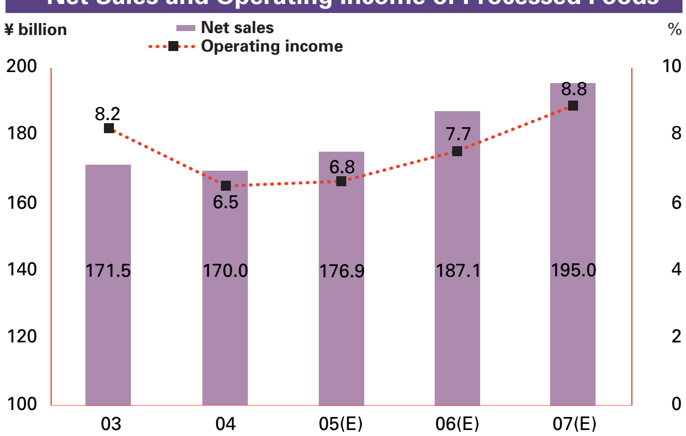
Q What is the thinking behind the Processed Foods strategy for achieving its New Medium-Term Plan goal?

A We will increase profit by applying the cost-reduction savings toward funding sales growth.

In the Processed Foods operation, our aim for the fiscal year ending March 2007 is to achieve 195 billion yen in sales, a 15% increase over the fiscal year ended March 2004, and 8.8 billion yen in operating income, a 35% increase over the fiscal year ended March 2004.

In the Processed Foods operation, we have been steadily building a profit-generating foundation through a number of means, such as managing profits by the item. In the New Medium-Term Plan, we will work to expand profit as we realize sales growth, which we were not able to achieve in the previous Medium-Term Plan. To increase overall sales into the future, we believe that we will need to actively boost the sales of a wider range of products for both household and industrial use. We will create a “virtuous cycle” that promotes sales expansion by aggressively increasing production at plants within our Group, improving capacity utilization to reduce costs, and using the resulting resources to further improve cost competitiveness.

Net Sales and Operating Income of Processed Foods



Q What is your growth strategy for frozen foods for household use?

A We will grow at the market level by enhancing the marketability of our products.

For the next three years, we expect the annual growth rate for the market for frozen foods for household use to be 2 to 3%. At Nichirei, we stress the importance of profitability, and aim for growth at the market level or slightly higher. In this fiercely competitive market, discounts at retailers are quite common. Many retailers regularly have sales days when they sell products at as low as 40% off the regular price, and such special sales days are only increasing in frequency. Instead of simply following suit and joining a discount war, we will strive to develop and sell products that consumers will feel are valuable even without discounts. Within our product lineup, the products we will focus on are *bento* boxed-lunch products and cooked-rice products, both of which are big sellers. We will actively invest resources in these products to increase their sales volume.

Q What strategy do you have for frozen foods for industrial use?

A For frozen foods for industrial use, we will advance into a wider field and expand our market share.

The market for frozen foods for industrial use is expected to remain flat in the next three years. Nichirei, however, aims to grow at an annual rate of 5% by expanding its market share.

Frozen foods for industrial use involve a variety of businesses, such as restaurants, ready-to-serve foods, and institutional foods services, each with its own expectations for quality and price. We have been successfully increasing earnings by carefully matching the right product categories with the right types of business, and focusing on selling our strong products to markets with strong growth potentials. From now on, we will also be promoting strong products produced at Nichirei Group plants to types of businesses we had not ventured into before, due to the fierce price competition. Our strategy is to seize this price-oriented field by increasing our volume production and reducing costs. By promoting this strategy, we will have more products that will claim the No.1 position in Japan's market share.

Q You say that you will cut manufacturing costs. Please tell us your specific measures.

A We will cut manufacturing costs by increasing the capacity utilization at production plants.

Up until now, we had worked on increasing our overall capacity utilization by shutting down inefficient Group plants in Japan that had no hope of improving, and consolidating the production at other plants. In the New Medium-Term Plan, we plan to have Nichirei Group plants produce the increased volume that results from our sales expansion. By doing so, in the fiscal year ending March 2007, we aim to be producing 17,000 more tons of products at Nichirei Group plants in Japan, compared to the fiscal year ended March 2004. The improved capacity utilization will lead to a reduction in our manufacturing costs.

At the same time, the plants at Nichirei Foods will also work on dramatically cutting down the cost of manufacturing our main products. First, we will arrange projects into several issues for each product, involving matters across the board. For each expense item, including raw materials, manufacturing, technology and labor, we will establish specific improvement measures. The projects will be completed in six months with the goal of reducing the manufacturing costs by 30% as compared to the level in the fiscal year ended March 2000. A part of the savings gained by these cost-cutting measures will be used to expand our

sales volume, including funding for strategies to seize the low-price market and sales promotion expenses for brand-building.

Q Please tell us your strategy for further developing acerola products, whose market Nichirei has created and expanded.

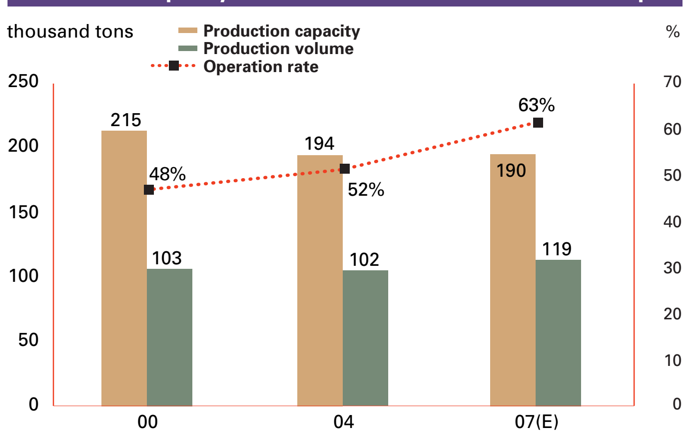
A We will enhance our product lineup to expand sales.

While our earnings unfortunately dropped last year due to the effects of a cool summer, we believe acerola, whose market Nichirei created, still has a huge growth potential. We have two major strategies for sales expansion.

One is to enhance the product lineup. In addition to our beverage products, we will introduce functional foods that combine acerola with new ingredients that generate a synergistic effect with the natural Vitamin C in acerola, and thus expand our sales volume.

Another strategy is to expand our business field beyond beverages. Specifically, we will further promote acerola powder, which is used as raw material for supplements and functional foods, in Japan and abroad. In addition, in Japan, we plan to boost the sales of acerola seed extract, which has an antioxidant effect and was developed by us as raw material for cosmetics, along with acerola extract, which has a whitening effect, as another raw material for cosmetics. Through such measures, in three years, we plan to increase the sales of acerola-related products, including sales in Biosciences, to about 17 billion yen, a 40% increase.

Production Capacity and Production Volume at Plants in Japan



Production capacity is based on 290 production days per year, 15 operating hours per day.

Logistics

Company President
Toshihide Nire

Q Please illustrate your main strategies for Logistics to achieve the goals in the New Medium-Term Plan.

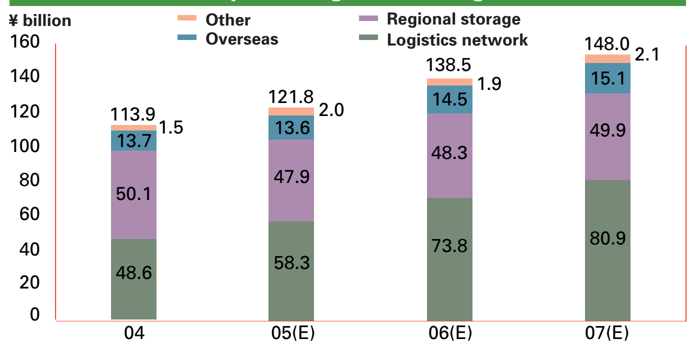
A The driving force behind our earnings growth will be the Logistics Network Business. We will aim to achieve our goals under the new organizational structure.

At Logistics Company, we launched a new organization in April 2004, the beginning of the New Medium-Term Plan, to improve earnings. We have reorganized the businesses that had previously been run together by the Nichirei parent company, the subsidiary Nippon Teion Ryutsu and regional refrigerated warehousing subsidiaries, into two distinct business domains: the Logistics Network Business, which is the growth field, and the Regional Storage Business, which is the mature field. The two businesses are now run by two Nichirei subsidiaries, which have spun off from the parent company.

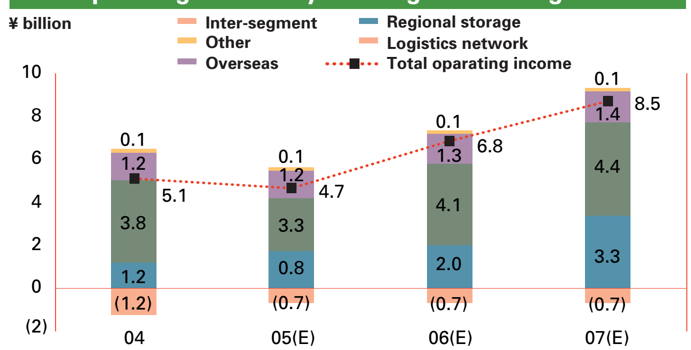
We aim to achieve 148 billion yen in sales, a 30% increase over the fiscal year ended March 2004, and 8.5 billion yen in operating income, a 67% increase over the fiscal year ended March 2004, for the fiscal year ending March 2007. The driving force behind the Logistics Company's sales and profit growth will be the Logistics Network Business. For the fiscal year ending March 2007, we anticipate the Logistics Network Business to generate 80.9 billion yen in sales, a 66% increase over the fiscal year ended March 2004, and 3.3 billion yen in operating income, a 175% increase over the fiscal year ended March 2004. On the other hand, in the mature Regional-Storage Business, we plan to keep the sales growth nearly flat even after three years. Despite the Regional Storage Business constituting the highest sales and operating income in the fiscal year ended March 2004, that portion will be smaller as the Logistics Network Business grows. As such, we do not expect major growth in the Regional Storage Business but do expect an increase in operating income to 4.4 billion yen in the fiscal year ending March 2007, a 16% increase over the fiscal year ended March 2004, by improving our productivity. This will keep the operating income from the Regional Storage Business still higher than that from the Logistics Network Business.

We will work toward the goal of the New Medium-Term Plan by being flexible to changes in each market, rearranging operation structures to meet customer needs, and developing new business models.

Sales by Sub-segment of Logistics



Operating Income by Sub-segment of Logistics



Q How are you going to grow the Logistics Network Business, which is positioned as a growth business?

A We will provide a highly cost-competitive logistics model to capture the expanding demand for outsourcing.

In the Logistics Network Business, demand is expected to grow for logistics operations sought by leading supermarket and restaurant chains for outsourcing. We will increase sales by steadily capturing the growing business opportunities. While logistics vendors and food wholesalers are competing fiercely for this growing market, we at Nichirei have years of proven results in operating transfer centers for retailers. Our strength is the reliable quality of the logistics we provide, and our unique ability to provide optimal solutions. Based on these strengths, we will build an overwhelmingly superior system in terms of customer-and-operation combination, capture our corporate clients' needs for improving logistics, and realize high growth.

For example, Nichirei operates transfer centers for retailers in various locations around the Tokyo Metropolitan area. Every day, as many as 700 trucks make deliveries from these centers to stores all over the area. We can provide services at low cost by positioning this system as our infrastructure for logistics services, and utilizing it for other services we offer. As such, we began operating our Pre-Distribution Center so that chilled food manufacturers can share logistics services for delivering their products to the retailers' transfer centers. Because the Pre-Distribution Center operates on different hours from those of the retailers' transfer centers, the previously mentioned 700 store-delivery trucks can be utilized for this operation as well. By combining such service menus to provide a system for multiple customers to share facilities and trucks, we will continue to meet our customers' logistics service needs at reduced costs.

Q Please tell us your specific plan for achieving the earnings goal in the Logistics Network Business.

A We will get more and more contracts for Transfer Center operations.

The Logistics Network Business is expecting sales increase of more than 30 billion yen in the next three years. We provide services in a variety of forms that meet the outsourcing needs of leading supermarket and restaurant chains. The service we aim to expand as a growth driver is the business of operating transfer centers that deliver chilled processed foods, as well as meat, vegetable and other perishable foods, to each store every day. Nichirei has been receiving more and more contracts in this business from major retailers, steadily contributing to profit. Our track record has been recognized among a wide range of customers, including not only major retailers but regional supermarkets, major takeout-food businesses and cooperatives who are increasingly asking for our services. Today, we already have nearly all the agreements for contracts necessary to achieve our sales goal in the next three years.

Q How do you intend to go about improving the profitability of the Regional Storage Business?

A We will create a low-cost structure to raise cost competitiveness.

In the Regional Storage Business, which has already matured, we aim to increase operating income by improving our productivity while planning to keep the sales growth nearly flat for the next three years. Up until now, we were losing our earnings ability because our cost structure reforms could not keep up with the industry-wide oversupply of the warehouse capacity and the declining sales caused by the customers' efforts to reduce their inventory. The storage business is easily affected by sales fluctuations because fixed expenses account for a major portion of the cost structure. From now on, each of our regional companies will cut fixed expenses, especially personnel expenses that constitute a major portion of the costs, and work on making fixed expenses more variable to establish a thoroughly low-cost structure to increase profit. We will also provide services to fit the needs of our customers by conducting survey analysis of local markets and customers. We aim to capture the business of local small- and-medium-sized processors by handling their goods with our meticulous, differentiated services and pricing that is competitive even when compared to local competitors. In addition, under the new organizational structure, we will look for new business opportunities that will arise from our collaboration with the Logistics Network Business.

Q Please tell us about your strategies for further expanding your overseas operations, which already enjoy steady growth.

A We will expand our European operations, including advancing to East European regions. Business in China is another area we will focus on.

In our overseas operations, we will work to expand refrigerated storage and transportation & delivery businesses in the Netherlands and the rest of Europe, where our business began to contribute greatly toward overall profit. Goods are being distributed in wider areas inside the EU, where we plan to expand our business as we keep an eye on the economic development in Eastern Europe. At the same time, we are also putting strong efforts into expanding in Asia. Starting in Shanghai in China, we are developing our distribution business model, which has a proven track record in Japan.

Environmental Preservation

Environmental Report 2004
Published in Japanese

At Nichirei, our fundamental policy on the environment is to effectively use and protect resources, and to preserve the Earth's environment.

Our specific measures include:

Environmental guidelines

- Reducing the impact on the environment
- Strengthening environmental preservation measures by building an environmental management system
- Complying with environmental laws, rules, regulations, and other legal requirements

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

Going forward, we intend to further our growth by reaffirming the need to protect the environment, establishing clear targets for the fiscal year ending March 2007 in conjunction with our recently drafted medium-term management plan, and aiming for zero emission*1 in all of our business activities.

(*1 At Nichirei, we refer to zero emission as the reduction of emissions, which have an impact on the environment, as much as possible.)

ISO14001 Certification

Nichirei Foods' Umemachi plant acquired ISO14001 certification, the international standard for environmental management systems, in the fiscal year under review, becoming the last of the Company's eight major processed food plants to do so.

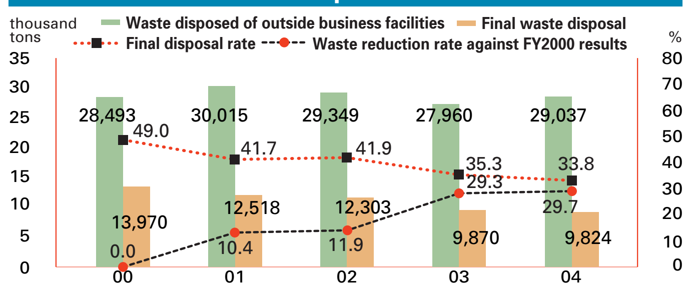
Reduction of Waste Products

To reduce the volume of final waste disposal*2 at our food production plants and logistics service centers from 13,970 tons, the level in the fiscal year ended March 2000, we are making efforts to reduce waste products and recycle external emissions.
Nichirei Foods' Yamagata plant reduced the amount of its final waste disposal to zero in the fiscal year, becoming the first Company facility to do so. As a result of efforts to improve the recycling rate at other food production plants and logistics service centers, the amount of final waste disposal amounted to 9,824 tons, a reduction of 29.7% from the level in the fiscal year ended March 2000 and in line with our target reduction of 30%.

In addition, we have gradually shifted over to plastic pallets to reduce the waste from wooden storage pallets, a major waste product in the logistics operation.

*2 Final waste disposal refers to the volume of waste products directly deposited and incinerated at external waste processing facilities.

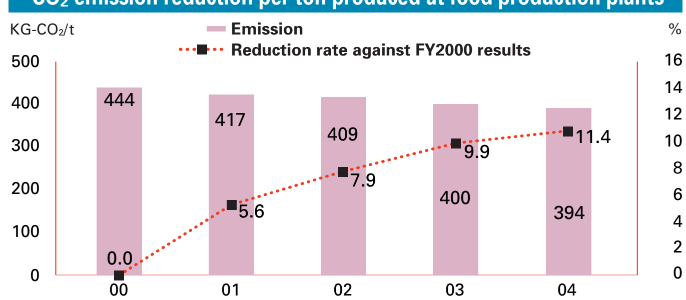
Waste Disposal Status



Reduction of Carbon Dioxide Emissions

Nichirei aims to reduce the amount of carbon dioxide emissions per ton of output at its food production plants from the level in the fiscal year ended March 2000 (444KG-CO_2/ton). The Nichirei Group's overall energy efficiency improved in the fiscal year under review, thanks to energy conservation efforts at all the food production plants and the elimination of inefficient plants. In another effort to reduce carbon dioxide emissions, we have been increasingly shifting away from trucks to railway containers, which conserve more energy, transport greater volume, and generate less pollution, as the mode of transporting our frozen food products between facilities.

CO_2 emission reduction per ton produced at food production plants



Corporate Governance

We at Nichirei recognize that one of the most important items on our business agenda is to strengthen our corporate governance to maximize Nichirei's corporate value.
Our efforts toward this end consist of three measures: the establishment of an organizational structure that separates day-to-day management from governance responsibilities through the adoption of an executive officer system and a Division-Company Structure (company-within-a-company structure); improvement in the transparency of our business through timely and accurate information disclosures that increase our accountability; and more thorough compliance.

The Decision-Making Process

In an effort to speed up our decision-making processes and manage our operations more efficiently, we have decided to give decision-making authority to our management committee, which meets once a week and advises the President and representative director of the company. While the authority is not extended to matters that require the approval of the Board of Directors in accordance with the Commercial Code, it covers all executive policies, planning, and measures to streamline the company's activities. The Board of Directors, headed by the Chairman and representative director of the company, plays a corporate governance role and meets at least once a month. Also, the two representative directors report regularly to the Board of Auditors on operating matters. In these ways, corporate governance responsibilities will be distinctly separate from day-to-day management responsibilities, with the former having control over the latter.

Outside Board Members and Outside Auditors

To speed up the decision-making process of the Board of Directors, we have decided to reduce the number of directors from 15 to 12, of which one is appointed from outside the company, effective the fiscal year ended March 2004. In addition, two of our four auditors are outside auditors – one from the legal community and another from the financial community – who are appointed to ensure the independence of the Board of Auditors. The outside director and auditors do not have any financial, business or other ties to Nichirei that could lead to conflicts of interest.

Internal Controls

Our corporate internal audit division performs audits on group companies, and audit reports are provided to the representative directors and standing auditors.
Audits of group companies are focused on:
Thoroughly confirming and ensuring compliance with regulations and internal procedures;
Raising awareness about risk management and verifying risk management procedures; and
Verifying the legitimacy of accounting practices and the appropriateness of operating procedures

Observance of Corporate Ethics and Strengthening of Risk Management

We have established a Corporate Ethics Committee that advises the board of directors and studies and reports on matters concerning corporate ethics and standards of behavior in the Nichirei Group. To preempt risks and irregularities by strengthening risk information gathering, and establish an open workplace environment that is conducive to work, the Corporate Ethics Committee is working to establish a structure to receive reports from and provide consultations with employees regarding violations of corporate ethics. An internal "Nichirei Hotline" was established in October 2003, covering all group offices and facilities. In addition, the Chairman and representative director held meetings with employees at all group offices and facilities to promote a better understanding of the importance of thoroughly confirming and ensuring compliance with regulations and the system of internal reporting. Efforts to strengthen adherence to corporate ethics also included surveys that were conducted to clarify the extent of awareness of corporate ethics and legal compliance, and detect any organizational problems.

Selected Financial Data

Nichirei Corporation and Consolidated Subsidiaries
For the years ended March 31

		1995		1996		1997
Income Statement Data (¥ million)						
Net sales	¥	559,828	¥	561,453	¥	591,190
Cost of sales		462,780		467,698		496,187
Gross profit		97,048		93,775		95,003
Selling, general and administrative expenses		81,499		83,474		86,521
Operating income		15,548		10,280		8,481
Income (loss) before income taxes and minority interests		8,127		4,763		4,946
Net income (loss)		4,104		219		1,977
Balance Sheet Data (¥ million)						
Total assets	¥	374,708	¥	382,004	¥	388,613
Property, plant and equipment-net		171,355		174,763		179,701
Interest-bearing debt		193,186		191,767		200,632
Long-term liabilities		140,465		126,300		131,091
Total liabilities		278,224		287,477		294,715
Shareholders' equity		96,483		94,526		93,898
Other Selected Data (¥ million)						
Capital expenditures		(data prior to 1996 not prepared)	¥	17,456	¥	19,213
R&D expenditures		(data prior to 1996 not prepared)		2,107		2,189
Depreciation and amortization expenses		(data prior to 1996 not prepared)		14,494		14,504
No. of common shares outstanding		310,845,905		310,845,905		310,848,485
Per Share Data (¥, shares)						
Net income - basic	¥	13.21	¥	0.70	¥	6.36
Net income - fully diluted						
Cash dividends		6		7		6
Shareholders' equity		310.39		304.09		302.07
Financial Ratios (%, times)						
As a percent of net sales:						
Gross profit		17.34%		16.70%		16.07%
Selling, general and administrative expenses		14.56		14.87		14.64
Operating income		2.78		1.83		1.43
Income before income taxes and minority interests		1.45		0.85		0.84
Net income		0.73		0.04		0.33
Return on equity		4.5		0.2		2.1
Current ratio		1.14		1.02		0.98
Total debt-to-equity		2.88		3.04		3.14

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

1998	1999	2000	2001	2002	2003	**2004**
¥ 594,469	¥ 571,775	¥ 569,482	¥ 560,006	¥ 558,191	¥ 563,440	¥ **496,611**
498,618	477,692	465,641	456,121	458,708	461,318	**401,101**
95,850	94,082	103,840	103,884	99,482	102,121	**95,510**
89,636	86,036	86,866	85,287	85,466	83,845	**81,533**
6,214	8,046	16,973	18,596	14,016	18,275	**13,976**
(3,414)	2,406	7,979	6,503	5,235	9,377	**(3,817)**
(5,172)	233	4,326	4,020	4,062	5,216	**(1,891)**
¥ 393,032	¥ 365,838	¥ 370,623	¥ 367,770	¥ 353,385	¥ 330,703	¥ **284,700**
176,254	168,812	178,716	172,943	167,277	158,893	**126,767**
217,322	195,994	194,840	172,704	167,439	145,394	**124,388**
137,078	130,157	143,392	120,043	100,062	119,515	**92,055**
306,342	284,777	287,008	277,229	264,728	238,925	**194,010**
86,689	80,567	82,624	89,395	87,649	90,666	**90,176**
¥ 12,158	¥ 11,103	¥ 31,310	¥ 11,672	¥ 10,282	¥ 9,537	¥ **6,848**
2,530	2,554	2,339	2,238	2,294	2,279	**2,090**
15,357	15,572	16,547	14,003	13,570	12,767	**11,904**
310,851,065	310,851,065	310,851,065	310,851,065	310,851,065	310,851,065	**310,851,065**
¥ (16.63)	¥ 0.74	¥ 13.91	¥ 12.93	¥ 13.06	¥ 16.16	¥ **(6.28)**
(data prior to 2000 not prepared)		13.87	12.93	13.05	16.08	**-**
6	6	6	6	6	6	**6**
278.88	259.18	265.80	287.58	282.00	291.46	**290.38**
16.12%	16.45%	18.23%	18.55%	17.82%	18.12%	**19.23**%
15.08	15.05	15.25	15.23	15.31	14.88	**16.42**
1.05	1.41	2.98	3.32	2.51	3.24	**2.81**
(0.57)	0.42	1.40	1.16	0.94	1.66	**(0.77)**
(0.87)	0.04	0.76	0.72	0.73	0.93	**(0.38)**
(5.7)	0.3	5.3	4.7	4.6	5.9	**(2.1)**
1.00	1.00	1.06	0.83	0.78	0.98	**1.06**
3.53	3.53	3.47	3.10	3.02	2.64	**2.15**

Management's Discussion and Analysis

Operations

Business Environment

In the fiscal year ended March 2004, the Japanese economy staged a moderate recovery as a rebound in corporate earnings drove capital spending higher and the economic expansion in Asia fueled exports from Japan. However, against a background of high unemployment and lingering concerns about jobs, consumer spending remained weak and the economic recovery not yet a full-fledged one.

In our business area, the food industry, consumer interest in food safety and reliability continued to rise amid the outbreak of avian influenza in East Asia, including Japan, and the discovery of bovine spongiform encephalopathy (BSE, also known as the mad-cow-disease) in U.S. beef, resulting in a continuing shakeout in the industry. Additionally, unseasonably cool summer weather and sluggish consumption made this fiscal year another challenging one.

Overview

To better establish our brand among consumers in Japanese frozen food market characterized by fierce price competition, during this fiscal year Nichirei launched a branding strategy that includes the sponsorship of TV programs. By making our brand name instantly recognizable, we aim to enhance the corporate value of Nichirei as we expand frozen food sales and increase profits over the medium term. To earn customer trust in our products and services, we worked to establish a comprehensive quality assurance system that covers everything from product development and raw materials procurement to production and sales. Nevertheless, some of our products had to be recalled when frozen shrimp imports from China were found to have antibiotic agent residue, as well as when products containing potatoes were mislabeled as to their origin and copper fragments made their way into frozen food materials. We have taken to heart the great concern that these incidents have raised among our customers and stakeholders. With product safety and customer trust as our highest priority, we have implemented a trace-back system that allows us to track down the origin of raw materials, improved our import inspection system, and increased the number of quality and production control specialists.

Operating Results

On October 1, 2003, Yukiwa Co., Ltd. merged with Ryoshoku Food Service Limited, a subsidiary of Ryoshoku Limited, to form RY Food Service Limited. Following the merger, the new company was

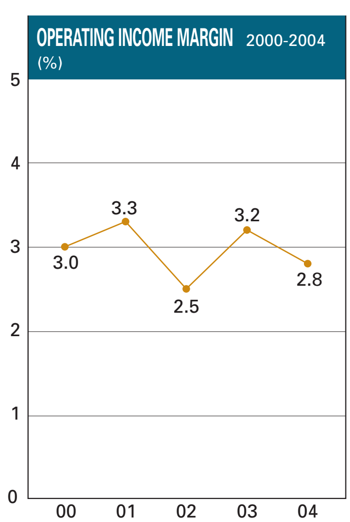
Note: In this section, amounts of less than one million yen or one hundred thousand US dollars have been omitted.

excluded from consolidated accounts and it is now treated as an equity-method affiliate. The performance of the subsidiary was reflected on consolidated basis in our income and cash flow statements for the first six months of the fiscal year, during which time it was still a consolidated subsidiary.

Net sales for this fiscal year decreased 11.9% from the previous year to ¥496,611 million (US$4,701.4 million). Revenue was higher in the logistics as well as the meat and poultry products businesses. However, the removal of Yukiwa Co., Ltd. from consolidated accounts reduced sales by ¥52,827 million (US$500.1 million), and a number of events including a smaller volume of fish catch resulted in a lower volume of marine products. If we exclude the impact of Yukiwa Co., Ltd., however, sales were down by only 2.7%.

Operating income fell 23.5% from the previous year to ¥13,976 million (US$132.3 million). The operating income margin declined from 3.2% to 2.8%. Excluding the impact of Yukiwa Co., Ltd., operating income was down 20.2%. We attribute the decline primarily to disappointing results in the refrigerated warehousing portion of the logistics business, as well as in the processed foods and marine products businesses.

Among the key cost items, the cost of goods sold (COGS) fell 13.1% from the previous year to ¥401,101 million (US$3,797.2 million). Although raw materials used in processed foods increased in price, the removal of Yukiwa Co., Ltd. from consolidated accounts reduced the COGS ratio by 1.1 percentage points. Despite heavy selling expenses as part of our efforts to increase sales and higher pension benefit costs from the amortization of gains/losses on changes in actuarial assumptions, the removal of Yukiwa Co., Ltd. from consolidated accounts helped to reduce overall selling, general and administrative expenses by 2.8% to ¥81,533 million (US$771.8 million).



Performance by Segment

In April 2003, Nichirei adopted a Division-Company Structure (company-within-a-company structure). As a result, our business segment classifications have changed. We have applied these changes retroactively to our fiscal 2003 results.

Processed Foods

	2003.3	2004.3	Change (%)
Net sales	¥ 171,519	¥ 170,048	-0.9
Operating income	8,222	6,521	-20.7
Operating income margin	4.8%	3.8%	

(yen in millions)

During the fiscal year, net sales in the processed foods division declined 0.9% to ¥170,048 million (US$1,609.8 million). The decline stemmed from the recall of products containing bread crumbs tainted with copper fragments, the ban on imports of processed chicken products following the outbreak of avian influenza, and a decline in sales of agricultural products and acerola beverages. Nevertheless, our *Obento*-ni Good! (Good for Bento) series of products for boxed lunches featuring foods containing no preservatives, coloring or artificial flavoring, was generally popular with consumers and made inroads in the market. Also, the Joto series, a line of food products created for the discriminating palate, sold well and was especially popular during the year-end gift-giving season. Gravy Hamburg, a product developed for the institutional market in cooperation with a leading foreign company, did well in gaining market acceptance. Operating income fell 20.7% to ¥6,521 million (US$61.7 million) while the operating income margin also declined from 4.8% to 3.8%. Although distribution costs declined from the previous year, thanks to reduced storage fees from the consolidation of inventories, a number of factors hurt operating income in addition to the aforementioned product recalls and the ban on processed chicken imports, such as the soaring food materials costs caused by the outbreak of avian influenza, and higher marketing costs as a result of starting a branding campaign centered on the sponsorship of TV programs.

(a) Prepared frozen foods for the household market

During this fiscal year, the household market for prepared frozen foods was characterized by intense competition and a decline in unit prices. The overall market, however, grew by 1.5%. Brisk sales of the core *Obento*-ni Good! products contributed to sales in this segment, which rose 4.5% from the previous year, despite the negative impact of product recalls.

(b) Prepared frozen foods for the industrial market

Sales of prepared frozen foods for the industrial market declined 0.4% from the previous year. Sales of Gravy Hamburg, a new product that features generous amounts of beef and pork and no vegetable protein, were higher, but sales of processed chicken products were lower as a result of the import ban.

(c) Acerola

Sales of acerola-based beverages dropped significantly after July, mainly because of the unseasonably cool summer weather. Revenue declined 15.1% from the previous year. Sales of Acerola Vitamin C, which comes in small bottles and contains a high percentage of acerola juice, were higher, but not enough to offset the decline in sales of mainstay Acerola Drink, which comes in cans and PET bottles.

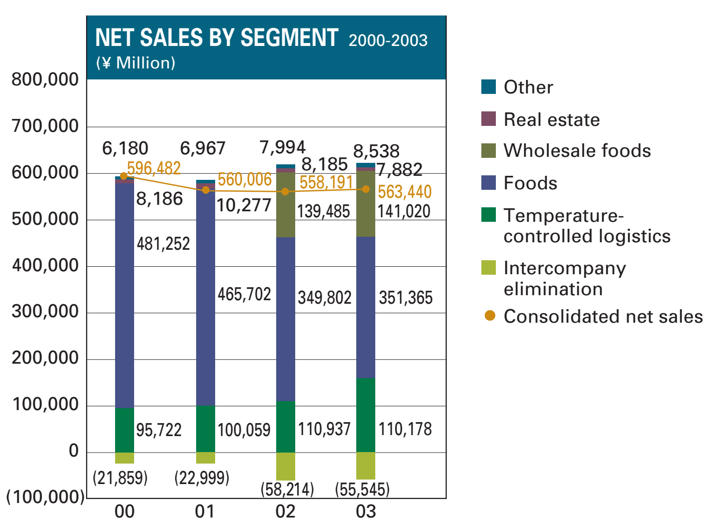
Marine Products

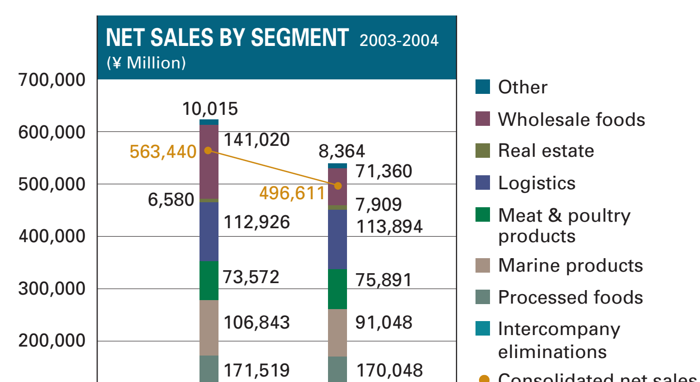
	2003.3	2004.3	Change (%)
Net sales	¥ 106,843	¥ 91,048	-14.8
Operating income	670	-853	-
Operating income margin	0.6%	-%	

(yen in millions)

An abundant domestic fish catch resulted in low prices for marine products in fiscal 2003, causing imports of frozen fish to drop. Meanwhile, higher demand for crabs in the U.S. and European markets and a meager octopus catch caused market prices of those products to soar. The volume of marine product imports declined for the second straight year, by 13% from the previous year. In yen terms, the decline was 11%. In response to the soaring prices for crab and octopus, we curtailed our purchases of these staples and as a result, sales in the marine products division fell 14.8% to ¥91,048 million (US$861.9 million).

Our product materials this year included many whose market price continued to drop, such as the Southeast Asian shrimp, while octopus and crab sales were lower. As a result, the division was not able to cover its fixed costs. Operating losses





Note: In FY 2004, Nichirei redefined its business segments in connection with its introduction of division company structure. Segment information of FY 2003 under the new segmentation are also shown here for the purpose of comparison.

amounted to ¥853 million (US$8.0 million), a decline of ¥1,524 million (US$14.4 million) from the previous year.

In response, we focused our attention on processed products that meet the needs of retailers, restaurants, and other customers who work closely with end consumers and thus are sources of steady demand. We began exclusive sales of Saudi Arabian white shrimp in Japan during the fiscal year. These shrimp are one of our gourmet items, and are processed under our comprehensive quality control system with safety, reliability, freshness and deliciousness as key values.

Meat & Poultry Products

	2003.3	2004.3	Change (%)
Net sales	¥ 73,572	¥ 75,891	3.2
Operating income	475	1,188	150.2
Operating income margin	0.6%	1.6%	

(yen in millions)

During this fiscal year, market prices for meat and poultry, especially imports, fluctuated substantially, as the Japanese government took safeguard measures against beef and pork imports and the industry dealt with concerns about BSE in U.S. beef and the outbreak of avian influenza in East Asia.

Amid these abrupt changes, we worked to establish a stable earnings structure by expanding our sales of premium products. To maintain stable supplies of materials, we forged relationships with pork suppliers in Australia and Latin America, and with chicken suppliers in Brazil, Chile, Argentina and France.

Although sales of chicken declined because of the avian influenza outbreak, this decline was offset by higher sales of beef and pork. Also, expanded offerings of premium products and a rise in chicken prices pushed profits higher. As a result, sales rose 3.2% over the previous year to ¥75,891 million (US$718.4 million) and operating income climbed 150.2% to ¥1,188 million (US$11.2 million).

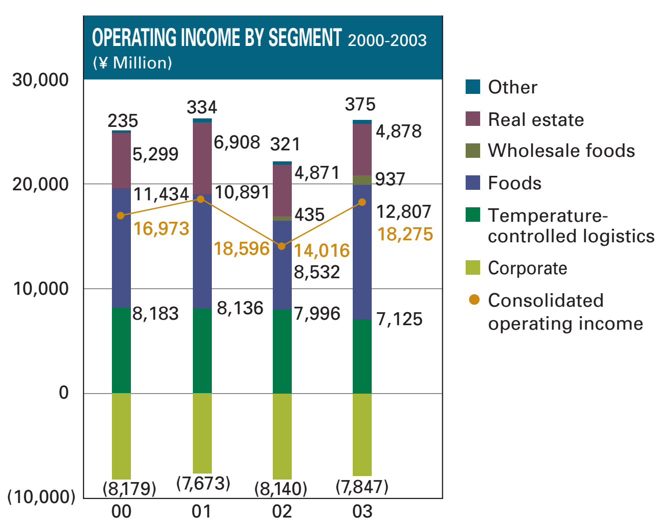
Logistics

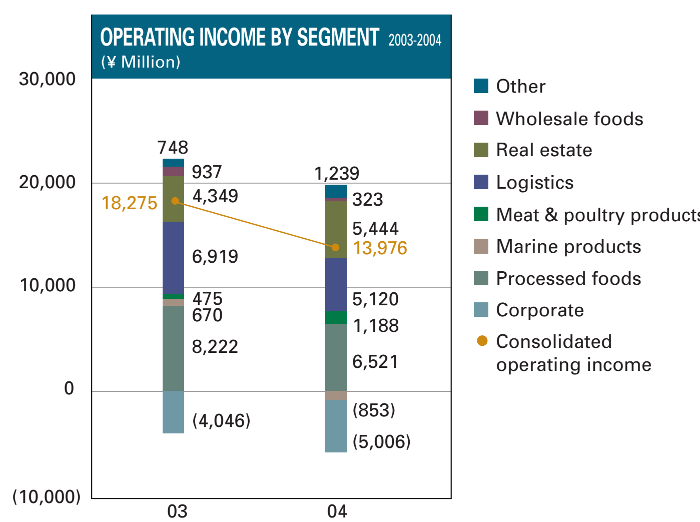
	2003.3	2004.3	Change (%)
Net sales	¥ 112,926	¥ 113,894	0.9
Operating income	6,919	5,120	-26.0
Operating income margin	6.1%	4.5%	

(yen in millions)

In the temperature-controlled logistics industry, the volume warehoused in the 12 major cities declined by 2.1% to 10,281,000 tons, and the average overall inventory ratio fell 2.0 percentage points to 34.5%.

Inventories declined as shippers made efforts to streamline their logistics by reducing inventory levels and shifting production offshore. Imports of meat and poultry fell sharply because of concerns about BSE in U.S. beef that surfaced during the second half and the ban on chicken imports precipitated by the outbreak of avian influenza in East Asia. Imports of marine products, which were already at a low level, fell further. Voluntary restrictions on spinach imports from China due to residual pesticides hurt the volume of imported agricultural products handled in the logistics business. Despite these circumstances, net sales in the logistics business rose by 0.9% to ¥113,894 million (US$1,078.2 million). Operating income fell 26.0% to ¥5,120 million (US$48.4 million).





(a) Refrigerated warehousing

In the refrigerated warehousing business, sales declined 3.7% from the previous year to ¥88,616 million (US$838.9 million). Operating income also was lower. The main reasons for the decline were a sharp contraction of volume resulting from efforts by one of our major customers to consolidate products at their own warehouses. Also, inventories of chicken, which are a mainstay of this segment, were lower because of the ban on imports from China and Thailand, and inventories of beef fell because of the BSE discovery in U.S. beef in December 2003.

(b) Distribution

Although business was brisk at existing distribution centers in the first half of the fiscal year, the loss of one of our customers and declines in prices of products handled led to weak growth in volume. Nevertheless, two new distribution centers, both of which serve co-ops, contributed to sales growth. In addition, two distribution centers that were opened in the spring of 2003 by subsidiary Logistics Operation, Inc. reached full capacity. As a result, sales rose 8.5% from the previous year to ¥18,443 million (US$174.6 million). Operating income was higher, thanks to cost reductions.

(c) Third-party logistics

In the third-party logistics operation, we established a business model that integrates warehousing and distribution based on the streamlined logistics of products for our processed foods business. We also endeavored to expand the scope of the business. In addition to implementing joint delivery with two confectionery chains in Kyushu, we won distribution contracts for a major takeout boxed lunch chain in the Tokyo metropolitan area and a prepared food retailer in the Kanto region. We also provided all aspects of distribution for our processed foods business. As a result, sales were sharply higher, by 139.4% from the previous year to ¥5,827 million (US$55.1 million). Operating income, however, was lower because of high startup costs.

(d) Overseas business

Sales in the overseas business were up 26.3% from the previous year to ¥13,645 million (US$129.1 million) and operating income was higher as well. We attribute these results to the strong first-half performance of the transportation segment, which benefited from an increase in EU chicken imports, and a temporary hike in demand before the elimination of tax incentives. In the refrigerated warehousing business, the volume of fruit juice handled declined, but the rise in chicken imports and the acquisition of new customers, as well as the startup of additionally facilities at Maasvlakte and Foodport warehouse in the Netherlands, boosted sales.

Real Estate

	2003.3	2004.3	Change (%)
Net sales	¥ 6,580	¥ 7,909	20.2
Operating income	4,349	5,444	25.2
Operating income margin	66.0%	68.8%	

(yen in millions)

In the real estate business, we optimized the use of the Group's assets, mainly those from the logistics business, and increased the relative size of the rental business to stabilize income. As a result, sales rose

20.2% from the previous year to ¥7,909 million (US$74.8 million) and operating income climbed 25.2% to ¥5,444 million (US$51.5 million).

(a) Real estate sales

In the real estate sales business, we sold a total of 14 lots for houses and nine sections of land. We also sold the first 246 units offered at Makuhari Garden Fort, a joint condominium development project.

(b) Real estate rentals

Steady rent revenues were contributed by the Nichirei Tenmabashi Building in Kita-ku, Osaka, the Hamarikyu Parkside Place in Chuo-ku, Tokyo, and the Makuhari New Housing Exhibition in Chiba-shi, Chiba prefecture.

Wholesale Foods

	2003.3	2004.3	Change (%)
Net sales	¥ 141,020	¥ 71,360	-49.4
Operating income	937	323	-65.5
Operating income margin	0.7%	0.5%	

(yen in millions)

At our wholesale foods business, there were no results for the second half since food wholesaler Yukiwa Co., Ltd., a consolidated subsidiary, merged with Ryoshoku Food Service Limited on October 1, 2003 and was renamed RY Food Service Limited. It was reclassified as an equity-method affiliate of the Company and excluded from the consolidation.

In the first half, both sales and profit increased as business with large supermarkets expanded in the retail products market and the acquisition of new co-op customers offset lower sales in the institutional products market.

Other Businesses

	2003.3	2004.3	Change (%)
Net sales	¥ 10,015	¥ 8,364	-16.5
Operating income	748	1,239	65.5
Operating income margin	7.5%	14.8%	

(yen in millions)

Net sales at Tengu Company, Inc. declined considerably because the war in Iraq and the outbreak of SARS hurt sales to tourists by Tengu, a U.S. company that sells primarily beef jerky. Operating income, however, rose sharply thanks to greater efficiency in materials procurement and production, the latter improvements resulting from reduced production times and higher yields. Incidentally, Tengu halted production in January 2004 because of the discovery of BSE among U.S.-raised cattle. This development will affect Tengu's results in the following fiscal year, since the company's fiscal year ends December 31.

This fiscal year, our biosciences business increased sales and income thanks to strong demand for industrial cell-culture media from antibody-based pharmaceutical manufacturers, as well as for functional materials such as raw materials for cosmetics.

Overall, net sales by other businesses in the fiscal year under review declined 16.5% over the previous year to ¥8,364 million (US$79.1 million), in part because one of our previous subsidiaries was excluded from consolidation during the previous fiscal year. Operating income, however, jumped 65.5% to ¥1,239 million (US$11.7 million).

Other Income and Expenses

The net amount of other income and expenses this fiscal year was a loss of ¥17,794 million (US$168.4 million), compared with a loss of ¥8,898 million the previous year. Losses on both sales and devaluation of securities, which were the main reason for the loss the previous year, were minimal, but losses of ¥14,434 million (US$136.6 million) on the sale of the land and building leased to The Kyoto Hotel, Ltd. by Nichirei Shoji Co., Ltd. boosted the total loss. For details concerning the losses on the sale of these assets, please see the section "Losses on the sale of the land and building leased to The Kyoto Hotel, Ltd." : Other major items included ¥1,838 million (US$17.4 million) in gains on the sale of investment securities, stemming from the sale of stockholdings for the purpose of reducing interest-bearing debt, and losses on discontinued operations of ¥1,279 million (US$12.1 million) for the closure of logistics service centers and production plants.

Losses on the sale of the land and building leased to The Kyoto Hotel, Ltd.

Wholly owned subsidiary Nichirei Shoji Co., Ltd. received a request from equity-method affiliate The Kyoto Hotel, Ltd. in June 2003 to lower the leasing fee on the 75% of The Kyoto Hotel Okura land and building owned by Nichirei Shoji. This request was made because despite restructuring efforts, The Kyoto Hotel, Ltd. booked a net loss for three consecutive years for the fiscal years ended December 2001 through December 2003, and was expected to suffer a net capital deficiency if such losses continued. As a result of analyzing the operating condition of The

Kyoto Hotel, Ltd. with the assistance of a third-party consultant, it was determined that The Kyoto Hotel, Ltd. has made significant progress in restructuring its operations through strict cost controls, business alliances and other measures, and has successfully improved its Gross Operating Profit Percentage, a representative hotel industry indicator, achieving a top level of performance in the industry. We also confirmed, however, that facility expenses such as rent are putting pressure on profitability, and that in an environment where revenue growth is difficult, The Kyoto Hotel, Ltd. will find it difficult to eliminate its deficit unless it achieves a reduction in its facility expenses. On the other hand, the asset value of the property in question owned by Nichirei Shoji Co., Ltd. has experienced a remarkable drop in market price since the property in question was acquired in 2000, and the impending introduction of asset impairment accounting has made it imperative to come up with measures to address this issue. Given this situation, the Board determined that the best option would be to implement the reduction in the leasing fee to The Kyoto Hotel, Ltd. after Nichirei Shoji Co., Ltd. sells the ownership rights it holds to Sapporo Fuyo Building Co., Ltd., which owns 25% of the property in question. This alternative will eliminate the risk of future price fluctuations in the asset value resulting from ownership of the asset while helping avoid the failure of The Kyoto Hotel, Ltd. and minimizing Nichirei Corporation's losses, and will also enable Nichirei Corporation to concentrate management resources in its core businesses.

We believe this move will contribute to a significant improvement in the performance of The Kyoto Hotel, Ltd.

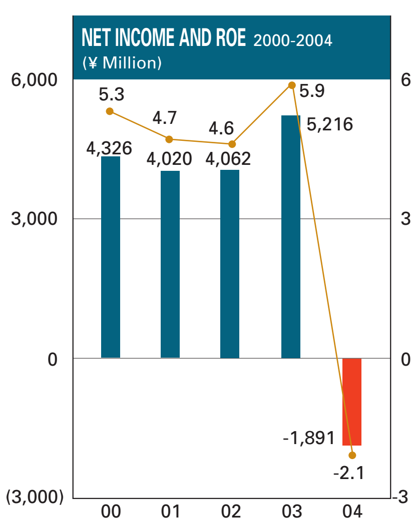
Income Before Income Taxes and Net Income

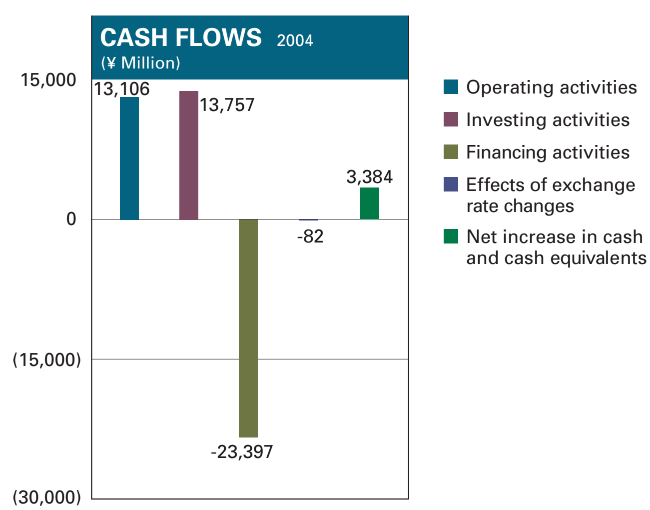
As a result of the above, income before income taxes and minority interests for this fiscal year declined ¥13,194 million (US$124.9 million) over the previous year to a loss of ¥3,817 million (US$36.1 million). After deducting minority interests, net income for this fiscal year declined ¥7,107 million (US$67.2 million) over the previous year to a loss of ¥1,891 million (US$17.9 million).

Liquidity and Capital Resources

Net cash provided by operating activities in the fiscal year ended March 2004 decreased ¥17,535 million (US$166.0 million) over the previous year to ¥13,106 million (US$124.0 million). A major reason for the decrease was the loss before income taxes and minority interests of ¥3,817 million (US$36.1 million), down from income of ¥9,377 million (US$88.7 million) in the previous year. Working capital declined considerably in the previous year, but rose ¥858 million (US$ 8.1 million) this fiscal year, accounting for ¥5,844 million (US$55.3 million) of the decrease over the previous fiscal year. Refunds of deposits for rental office buildings and The Kyoto Hotel, Ltd. accounted for ¥6,382 million (US$60.4 million) of the decline, and an increase in income taxes paid, related to the considerable rise in income before income taxes and minority interests in the previous fiscal year, accounted for ¥2,254 million (US$21.3 million) of the decrease in net cash provided by operating activities.

Net cash provided by investment activities this fiscal year increased ¥19,787 million (US$187.3 million) from the previous year to ¥13,757 million (US$130.2





million). This was caused mainly by a ¥13,185 million (US$124.8 million) improvement in net purchases/sales of investment securities, stemming from cutbacks in purchases and expanded sales. In addition, a reduction of investment in property, plant and equipment and sales of land and buildings resulted in an improvement in net purchases /sales of property, plant and equipment, which contributed ¥7,205 million (US$68.2 million) of the increase in net cash provided by investment activities.

Net cash used in financial activities increased by ¥1,073 million (US$10.1 million), resulting in an outflow of ¥23,397 million (US$221.5 million). This was due partly to the use of proceeds from the sales of assets to reduce interest-bearing debt by ¥21,005 million (US$198.8 million) to ¥124,388 million (US$1,177.5 million) as of the end of the fiscal year, lower than the target of ¥35,000 million (US$1,278.0 million). Fixed assets/liability ratio declined from 101.9% at the end of the previous fiscal year to 96.9% at the end of this fiscal year as a result of our efforts to keep our financing costs low and become more financially stable by shifting from short- to long-term sources of debt financing.

Net interest expense improved by ¥276 million (US$2.6 million) from ¥2,066 million in the previous year to ¥1,790 million (US$16.9 million) in this fiscal year thanks to the significant reduction of interest-bearing debt and a decline in financing costs.
As a result of the activities described above, our balance of cash and cash equivalents at the end of the fiscal year decreased ¥37 million (US$0.3 million) from the previous year to ¥3,543 million (US$33.5 million).

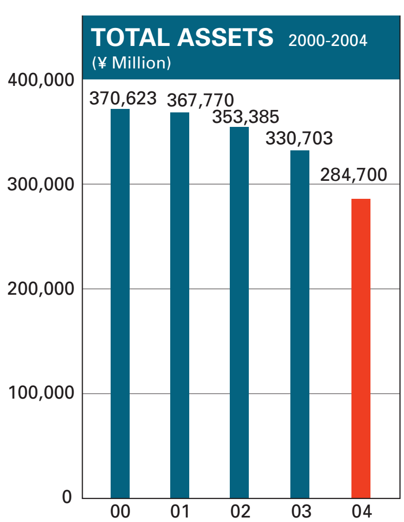
The Balance Sheet

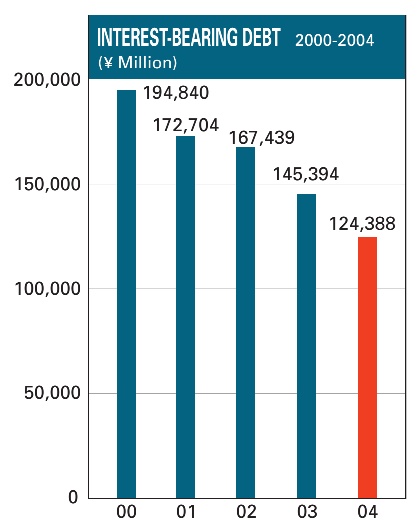
This fiscal year, we reduced Nichirei's total assets ¥46,002 million (US$435.5 million) to ¥284,700 million (US$2,695.2 million). The main reasons for the asset reduction include a ¥17,555 million (US$166.1 million) decline from the conversion of Yukiwa Co., Ltd. from a consolidated subsidiary to an equity-method affiliate, and increased sales of property, plant and equipment and investment securities.

Current assets decreased by ¥8,390 million (US$79.4 million) to ¥108,112 million (US$1,023.4 million). As a result of an increase in temporary differences stemming from the dissolution of subsidiary Nichirei Shoji Co., Ltd., deferred taxes increased by ¥6,046 million (US$57.2 million). However, notes and accounts receivable declined by ¥12,328 million (US$116.7 million) and inventory by ¥2,629 million (US$24.8 million) mainly because Yukiwa Co., Ltd. was excluded from consolidation.

The amount of total fixed assets declined by ¥32,125 million (US$304.1 million) to ¥126,767 million (US$1,200.1 million). Capital investment resulted in an increase of ¥5,184 million (US$49.0 million), but ¥10,895 million (US$103.1 million) in depreciation and ¥25,835 million (US$244.5 million) in sales of land and buildings led to a decline of ¥37,289 million (US$353.0 million).

Investments and other assets declined by ¥5,848 million (US$55.3 million) to ¥41,905 million (US$396.7 million). The amount of investment securities decreased by ¥1,642 million (US$15.5 million) because of increased sales to reduce interest-bearing debt and despite a rise in the market values of publicly traded securities holdings. Deferred tax assets declined by ¥2,841 million (US$26.8 million) as a result of higher deferred tax liabilities related to net





unrealized gains on available-for-sale securities in conjunction with the rise in the market values of publicly traded securities holdings.

Liabilities decreased by ¥44,914 million (US$425.2 million) to ¥194,010 million (US$1,836.6 million) as a result of a reduction in interest-bearing debt using proceeds from increased sales of property, plant and equipment and investment securities; refunds of deposits for rental office buildings; and the exclusion of Yukiwa Co., Ltd. from consolidation.

Current liabilities decreased by ¥17,454 million (US$165.2 million) to ¥101,955 million (US$965.2 million). Notes and accounts payable decreased by ¥16,846 million (US$159.4 million) mainly because of the exclusion of Yukiwa Co., Ltd. from consolidation. The current portion of long-term debt bonds increased by ¥10,000 million (US$94.6 million) and the current portion of long-term loans by ¥692 million (US$6.5 million), but a shift from short- to long-term sources of debt financing reduced short-term bank loans and commercial paper by ¥5,294 million (US$50.1 million) and redemptions reduced the current portion of convertible bonds by ¥6,307 million (US$59.7 million).

Long-term liabilities decreased by ¥27,460 million (US$259.9 million) to ¥92,055 million (US$871.4 million). Bonds declined by ¥10,000 million (US$94.6 million) because of reclassifications to current liabilities. Long-term loans decreased by ¥10,096 million (US$95.5 million). Among the long-term loan items, ¥9,200 million (US$87.0 million) was raised primarily through syndicated loans, ¥9,600 million (US$90.8 million) of the decrease resulted from reclassifications to current liabilities, and ¥9,697 million (US$91.8 million) was repaid using mainly proceeds from the sale of land and building leased to The Kyoto Hotel, Ltd. Deposits received declined by ¥6,429 million (US$60.8 million) because of refunds of deposits in accordance with office-building lease contracts and refunds of The Kyoto Hotel, Ltd. deposits.

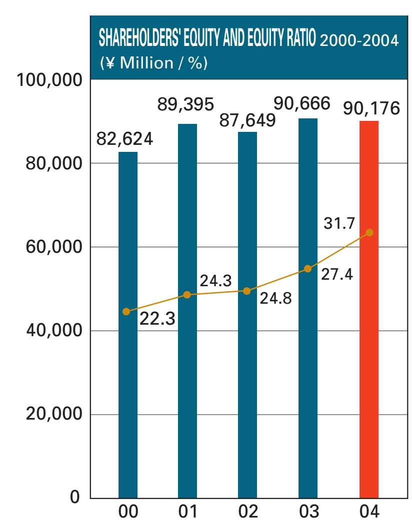
Our shareholders' equity as of the end of the fiscal year decreased by ¥490 million (US$4.6 million) and stood at ¥90,176 million (US$853.6 million). Although retained earnings declined by ¥4,347 million (US$41.1 million), net unrealized gains on available-for-sale securities increased by ¥4,043 million (US$38.2 million) thanks to the rise in the market values of publicly traded securities.

Significant risk factors impacting operating results

Significant risk factors we can determine as of the end of March 2004 that could affect investors' investment decisions, of which some involve possible future developments, include the following:

(1) Food safety issues

One of our primary businesses is the importation of food products and materials from outside Japan. The Nichirei Group's consolidated results this fiscal year were affected by difficulties in procuring food products and materials because of food safety issues that arose in countries from which we import food products and materials. Imports of processed chicken products from East Asia were banned because of an outbreak of avian influenza in the region. In the meat and poultry business, in addition to the imports of chicken being banned, imports of U.S. beef were also banned because of the discovery of BSE. Our results



were also affected by the discovery of antibiotic agent residue in frozen shrimp imports from China and voluntary restrictions on spinach imports from China because of residual pesticides. The reduction in imports resulting from these food safety issues affected our results through a decline in volume handled in the logistics business. The Nichirei Group will continue to import products and materials, but the emergence of food safety issues in countries from which we import could have an impact on the group's results.

(2) Fluctuations in prices of food products and materials

In the marine products business, the prices of the main products (e.g., shrimp, crab, and octopus), which we import from countries around the world, are affected by worldwide demand and the amounts that are caught and imported. Prices and the amount of frozen fish imports are also affected by the amount of fish caught off the coasts of Japan. In the meat and poultry industry, prices of meat and poultry raised in Japan or imported from other countries were affected considerably this fiscal year by a ban on imports of U.S. meat, because of the discovery of BSE, and chicken products from East Asia, because of an outbreak of avian influenza. In the processed foods business, in which these products are used as materials to produce other food products, fluctuations in the market prices of food products and materials we use could have a significant impact on the Group's results.

(3) Product recalls

With the goal of earning customer trust in our products and services, the Nichirei Group has been working to establish a comprehensive quality assurance system that covers everything from product development and raw materials procurement to production and sales. Nevertheless, some of our products had to be recalled this fiscal year, including frozen shrimp imports from China due to the discovery of antibiotic agent residue, products made by consolidated subsidiaries using frozen food ingredients with foreign materials, and products made by a company outside the Nichirei Group containing potatoes that were mislabeled as to their origin. With product safety and reliability as our highest priority, we established a trace-back system that allows us to track down the origin of raw materials and increased the number of production control specialists. Despite such precautions, a major product recall stemming from claims against our products could have a significant impact on the Group's results.

(4) Risks involving long-term assets

In the logistics business, the Nichirei Group owns many cold-storage facilities, which are different from ordinary warehouses and require substantial capital investment. The recent expansion of highway networks and increased pace of consolidation in the food delivery business have made such facilities in certain areas less important to shippers and thereby made it more difficult to secure cargo. In addition, a slump in warehousing demand as shippers reduce inventory levels could lead to increased price competition and a consequent deterioration in our earnings. In the processed foods business, Nichirei owns production facilities in a number of areas and has been improving productivity and product quality in response to a challenging operating environment stemming from a slump in sales, the obsolescence of plant and equipment, and demands for higher product quality. The consolidation of unprofitable facilities and the disposal of fixed assets, as part of our efforts to use capital more efficiently in all our businesses, could have a significant impact on the Group's results.

(5) Securities price risk

We own shares of Group companies and securities issued by companies we do business with, the latter of which are held for strategic business purposes. Most of the investment securities shown on our consolidated balance sheets are securities that we own. We make changes to our securities holdings as needed, based on our business strategies, efforts to improve the quality of our assets, and other factors.

All of the investment securities as of the end of this fiscal year, except shares of subsidiaries and affiliates, are classified as available-for-sale securities. Losses associated with write-downs for impairments in their value could be incurred and affect the group's results as a result of fluctuations in the values of those securities with market prices because of trends in the economic environment and corporate earnings, and in the values of those securities without market prices because of changes in the financial condition of the issuer.

(6) Exchange-rate risks

Insofar as one of our primary businesses is the importation of food products and materials from outside Japan, we face exchange-rate risks in our business transactions denominated in foreign currencies. To minimize these risks, we hedge by using currency exchange forward contracts, coupon swaps, and other types of derivatives. Nevertheless, exchange-rate fluctuations (particularly a weakening of the yen) could have a significant impact on the Group's results.

Consolidated Balance Sheets

Nichirei Corporation and Consolidated Subsidiaries

As of March 31, 2003 and 2004

Assets	*Millions of yen* 2003	2004	*Thousands of U.S. dollars (Note 1)* 2004
Current assets:			
Cash and bank deposits	¥ 3,581	**¥ 3,543**	**$ 33,550**
Notes and accounts receivable – trade	71,455	**59,127**	**559,760**
Less allowance for doubtful accounts	(256)	**(294)**	**(2,787)**
Inventories (Note 3)	33,231	**30,602**	**289,710**
Deferred tax assets (Note 8)	1,732	**7,779**	**73,646**
Other current assets	6,757	**7,354**	**69,620**
Total current assets	116,502	**108,112**	**1,023,501**
Property, plant and equipment (Note 5):			
Land	44,961	**33,607**	**318,163**
Buildings and structures	209,803	**192,534**	**1,822,730**
Machinery and equipment	83,006	**65,320**	**618,386**
Construction in progress	330	**177**	**1,681**
	338,102	**291,640**	**2,760,962**
Less accumulated depreciation	(179,208)	**(164,872)**	**(1,560,852)**
Property, plant and equipment, net	158,893	**126,767**	**1,200,110**
Investments and other assets (Note 5):			
Investment securities (Note 4)	26,238	**23,040**	**218,128**
Investments in affiliates	5,882	**7,428**	**70,322**
Deferred tax assets (Note 8)	4,255	**1,414**	**13,390**
Other	19,988	**19,093**	**180,753**
Less allowance for doubtful accounts	(1,056)	**(1,155)**	**(10,942)**
Total investments and other assets	55,307	**49,820**	**471,652**
Total assets	¥ 330,703	**¥ 284,700**	**$2,695,264**

The accompanying notes are integral parts of these statements.

Liabilities, minority interests and shareholders' equity	Millions of yen 2003	Millions of yen 2004	Thousands of U.S. dollars (Note 1) 2004
Current liabilities:			
Short-term bank loans (Note 5)	¥ 18,808	**¥ 18,514**	**$ 175,273**
Commercial paper	15,000	**10,000**	**94,670**
Current portion of long-term debt (Note 5)	15,189	**19,575**	**185,322**
Notes and accounts payable – trade	40,045	**23,198**	**219,623**
Income taxes payable	3,188	**2,501**	**23,682**
Accrued expenses	17,604	**18,219**	**172,485**
Other current liabilities	9,572	**9,945**	**94,154**
Total current liabilities	119,409	**101,955**	**965,211**
Long-term liabilities:			
Long-term debt (Note 5)	96,395	**76,299**	**722,324**
Directors' and employees' retirement benefits (Note 13)	4,478	**3,542**	**33,540**
Deferred tax liabilities (Note 8)	282	**320**	**3,035**
Other	18,359	**11,892**	**112,589**
Total long-term liabilities	119,515	**92,055**	**871,490**
Total liabilities	238,925	**194,010**	**1,836,701**
Contingent liabilities (Note 11)			
Minority interests	1,111	**513**	**4,857**
Shareholders' equity (Note 6):			
Common stock, with no par value:			
Authorized – 720,000,000 shares			
Issued and outstanding –			
310,851,065 shares at March 31, 2003	30,307	**-**	**-**
310,851,065 shares at March 31, 2004	-	**30,307**	**286,924**
Capital surplus	23,704	**23,704**	**224,412**
Retained earnings	35,872	**31,525**	**298,450**
Net unrealized holding gain on securities	847	**4,890**	**46,297**
Translation adjustments	107	**(60)**	**(569)**
Less treasury stock, at cost	(173)	**(191)**	**(1,809)**
Total shareholders' equity	90,666	**90,176**	**853,704**
Total liabilities, minority interests and shareholders' equity	¥ 330,703	**¥ 284,700**	**$2,695,264**

Consolidated Statements of Operations

Nichirei Corporation and Consolidated Subsidiaries
For the years ended March 31, 2003 and 2004

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2003	**2004**	**2004**
Net sales	¥ 563,440	¥ **496,611**	$ **4,701,428**
Operating costs and expenses:			
Cost of sales	461,318	**401,101**	**3,797,234**
Selling, general and administrative expenses	83,845	**81,533**	**771,874**
	545,164	**482,635**	**4,569,109**
Operating income	18,275	**13,976**	**132,319**
Other income (expenses):			
Interest and dividend income	469	**410**	**3,889**
Interest expense	(2,530)	**(2,198)**	**(20,814)**
Other – net (Note 7)	(6,837)	**(16,006)**	**(151,533)**
	(8,898)	**(17,794)**	**(168,459)**
Income (loss) before income taxes and minority interests	9,377	**(3,817)**	**(36,139)**
Income taxes (Note 8):			
Current	4,373	**4,415**	**41,797**
Deferred	(418)	**(6,406)**	**(60,654)**
	3,954	**(1,991)**	**(18,857)**
Minority interests	206	**65**	**620**
Net income (loss)	¥ 5,216	¥ **(1,891)**	$ **(17,902)**

Amounts per share:	Yen		U.S. dollars (Note 1)
Net income (loss):			
Basic	¥ 16.16	¥ **(6.28)**	$ **(0.059)**
Diluted	16.08	**-**	**-**

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, 2003 and 2004

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2003	**2004**	**2004**
Common stock:			
Balance at beginning of year	¥ 30,307	¥ **30,307**	$ **286,924**
Balance at end of year	¥ 30,307	¥ **30,307**	$ **286,924**
Capital surplus:			
Balance at beginning of year	¥ 23,704	¥ **23,704**	$ **224,412**
Balance at end of year	¥ 23,704	¥ **23,704**	$ **224,412**
Retained earnings:			
Balance at beginning of year	¥ 32,694	¥ **35,872**	$ **339,606**
Net income (loss)	5,216	**(1,891)**	**(17,902)**
Cash dividends	(1,864)	**(1,863)**	**(17,637)**
Bonuses to directors and statutory auditors	(173)	**(184)**	**(1,746)**
Decrease due to change in ownership interest resulting from a merger of consolidated subsidiary	-	**(408)**	**(3,869)**
Balance at end of year	¥ 35,872	¥ **31,525**	$ **298,450**
Unrealized holding gain on securities:			
Balance at beginning of year	¥ 294	¥ **847**	$ **8,022**
Net change during the year	553	**4,043**	**38,275**
Balance at end of year	¥ 847	¥ **4,890**	$ **46,297**
Translation adjustments:			
Balance at beginning of year	¥ 663	¥ **107**	$ **1,021**
Net change during the year	(555)	**(168)**	**(1,591)**
Balance at end of year	¥ 107	¥ **(60)**	$ **(569)**

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, 2003 and 2004

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2003	**2004**	**2004**
Cash flows from operating activities:			
Income (loss) before income taxes and minority interests	¥ 9,377	**¥ (3,817)**	**$ (36,139)**
Depreciation and amortization	12,767	**11,904**	**112,702**
Provision for doubtful accounts	(608)	**334**	**3,170**
Provision for employees' retirement benefits	(290)	**224**	**2,125**
Equity in earnings of affiliates	(216)	**(119)**	**(1,135)**
Loss on disposal of property, plant and equipment	642	**512**	**4,854**
Loss on devaluation of investment securities	3,431	**253**	**2,397**
Loss on discontinued operation	91	**1,004**	**9,506**
Interest and dividend income	(469)	**(410)**	**(3,889)**
Interest expense	2,530	**2,198**	**20,814**
(Gain) loss on sales of property, plant and equipment	(746)	**14,964**	**141,666**
Loss (gain) on sales of investment securities	2,282	**(1,803)**	**(17,071)**
Decrease (increase) in notes and accounts receivable – trade	7,154	**(1,242)**	**(11,766)**
Decrease (increase) in inventories	2,708	**(924)**	**(8,756)**
Decrease (increase) in notes and accounts payable – trade	(4,876)	**1,309**	**12,396**
Other	1,584	**(4,548)**	**(43,062)**
Subtotal	35,363	**19,838**	**187,813**
Interest and dividend income received	689	**619**	**5,866**
Interest expense paid	(2,560)	**(2,247)**	**(21,273)**
Income taxes paid	(2,849)	**(5,104)**	**(48,328)**
Net cash provided by operating activities	30,642	**13,106**	**124,078**
Cash flows form investing activities:			
Purchase of investment securities	(5,702)	**(311)**	**(2,948)**
Proceeds from sales of investment securities	3,117	**10,911**	**103,294**
Purchase of property, plant and equipment	(6,673)	**(5,640)**	**(53,401)**
Proceeds from sales of property, plant and equipment	4,715	**10,887**	**103,071**
(Increase) decrease in short-term loans receivable	(211)	**28**	**265**
Increase in long-term loans receivable	(11)	**(6)**	**(64)**
Proceeds from collection of long-term loans receivable	79	**53**	**508**
Other	(1,342)	**(2,163)**	**(20,481)**
Net cash (used in) provided by investing activities	(6,029)	**13,757**	**130,243**
Cash flows from financing activities:			
Decrease in short-term bank loans	(24,725)	**(531)**	**(5,027)**
Decrease in commercial paper	-	**(5,000)**	**(47,335)**
Proceeds from long-term debt	15,301	**9,200**	**87,096**
Repayment of long-term debt	(7,949)	**(18,732)**	**(177,341)**
Proceeds from issuance of bonds	20,000	**-**	**-**
Redemption of bonds	(25,000)	**(6,307)**	**(59,708)**
Dividends paid	(1,865)	**(1,864)**	**(17,653)**
Other	(232)	**(162)**	**(1,535)**
Net cash used in financing activities	(24,470)	**(23,397)**	**(221,505)**
Effects of exchange rate changes on cash and cash equivalents	(119)	**(82)**	**(776)**
Net increase in cash and cash equivalents	22	**3,384**	**32,039**
Decrease in cash and cash equivalents due to change in ownership interest resulting from merger of consolidated subsidiary	-	**(3,422)**	**(32,396)**
Cash and cash equivalents at beginning of year	3,559	**3,581**	**33,907**
Cash and cash equivalents at end of year (Note 14)	¥ 3,581	**¥ 3,543**	**$ 33,550**

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 subsidiaries are prepared on the basis of accounting principles generally accepted in Japan, which are different in certain respects as to application and disclosure requirements of International Financial Reporting Standards 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.

Certain amounts in the prior year's financial statements have been reclassified to conform to the current year's presentation.

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 ¥105.63 = US$1.00, the exchange rate prevailing on March 31, 2004.

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 70 (77 in 2003) 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 except for immaterial amounts which are charged to income in the year of acquisition.

Investments in all the Company's 15 (15 in 2003) affiliates 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

Securities are classified into three categories depending upon the holding purpose and accounted for 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 based on the moving-average cost. Securities held by the Company and its subsidiaries are all classified as available-for-sale securities.

(d) Foreign Currency Translation

All receivables and payables denominated in foreign currencies are translated into yen at the year-end rate.

(e) Translation of Financial Statements of Overseas Subsidiaries

In translating the financial statements of the overseas 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. Translation adjustments are presented as a component of shareholders' equity and minority interests.

(f) Inventories

Inventories of the Company and its domestic 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

Accrued retirement benefits for employees are stated principally at an amount calculated based on the retirement benefit obligation and the fair value of the pension plan assets as of the balance sheet date, as adjusted for unrecognized actuarial gain or loss. The retirement benefit obligation is attributed to each period by the straight-line method over the estimated years of service of the eligible employees.

Actuarial gain and loss are amortized in the year following the year in which the gain or loss is recognized by the straight-line method over a period of 10 years.

(i) Directors' and Statutory Auditors' Retirement Benefits

An accrual for directors' and statutory auditors' retirement benefits of ¥766 million and ¥533 million ($5,047 thousand) has been included in directors' and employees' retirement benefits at March 31, 2003 and 2004, 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 (loss) per Share

Basic net income (loss) per share is computed based on the net income (loss) available for distribution to shareholders of common stock and the weighted average number of shares of common stock outstanding during each year. Diluted net income per share is computed based on the net income available for distribution to the shareholders and the weighted average number of shares of common stock outstanding during each year assuming full conversion of convertible bonds.

No diluted net income per share for the year ended March 31, 2004 is presented because of net loss position.

(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, 2003 and 2004 were as follows:

	Millions of yen		*Thousands of U.S. dollars*
	2003	**2004**	**2004**
Finished goods and merchandise	¥ 31,066	**¥ 28,369**	**$ 268,576**
Raw materials and supplies	2,164	**2,232**	**21,134**
	¥ 33,231	**¥ 30,602**	**$ 289,710**

Note 4: Securities

a) The following table summarizes the acquisition costs, book value and fair value of the available-for-sale securities as of March 31, 2003 and 2004.

	Millions of yen		Thousands of U.S. dollars
	2003	**2004**	**2004**
Acquisition costs:			
Equity securities	¥ 19,805	**¥ 11,321**	**$ 107,183**
Bonds	1,113	**107**	**1,012**
	¥ 20,918	**¥ 11,428**	**$ 108,196**
Book value:			
Equity securities	¥ 20,930	**¥ 18,722**	**$ 177,245**
Bonds	1,073	**107**	**1,280**
	¥ 22,004	**¥ 18,830**	**$ 178,265**
Difference:			
Equity securities	¥ 1,125	**¥ 7,400**	**$ 70,062**
Bonds	(39)	**0**	**6**
	¥ 1,085	**¥ 7,401**	**$ 70,069**

b) Information regarding sales of securities for the years ended March 31, 2003 and 2004 is as follows:

	Millions of yen		Thousands of U.S. dollars
	2003	**2004**	**2004**
Proceeds from sales	¥ 2,819	**¥ 9,884**	**$ 93,579**
Gains on sales	180	**1,838**	**17,408**
Losses on sales	2,463	**9**	**85**

c) The following table shows the aggregate book value of available-for-sale securities with no available fair value as of March 31, 2003 and 2004:

	Millions of yen		Thousands of U.S. dollars
	2003	**2004**	**2004**
Non-listed equity securities (excluding equity securities traded on the OTC market)	¥ 4,210	**¥ 4,183**	**$ 39,603**

d) The redemption schedule for securities with maturity dates classified as available-for-sale securities as of March 31, 2004 is summarized as follows:

	Millions of yen		Thousands of U.S. dollars	
March 31, 2004	*Due in one year or less*	*Due after one year through five years*	*Due in one year or less*	*Due after one year through five years*
Bonds	¥ -	¥ 107	$ -	$ 1,019

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

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

The weighted average interest rates of all outstanding short-term borrowings at March 31, 2003 and 2004 were 1.324% and 1.327%, respectively.

Long-term debt at March 31, 2003 and 2004 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
	2003	**2004**	**2004**
The Company:			
1.8% convertible bonds due 2003	¥ 6,307	¥ **-**	$ **-**
1.52% bonds due 2004	10,000	**10,000**	**94,670**
0.97% bonds due 2006	10,000	**10,000**	**94,670**
0.99% bonds due 2007	10,000	**10,000**	**94,670**
1.43% bonds due 2008	5,000	**5,000**	**47,335**
1.42% bonds due 2009	10,000	**10,000**	**94,670**
Unsecured loans, principally from banks and life insurance companies	23,434	**41,784**	**395,576**
Secured loans, principally from government-sponsored agencies	284	**450**	**4,260**
Consolidated subsidiaries:			
Loans, principally from banks	36,559	**8,639**	**81,794**
Less current portion	(15,189)	**(19,575)**	**(185,322)**
	¥ 96,395	¥ **76,299**	$ **722,324**

The aggregate annual maturities of long-term debt outstanding at March 31, 2004 are summarized as follows:

Year ending March 31,	Millions of yen	Thousands of U.S. dollars
2005	¥ 19,575	$ 185,322
2006	7,272	68,847
2007	11,328	107,247
2008	10,725	101,536
2009 and thereafter	46,972	444,692
	¥ 95,874	$ 907,647

The assets pledged as collateral for long-term debt at March 31, 2003 and 2004 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2003	**2004**	**2004**
Property, plant and equipment	¥ 34,031	¥ **8,858**	$ **83,863**
Investment securities	119	**1,125**	**10,654**
Other assets	352	**352**	**3,335**
	¥ 34,502	¥ **10,336**	$ **97,854**

Note 6: Shareholders' Equity

In accordance with the Commercial Code of Japan (the "Code"), the Company has provided a legal reserve, which was included in retained earnings. The Code provides that an amount equal to at least 10% of the amount to be disbursed as a distribution of earnings be appropriated to the legal reserve until the total of such reserve and capital surplus account equals 25% of the common stock account. The legal reserve amounted to ¥39 million ($373 thousand) at March 31, 2003 and 2004.

The Code provides that neither capital surplus nor the legal reserve is available for dividends, but both may be used to reduce or eliminate a deficit by resolution of the shareholders or may be transferred to common stock by resolution of the Board of Directors. On October 1, 2001, an amendment to the Code went into effect. The amendment provides that if the total amount of capital surplus and the legal reserve exceeds 25% of the amount of common stock, the excess may be distributed to the shareholders either as a return of capital or as dividends subject to the approval of the shareholders.

Note 7: Other Income (Expenses)

Other income (expenses) for the years ended March 31, 2003 and 2004 consisted primarily of the following:

	Millions of yen		*Thousands of U.S. dollars*
	2003	**2004**	**2004**
Gain on sales of property, plant and equipment	¥ 766	¥ **36**	$ **346**
Gain on sales of investment securities	180	**1,838**	**17,409**
Loss on sales and disposal of property, plant and equipment	(1,093)	**(15,625)**	**(147,931)**
Loss on discontinued operations	(748)	**(1,279)**	**(12,113)**
Loss on sales of investment securities	(2,463)	**-**	**-**
Loss on devaluation of investment securities	(3,431)	**(253)**	**(2,397)**
Provision for allowance for doubtful accounts	-	**(517)**	**(4,899)**
Special retirement allowances paid	-	**(410)**	**(3,889)**
Other, net	(48)	**205**	**1,940**
	¥ (6,837)	¥ **(16,006)**	$ **(151,533)**

Note 8: Income Taxes

The Company and its 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, 2003 and 2004. The effective tax rate reflected in the accompanying consolidated statement of income for the year ended March 31, 2004 differs from the statutory tax rate for the following reasons:

	2004
Statutory tax rate	**41.9%**
Entertainment and other expenses not deductible	**(7.7)**
Dividends and other income received but excluded from taxable income	**0.3**
Elimination of dividends received from overseas affiliates	**(1.4)**
Undistributed earnings of overseas affiliates	**(2.1)**
Decrease in income taxes resulting from equity in earnings	**2.9**
Inhabitants' per capita taxes	**(3.2)**
Valuation allowance	**4.5**
Corporation tax credit	**7.8**
Loss on sales of investment in affiliates	**7.1**
Other, net	**2.1**
Effective tax rates	**52.2%**

The differences between the statutory tax rate and the effective tax rate reflected in the accompanying consolidated statement of operations for the year ended March 31, 2003 was less than 5% and, therefore, no reconciliation has been disclosed.

The components of deferred tax assets and deferred tax liabilities at March 31, 2003 and 2004 were as follows:

	Millions of yen		*Thousands of U.S. dollars*
	2003	**2004**	**2004**
Deferred tax assets:			
Loss on sales of investment in affiliates	¥ -	¥ **5,418**	$ **51,299**
Establishment of employees' retirement benefit trust	6,309	**6,309**	**59,734**
Excess over allowed limit of retirement allowance reserve	1,192	**970**	**9,184**
Deferred losses	1,651	**1,170**	**11,077**
Loss on devaluation of marketable securities	537	**247**	**2,341**
Excess over allowed limit of bonus reserve	568	**722**	**6,844**
Inventories – unrealized profits and write-downs	437	**235**	**2,227**
Property, plant and equipment – unrealized profits and losses	1,564	**1,563**	**14,799**
Allowance for doubtful accounts	413	**1,012**	**9,585**
Depreciation	841	**940**	**8,907**
Other	1,593	**1,481**	**14,024**
Total gross deferred tax assets	15,109	**20,072**	**190,025**
Less valuation allowance	(1,419)	**(1,100)**	**(10,419)**
Deferred tax assets	13,690	**18,971**	**179,606**
Deferred tax liabilities:			
Net unrealized holding gain on securities	(445)	**(3,005)**	**(28,455)**
Gain on securities contributed to employees' retirement benefit trust	(3,135)	**(3,135)**	**(29,679)**
Special depreciation reserve	(9)	**(4)**	**(47)**
Reserve and special reserve for advanced depreciation of property, plant and equipment	(3,018)	**(2,745)**	**(25,991)**
Other, net	(1,377)	**(1,207)**	**(11,434)**
Deferred tax liabilities	(7,985)	**(10,099)**	**(95,608)**
Net deferred tax assets	¥ 5,705	¥ **8,872**	$ **83,997**

Note 9: Leases

The following pro forma amounts represent the acquisition costs, accumulated depreciation and net book value of the leased property as of March 31, 2003 and 2004, 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*
	2003	**2004**	**2004**
Acquisition costs	¥ 34,152	**¥ 35,726**	**$ 338,225**
Less accumulated depreciation	(11,627)	**(12,811)**	**(121,286)**
Net book value	¥ 22,525	**¥ 22,915**	**$ 216,938**

Future minimum lease payments subsequent to March 31, 2004 on finance leases are summarized as follows:

	Millions of yen	*Thousands of U.S. dollars*
Future lease payments:		
One year or less	¥ 3,029	$ 28,679
More than one year	20,899	197,860
	¥ 23,929	$ 226,539

Future minimum lease payments and income subsequent to March 31, 2004 on noncancelable operating leases are summarized as follows:

	Millions of yen	*Thousands of U.S. dollars*
Future lease payments:		
One year or less	¥ 367	$ 3,480
More than one year	971	9,192
	¥ 1,338	$ 12,673

	Millions of yen	*Thousands of U.S. dollars*
Future lease income:		
One year or less	¥ 1,164	$ 11,027
More than one year	545	5,165
	¥ 1,710	$ 16,193

Note 10: Derivative Financial Instruments

The Company and its subsidiaries enter into forward foreign exchange contracts, coupon swaps, interest rate 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 gains and losses on derivatives positions are deferred in order to offset the reciprocal changes in the value of the underlying items.

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, 2003 was as follows:

March 31, 2003	*Principal amount (notional amount for swaps)*	*Unrealized gain and loss*
Forward foreign currency contracts	¥ -	¥ -
Interest rate swaps	2,400	(3)
Currency swaps	-	-
	¥ 2,400	¥ (3)

No derivative positions remained outstanding at March 31, 2004.

Note 11: Contingent Liabilities

As at March 31, 2004, the Company and its subsidiaries had the following contingent liabilities:

	Millions of yen	Thousands of U.S. dollars
As guarantor of indebtedness of affiliates	¥ 3,890	$ 36,833
As guarantor of indebtedness of employees	1,308	12,383
As guarantor of indebtedness of other companies	5	47
	¥ 5,203	$ 49,264

Note 12: Research and Development Expenses and Advertising Costs

Research and development expenses charged to selling, general and administrative expenses for the years ended March 31, 2003 and 2004 were ¥2,279 million and ¥2,090 million ($19,788 thousand), respectively.

Advertising costs included in selling, general and administrative expenses for the years ended March 31, 2003 and 2004 were ¥3,367 million and ¥4,666 million ($44,180 thousand), respectively.

Note 13: Employees' Severance and Retirement Benefits

The Company and certain number 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 incentive.

The following table sets forth the funded and accrued status of the plans, and the amounts recognized in the consolidated balance sheets as of March 31, 2003 and 2004 for the Company's and the subsidiaries' defined benefit plans:

	Millions of yen		Thousands of U.S. dollars
	2003	**2004**	**2004**
Projected retirement benefit obligation	¥ 26,611	**¥ 25,875**	**$ 244,963**
Fair value of plan assets	(12,913)	**(21,998)**	**(208,262)**
Unrecognized actuarial loss	(12,119)	**(2,301)**	**(21,787)**
Prepaid pension cost	2,134	**1,434**	**13,578**
Net liability	¥ 3,712	**¥ 3,009**	**28,492**

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, 2003 and 2004 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2003	**2004**	**2004**
Service cost	¥ 1,478	**¥ 1,443**	**$ 13,665**
Interest cost	636	**516**	**4,894**
Expected return on plan assets	(74)	**(1)**	**(16)**
Amortization of unrecognized actuarial loss	774	**1,311**	**12,414**
Total retirement benefit expenses	¥ 2,815	**¥ 3,270**	**$ 30,957**

The actuarial assumptions used for the years ended March 31, 2003 and 2004 are set forth as follows:

	2003	**2004**
Discount rate	2.5%	**2.0%**
Expected rates of return on pension plan assets	1.0 – 1.5%	**0.0 – 1.5%**
Period for the recognition of actuarial gain	10 years	**10 years**

Note 14: Supplementary Cash Flow Information

On October 1, 2003, Yukiwa Co. Ltd., a consolidated subsidiary merged with Ryoshoku Food Service Limited and changed its name to RY Food Service Limited ("RY Food"). As a result of the merger, the Company's ownership interest in RY Food decreased to 40.4% from 71.4%. Accordingly, the Company's investment in RY Food has been accounted for by the equity method effective October 1, 2003 instead of a full consolidation.

Summary of the decrease in assets and liabilities following the merger explained above during the year ended March 31, 2004 is as follows:

	September 30, 2003	
	Millions of yen	*Thousands of U.S. dollars*
Current assets	¥ 21,410	**$ 202,691**
Long term assets	1,640	**15,530**
Total assets	¥ 23,050	**$ 218,222**
Current liabilities	¥ (19,852)	**$ (187,941)**
Long term liabilities	(991)	**(9,388)**
Total liabilities	¥ (20,843)	**$ (197,329)**

Note 15: Segment Information

Until the year ended March 31, 2003, the Company and its subsidiaries had defined their business in the following five segments: temperature-controlled logistics, foods, wholesale foods, real estate and other.

Effective the year ended March 31, 2004, the Company and its subsidiaries have changed their segmentation upon an introduction of division-company system and have redefined their businesses in the following seven segments: processed foods, marine products, meat and poultry products, logistics, real estate, wholesale foods and other. Processed foods mainly comprises production, processing and sales of frozen foods, retort-pouch foods and other processed foods. Marine products mainly comprises processing and sales of marine products. Meat and poultry products mainly comprises processing and sales of meat and poultry products. Logistics mainly comprises refrigerated storage, distribution and transportation of fresh, chilled and frozen foods. 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 this connection, segment classifications of certain subsidiaries and affiliates have been changed as follows:

	Company	New business segment	Previous business segment
Subsidiary	Nichirei U.S.A., Inc.	Processed foods	Foods (other)
	Toyo Koki Corporation	Logistics	Other
	Nichirei Shoji Co., Limited	Other	Real estate
	Tengu Company, Inc.	Other	Foods (other)
	Nichirei Fast Corporation	Other	Corporate
	Nichirei-Appli Corporation	Other	Corporate
Affiliate	Ina Bakery Corporation	Other	Processed Foods

Until the year ended March 31, 2003, operating expenses associated with the Company's administrative division, technology development center, and companies engaged in personnel, general affairs, finance and accounting services had been defined as non traceable expenses. Effective the year ended March 31, 2004, the Company has revised its definition and allocation formula of non traceable expenses in line with the introduction of division-company system in order to achieve a better presentation of the operating expenses and operating income by segments of the Company.

As a result, non traceable expenses have been defined as corporate governance expenses, corporate staff expenses (planning expenses), corporate support expenses, corporate image advertising expenses, amortization of actuarial gains and losses associated with pension benefit trusts, and other items.

The Company has restated the previously reported business segment information for the year ended March 31, 2003 in order to reflect the changes discussed above.

The business segment information of the Company and its subsidiaries for the years ended March 31, 2003 and 2004 was summarized as follows:

Year ended March 31, 2003 (Millions of yen)

	Processed foods	Marine products	Meat and poultry products	Logistics	Real estate	Wholesale foods	Other	Total	Intercompany eliminations and corporate	Consolidated
Operating revenues	¥ 146,472	¥ 99,390	¥ 69,362	¥ 93,733	¥ 6,400	¥ 140,267	¥ 7,813	¥ 563,440	¥ -	¥ 563,440
Intra-group sales and transfers	25,047	7,452	4,210	19,192	179	753	2,201	59,037	(59,037)	-
Total	171,519	106,843	73,572	112,926	6,580	141,020	10,015	622,477	(59,037)	563,440
Operating expenses	163,297	106,172	73,097	106,006	2,231	140,083	9,266	600,155	(54,991)	545,164
Operating income	8,222	670	475	6,919	4,349	937	748	22,322	(4,046)	18,275
Total assets	¥ 68,915	¥ 30,327	¥ 11,753	¥ 112,586	¥ 21,945	¥ 24,511	¥ 33,278	¥ 303,318	¥ 27,384	¥ 330,703
Depreciation and amortization	¥ 3,187	¥ 221	¥ 68	¥ 6,435	¥ 753	¥ 130	¥ 1,109	¥ 11,905	¥ 862	¥ 12,767
Capital expenditures	¥ 2,410	¥ 71	¥ 10	¥ 5,623	¥ 1,133	¥ 4	¥ 80	¥ 9,334	¥ 203	¥ 9,537

Year ended March 31, 2004 (Millions of yen)

	Processed foods	Marine products	Meat and poultry products	Logistics	Real estate	Wholesale foods	Other	Total	Intercompany eliminations and corporate	Consolidated
Operating revenues	¥ 156,573	¥ 86,991	¥ 71,327	¥ 97,064	¥ 7,678	¥ 70,943	¥ 6,032	¥ 496,611	¥ -	¥ 496,611
Intra-group sales and transfers	13,474	4,057	4,563	16,829	230	417	2,332	41,905	(41,905)	-
Total	170,048	91,048	75,891	113,894	7,909	71,360	8,364	538,517	(41,905)	496,611
Operating expenses	163,527	91,902	74,702	108,773	2,464	71,037	7,125	519,533	(36,898)	482,635
Operating income	6,521	(853)	1,188	5,120	5,444	323	1,239	18,983	(5,006)	13,976
Total assets	¥ 67,186	¥ 29,543	¥ 12,710	¥ 109,500	¥ 21,523	¥ -	¥ 9,935	¥ 250,399	¥ 34,301	¥ 284,700
Depreciation and amortization	¥ 2,796	¥ 187	¥ 70	¥ 6,248	¥ 778	¥ 30	¥ 946	¥ 11,057	¥ 846	¥ 11,904
Capital expenditures	¥ 1,058	¥ 51	¥ 25	¥ 4,958	¥ 235	¥ 0	¥ 231	¥ 6,563	¥ 285	¥ 6,848

Year ended March 31, 2004 (Thousands of U.S. dollars)

	Processed foods	Marine products	Meat and poultry products	Logistics	Real estate	Wholesale foods	Other	Total	Intercompany eliminations and corporate	Consolidated
Operating revenues	$1,482,282	$ 823,544	$ 675,261	$ 918,908	$ 72,696	$ 671,626	$ 57,108	$4,701,428	$ -	$4,701,428
Intra-group sales and transfers	127,563	38,415	43,206	159,326	2,178	3,948	22,080	396,720	(396,720)	-
Total	1,609,846	861,960	718,467	1,078,235	74,875	675,574	79,189	5,098,149	(396,720)	4,701,428
Operating expenses	1,548,112	870,039	707,213	1,029,757	23,334	672,515	67,456	4,918,429	(349,320)	4,569,109
Operating income	61,734	(8,079)	11,254	48,477	51,540	3,058	11,733	179,720	(47,400)	132,319
Total assets	$ 636,058	$ 279,691	$ 120,330	$1,036,639	$ 203,758	$ -	$ 94,055	$2,370,534	$ 324,730	$2,695,264
Depreciation and amortization	$ 26,470	$ 1,779	$ 662	$ 59,157	$ 7,367	$ 291	$ 8,957	$ 104,685	$ 8,017	$ 112,702
Capital expenditures	$ 10,024	$ 490	$ 244	$ 46,942	$ 2,229	$ 5	$ 2,194	$ 62,132	$ 2,699	$ 64,831

Report of Independent Auditors

Shin Nihon & Co.

The Board of Directors
Nichirei Corporation

We have audited the accompanying consolidated balance sheets of Nichirei Corporation and subsidiaries as of March 31, 2003 and 2004, and the related consolidated statements of operations, shareholders' equity, and cash flows for the years then ended, all expressed in yen. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in Japan. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the consolidated financial position of Nichirei Corporation and subsidiaries at March 31, 2003 and 2004, and the consolidated results of their operations and their cash flows for the years then ended in conformity with accounting principles generally accepted in Japan.

June 25, 2004

Shin Nihon & Co.

Supplemental Information

As discussed in Note 15 to the consolidated financial statements, effective the year ended March 31, 2004, the Company changed its definition and allocation formula of non traceable expenses in presentation of segment information.

The U.S. dollar amounts in the accompanying consolidated financial statements with respect to the year ended March 31, 2004 are presented solely for convenience. Our audit also included the translation of yen amounts into U.S. dollar amounts and, in our opinion, such translation has been made on the basis described in Note 1 to the consolidated financial statements.

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Directors, Auditors and Officers

Representative Director and Chairman

Takemoto Ohto

Representative Director and President

Mitsudo Urano

Senior Managing Executive Officer

Koji Yokota

Senior Managing Executive Officer

Toshihide Nire

Directors

Representative Director and Chairman
Takemoto Ohto

Representative Director and President
Mitsudo Urano

Senior Managing Executive Officers
Koji Yokota
Toshihide Nire

Managing Executive Officers
Koichi Maeshima
Shu Akiyama
Masatoshi Toyama
Mitsuyuki Chiba
Masahiro Ara

Executive Officers
Haruo Shiihashi
Yoshihiko Soma

Director
Mitsuo Hirose
(Executive Advisor,
Vision Care Company,
Johnson & Johnson K.K.)

Auditors

Senior Standing Auditor
Kazuhiko Goto

Standing Auditor
Yasuyuki Inoue

Auditors
Kazuo Kawakami
Masaaki Sato

Officers

Executive Officers
Hiroki Yamamoto
Tsunehiro Otsuka
Satoshi Sakaguchi
Hisashi Hasegawa
Takeshi Ara
Junichi Ohira
Toshio Aoki
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Kazuaki Nagatsuka
Yoshio Kawai
Yoshiaki Matsumoto

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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
(Code: 2871)

Paid-in Capital
¥30,307 million

No. of Shareholders (who possess 1,000 shares or more)
25,998

Common Stock

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

No. of Full-Time Employees
5,770

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 Auditors
Shin Nihon & Co.

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