By delivering fresh and healthy good taste, we keep on bringing smiles to the table

ANNUAL REPORT 2005

Year Ended March 31, 2005

Profile

Nichirei Corporation is a holding company that determines strategy for the entire Nichirei Group, one of Japan's leading corporate groups involved in food-related businesses. The Nichirei Group consists of Nichirei Corporation, 73 consolidated subsidiaries, and 14 affiliates. Its principal businesses are processed foods, marine products, meat and poultry products, low-temperature logistics, and real estate. The Nichirei Group's network is unique in the domestic food industry: it covers every step from procurement of raw materials to processing and distribution, and serves as the base from which we aim to maximize shareholder value through sustainable group growth and expanded profits, by continually creating new customer value with uncompromising insistence on good taste and freshness.

Contents

Cautionary Statement with Respect to Forward- Looking Statements

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

1) economic conditions and industry environment, particularly levels of consumer spending, surrounding the business activities of Nichirei and its Group companies;
2) currency exchange rate fluctuations, particularly involving U.S. dollars and euro;
3) Nichirei's and its Group companies' ability to 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.

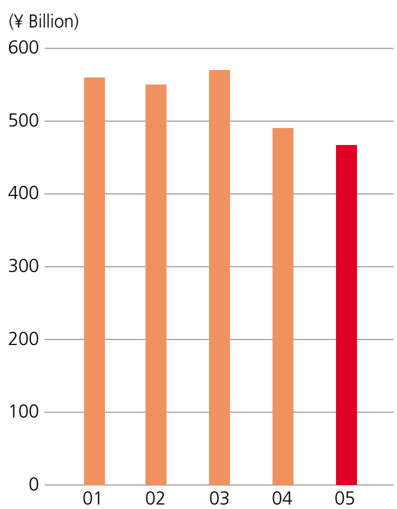
Financial Highlights

Nichirei Corporation and Consolidated Subsidiaries
Years ended March 31, 2005 and 2004

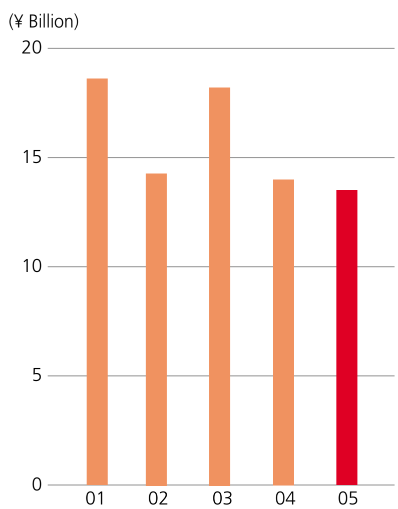
	Millions of yen except per share amounts		percent change	Thousands of U.S. dollars except per share amounts
	2004	**2005**	2005/2004	**2005**
For the year				
Net sales	¥ 496,611	**¥ 461,426**	(7.1)%	**$ 4,295,937**
Operating income	13,976	**13,482**	(3.5)	**125,521**
Income (loss) before income taxes	(3,817)	**10,830**	-	**100,833**
Net income (loss)	(1,891)	**5,878**	-	**54,727**
At year-end				
Total assets	¥ 284,700	**¥ 276,417**	(2.9)%	**$ 2,573,482**
Interest-bearing debt	124,388	**111,984**	(10.0)	**1,042,585**
Shareholders' equity	90,176	**94,007**	4.2	**875,216**
Per share data				
Net income (loss)				
Basic	¥ (6.28)	**¥ 18.45**	-	**$ 0.172**
Fully diluted	-	**-**	-	**-**
Cash dividends	6	**6**	-	**0.056**
Shareholders' equity	290.38	**302.50**	-	**2.817**
Financial ratios				
Return on equity	(2.1) %	**6.4 %**	-	**-**
Shareholders' equity ratio	31.67 %	**34.01 %**	-	**-**
Debt-to-equity	1.38	**1.19**	-	**-**

Notes:
1. U.S. dollar amounts have been translated from yen, for convenience only, at the rate of ¥107.41=U.S.$1, the approximate Tokyo foreign exchange market rate as of March 31, 2005.
2. For the year ended March 31, 2005, 12 subsidiaries were included and 9 were excluded from consolidation, resulting in a total of 73 consolidated subsidiaries, while an affiliate ceased to be accounted for by the equity method, for a total of 14 equity-method affiliates.
3. On October 1, 2003, Yukiwa Co., Ltd. merged with Ryoshoku Food Service Limited, a subsidiary of Ryoshoku Limited, to form RY Food Service Limited. As of the date of the merger, the former Yukiwa was no longer treated as a consolidated subsidiary, but was reclassified as an equity-method affiliate. Yukiwa's exclusion from the consolidated accounting had a negative impact on this term's consolidated sales and operating income relative to the previous term. The negative effect for the year ended March 2004 was 52.8 billion yen in sales and 700 million yen in operating income. This fiscal year ended March 2005, the negative impact was 53.5 billion yen in sales and 200 million yen in operating income.

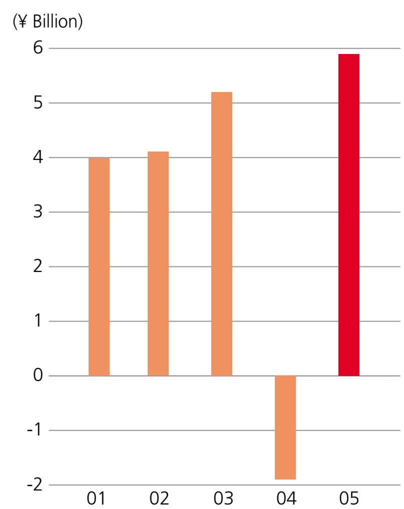
Net Sales 2001-2005



Operating Income 2001-2005

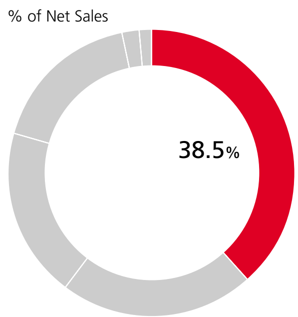


Net Income 2001-2005



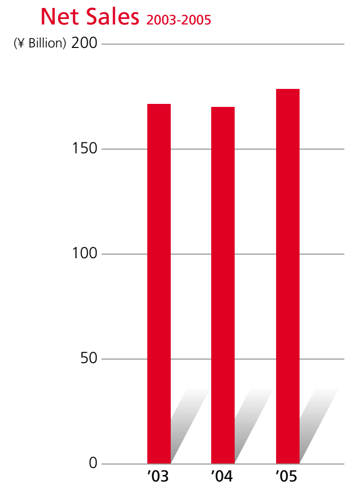
Nichirei At a Glance

Processed Foods

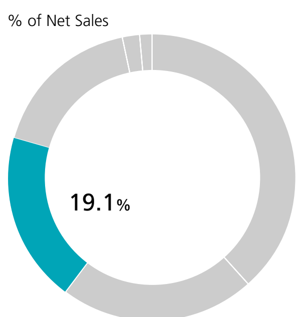


Nichirei Foods Inc.

Processed Foods is one of Nichirei's core operations. It includes frozen foods, an industry Nichirei leads the 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.

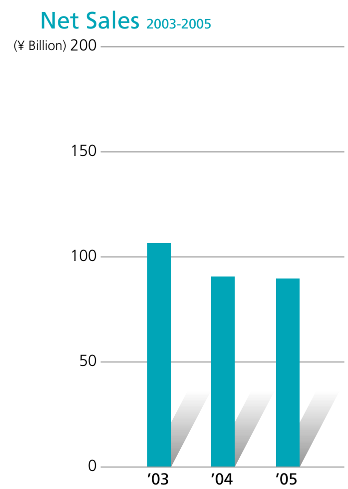


Marine Products

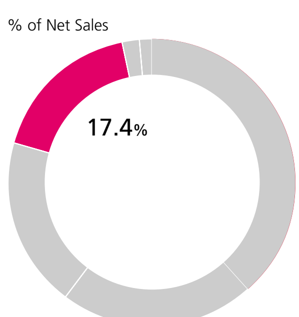


Nichirei Fresh Inc.

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 its line of value-added products that meet customers' needs, as well as handling more premium products.

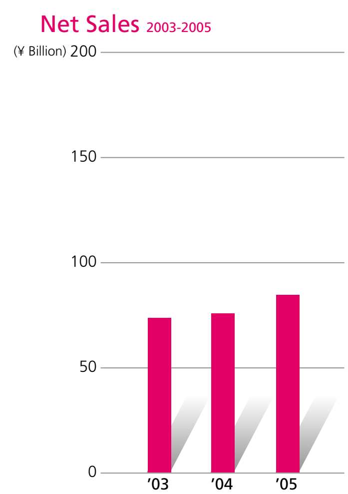


Meat and Poultry Products



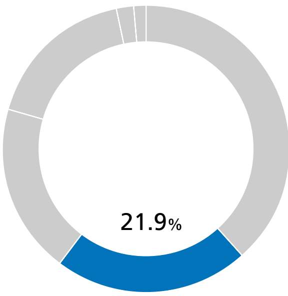
Nichirei Fresh Inc.

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.



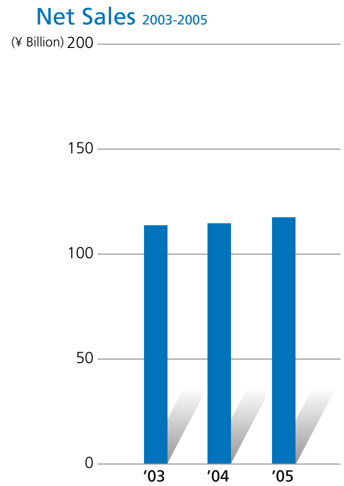
Logistics

% of Net Sales



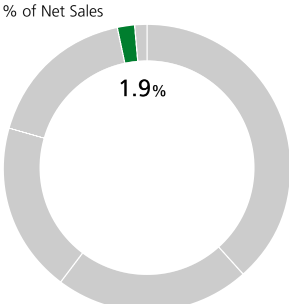
Nichirei Logistics Group Inc.

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. With market share that ranks No. 1 in Japan and No. 4 worldwide, Nichirei has secured a solid position in the refrigerated warehousing business.



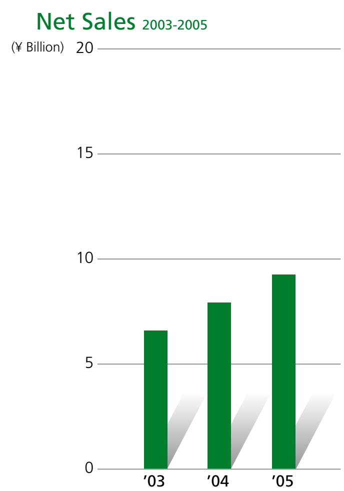
Real Estate

% of Net Sales



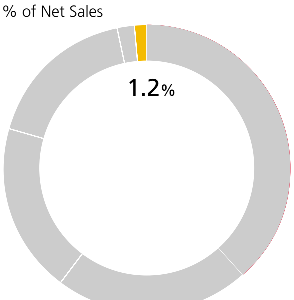
Nichirei Corporation

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, we develop and lease office buildings in large cities, as well as the development and sale of residential housing.



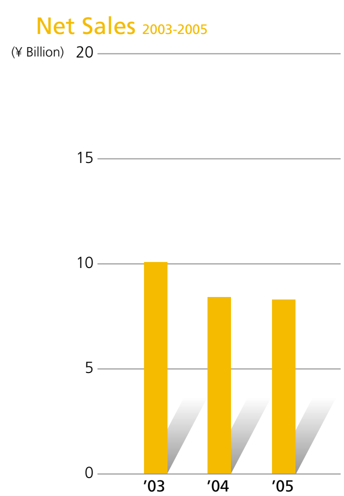
Other Operations

% of Net Sales



Nichirei Corporation
Nichirei Biosciences Inc.

Nichirei continues to nurture its bioscience 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 businesses, Nichirei engages in the development of rare and new species of orchids as well as developing mass propagation technologies and seedling cultivation technologies.



Note: For each segment, the percentage of sales figures are for outside customers, whereas the net sales figures include intra-group sales and transfers.

Message to Our Shareholders

Representative Director
and President
Mitsudo Urano

Representative Director
and Chairman
Takemoto Ohto

Two Initiatives for Achieving Sustainable Growth

In the past several years, Nichirei has focused on structural reform and has steadily guided the company onto a long-term growth course. In the fiscal year ended March 2005, we introduced two important initiatives to support the creation of new customer value and sustainable improvement in shareholder value. Nichirei is a company that provides food for consumers, but we cannot expect any significant growth in the Japanese population, and the existing population is rapidly aging while consumers' values are becoming increasingly diverse. Given these conditions, how can Nichirei achieve growth? We reflected our answers to this question in the two initiatives described below.

Shift to Holding Company System for greater functionality and clear accountability for profits

The first initiative was the introduction of a holding company system. We split Nichirei Corporation into a holding company with five operating companies underneath it. As of April 1, 2005, Nichirei Corporation has become a holding company whose main functions include proposing, determining, and implementing Group-wide strategies for realizing the Nichirei Group Vision as it is expressed in our Mission Statement, and monitoring overall Group management, including overseeing the appropriate distribution of management resources. The operating companies are Nichirei Foods Inc., which deals in processed foods; Nichirei Fresh Inc., which handles marine, meat, and poultry products; Nichirei Logistics Group Inc., which engages in low-temperature logistics, Nichirei Biosciences Inc., which does biotechnology-related business, and Nichirei ProServe Inc., which provides services for the Group.

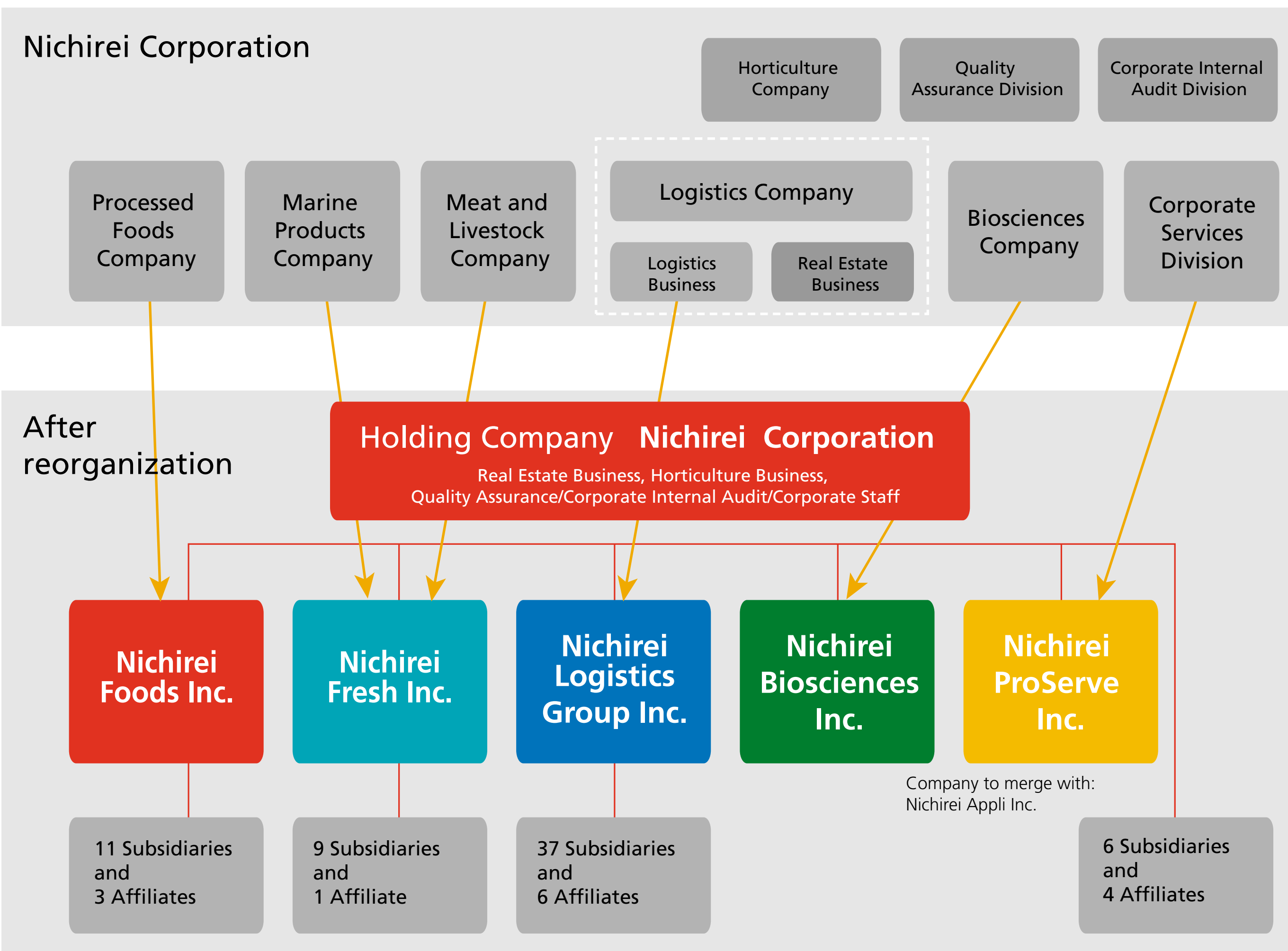
The Nichirei Group is a collection of businesses with different operational structures and different profit structures. We determined that the best way for us to create a more nimble and dynamic management base would be to transfer a good deal of executive authority to each operating company, and to clarify responsibility for profits, and this is what we have done with the establishment of our holding company system. In this way, we intend to establish a management base that can respond quickly not only to the kinds of domestic structural changes discussed above, but also to the increasing competition in food-related industries resulting from such factors as liberalized distribution and the entry of foreign-capital competitors into the domestic market.

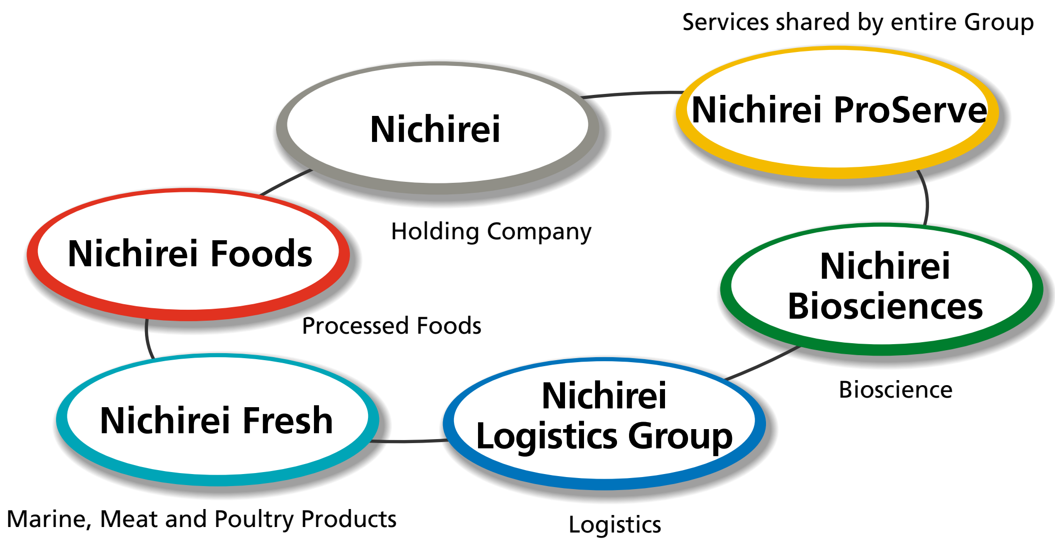
Our second initiative: a brand statement to serve as the source of our centripetal force

With our shift to holding company system, a great deal of executive authority was transferred to the operating companies. This leads to questions about what kind of identity Nichirei Group will maintain and how we will create new customer value. Our answer to these questions took the form of a brand statement to serve as the source of Nichirei's centripetal force. Ever since our founding, Nichirei has created customer value without compromising in the areas of "good taste" and "freshness," by using our unique networking capacity as a base for raw ingredient procurement, processing, and distribution in the domestic food industry. In our brand statement, we added "health" as a new dimension for the value that we seek to create.

In the future, we will use this brand statement as a foundation for corporate branding, which we will promote in order to build centripetal force for the Nichirei Group.

Corporate Units to Be Spun Off as of April 1, 2005, and Names of the New Companies to Be Formed





Brand Statement

Slogan

Networking "Good Taste" and "Freshness"

Text

Through uncompromising insistence on quality, accumulated technologies, new ideas, and total group networking, Nichirei delivers fresh and healthy good taste that fills dining tables with smiles

A Fruitful First Year for Our Medium-Term Plan

The fiscal year ended March 2005 marked the start of our new, three-year Medium-Term Plan. Our main goals were to use capital even more efficiently, to establish a slim and tough corporate constitution, speedily implement growth strategies for each business, and establish a group management system that can serve as a base for implementing operating strategies. We are pleased with our accomplishments in this first year covered by the new plan: we achieved many successes, both in numerical terms and in terms of enhancing our management structure and employee awareness.

Steady results through implementation of the strategies in our Medium-Term Plan

In terms of efficient use of capital, we established a cash-flow-conscious style of management throughout every level of the Group. As a result, we were able to reduce our balance of interest-bearing debt to 111.9 billion yen, or less than the amount called for in our plan. On the operating side, in Processed Foods, sales growth of frozen foods exceeded the pace of growth in the market (both household-use and industrial-use), because we focused on establishing brand groups and on product groups that already dominate the competition. This sales expansion improved capacity utilization in our production plants, which in turn lowered production costs. For Marine Products , we handled more highly-processed foods. For example, we started full-scale marketing of "Hone-Maru" fish products that can be eaten bones and all. Although we were not able to eliminate the division's operating loss in this way, we did improve profitability. In Meat & Poultry Products, we succeeded in further enhancing our product planning and networking capacities, which is where our strength lies. We experienced a surge in sales in our Logistics Network Business, which we position as the growth driver of our low-temperature logistics business, and we can now say that the Logistics Network Business has moved into a full-fledged growth phase. Overall, the Logistics division performed according to plan.

Financial performance for the fiscal year ended March 2005: by implementing our Medium-Term Plan, we came very close to achieving our sales target, but operating income declined slightly

On a consolidated basis, we achieved an effective increase in sales this term compared to the previous term, although operating income declined slightly. Our bottom line improved greatly, as we moved back into the black after posting a loss the previous year. As was mentioned earlier, we came very close to meeting our sales target for the first year of our Medium-Term Plan by following the policies outlined in the plan. Unfortunately, operating income fell slightly below target as we were unable to offset the harmful effects of external factors.

Our consolidated net sales decreased 7.1% from the previous year to 461,426 million yen. However, when we take into account the fact that Yukiwa Co., Ltd. is no longer treated as a consolidated subsidiary, whereas last term its sales were included in the consolidated results, we see that sales effectively grew by 4.2% compared to the previous term. Processed Foods sales were solid, and Meat & Poultry Products sales increased. When we consider segment changes and other changes that took place in Logistics, we see that there was a large increase in sales.

Meanwhile, consolidated operating income decreased 3.5%to 13,482 million yen. If we exclude the Yukiwa effect, the decrease was 1.6%. The primary causes for the drop were the effects on Processed Foods of higher raw ingredient prices, caused by avian flu and the discovery of BSE in U.S. beef, and a decline in acerola sales.

In the end, we posted a net income of 5,878 million yen for the fiscal year, which represents an improvement of 7,769 million yen compared to the previous year's net loss. The main reason for the difference was that this term we were no longer affected by last year's loss arising from the sale of real estate that was previously leased to the Kyoto Hotel.

Achieving Sustainable Growth in Shareholder Value

Achieving our targets for the final year of the Medium-Term Plan

We intend to do everything in our power to achieve our goals for the final year of the Medium-Term Plan. We view this achievement as an important milestone for the Nichirei Group's long-term growth and for the expansion of shareholder value. In our strategy for increasing sales and profits, Processed Foods and Logistics are positioned as drivers of growth, and for the most part this strategy generated the results that we expected in the Plan's initial year. We feel extremely confident that this strategy is on target. In the fiscal year ending March 2006, the second year of the plan, each of our operating companies is firmly determined and committed to achieving its objectives. By steadfastly implementing each policy in line with our strategy, we believe we can achieve the expected increases in sales and profits. The Nichirei Corporation, holding company will help management meet its targets by enhancing corporate governance, which includes monitoring each operating company's progress towards achieving its goals.

We aim to use the cash flow generated by increased profits for even further reduction of interest-bearing debt. Our goal is a consolidated balance of under 100 billion yen as of the end of this term, compared to 217.3 billion yen as of the end of March 1998. Once we achieve this, our debt equity ratio will be 1:1, which will put us very close to achieving the strength of fiscal constitution that we've been aiming for.

Achieving sustainable growth in shareholder value by continuously creating new customer value

The Nichirei Group has three core competencies: 1) discerning the quality of ingredients (select marine, meat and poultry ingredients), 2) technologies and marketing abilities for converting raw ingredients into good taste, good health, and pleasure, 3) safe and efficient distribution of food products.

As the food market continues to evolve, we intend to continue to create new customer value by refining these competencies even further, and by always fully meeting customer needs. In this way, we believe that we can achieve sustainable growth and bigger profits for the group as a whole, and greater shareholder value.

Going forward, we intend to focus on expanding shareholder value and give priority to investing free cash flow in operations that make efficient use of investment capital. In the past, our priority in terms of distributing profits to shareholders has been to maintain steady dividend payments even as we generated losses resulting from structural reform of our operations. In the future, as cash flow steadily expands, we believe that returning profits to shareholders will be as important as reducing interest-bearing debt. Toward that end, we intend to do our utmost to achieve sustainable growth and larger profits for the Group as a whole.

Takemoto Ohto

Representative Director and Chairman
Takemoto Ohto

M. Urano

Representative Director and President
Mitsudo Urano

Mitsudo Urano, Representative Director and President

Medium-Term Plan

Q Please outline Nichirei's current Medium-Term Plan, and tell us what progress has been made toward implementing it.

A Right now we're working on implementing a three-year business plan that covers fiscal 2004 (through March 2005) to fiscal 2006, so this past fiscal year was the first year. Our previous medium-term business plan had three main goals: improving capital efficiency, reducing interest-bearing debt, and achieving growth in our core operations (Processed Foods and Logistics). Of our three main goals, we came close to achieving our targets for improving capital efficiency and reducing interest-bearing debt. However, we were not able to achieve satisfactory growth in the core businesses of Processed Foods and Logistics. Based on our previous experience, our current Medium-Term Plan focuses on two goals. The first is to guide each business sector onto a rapid but steady growth course, while remaining conscious of capital efficiency and building a slim, tough group constitution. The second goal is to establish a group management system. The following table is an outline of our main operations and our strategies for each one.

Processed Foods	We will redefine this business domain with a focus on providing consumers with ready-to-serve foods. We will cultivate markets that we did not address sufficiently in the past and expand our operations, for example through chilled-foods development. Nichirei has been a pioneer in the development of acerola products in Japan; we will aim for major growth in sales by developing new applications and new products using acerola.
Marine Products	We will concentrate on our strongest products in order to use capital more efficiently, and we will build a corporate constitution that allows us to secure stable profits with relatively little vulnerability to market fluctuations.
Meat and Poultry Products	In addition to the differentiated, premium products that we have handled in the past, we will devote ourselves to the development of processed foods for retailers and restaurants, from the customers' perspective.
Logistics	We need to adapt to changes in the business environment. For example, our customers have transferred their production bases overseas and have concentrated their warehouse locations based on supply chain management principles. Also, recent reforms in domestic logistics have led to an increase in business opportunities originating at the middle and the end of the distribution channel. We want to take advantage of these opportunities and prepare the infrastructure we need in order to offer new services.

The table below shows the numerical targets that we have established for our main businesses, and for the Nichirei group as a whole, based on the developments above. In the fiscal year ended March 2005, there was some variation in the degree of achievement among business sectors, due to outside factors such as BSE (mad cow disease) in U.S. beef, and avian flu.

(in billions of yen except per share amounts)

	Mar. 2004	Mar. 2005 (targets)	Mar. 2005 (actual)	Mar. 2006 (targets)	Mar. 2006 (Revised targets)	Mar. 2007 (targets)
Net sales	¥ 496.6	¥ 477.0	¥ 461.4	¥ 514.0	¥ 486.0	¥ 537.0
Processed Foods	170.0	176.9	178.5	187.1	186.2	195.0
Marine Products	91.0	109.2	89.9	112.5	93.5	115.5
Meat and Poultry Products	75.8	76.6	84.7	83.7	84.1	86.6
Logistics	113.8	121.8	116.6	138.5	131.3	148.0
Operating income	13.9	14.0	13.4	17.0	16.3	20.3
Processed Foods	6.5	6.8	5.5	7.7	7.0	8.8
Marine Products	(0.8)	1.1	(0.6)	1.3	0.3	1.6
Meat and Poultry Products	1.1	0.8	0.7	1.0	0.9	1.0
Logistics	5.1	4.7	5.1	6.8	6.8	8.5
Net income	(1.8)	5.0	5.8	8.2	7.3	10.7
Net income per share	(6.28)	16.11	18.45	26.43	23.52	34.47
Interest-bearing debt	124.3	120.0	111.9	Less than 110.0	Less than 100.0	Less than 97.0

*As of April 1, 2005, we switched to a holding company system. Because of this, each segment will have to shoulder a share of the group management expenses and other expenses generated by the holding company. Therefore, each segment's operating income for the fiscal years ending in March 2006 and 2007 will decline relative to the fiscal year ended March 2005. The operating income figures in the table above were adjusted to reflect these cost levels as they were in the fiscal year ended March 2005.

Nevertheless, I think we can cite various results that we achieved this fiscal year that are not apparent from the numbers above.

Processed Foods	We aggressively sold Nichirei's specialty products to households, businesses, and other appropriate markets. As a result, sales of both household-use and industrial-use products grew faster than the overall market. The increase in sales led to increased capacity utilization, which in turn lowered our production costs.
Marine Products	We started manufacturing and selling our "Hone-Maru" series of fish products that can be eaten bones-and-all. We got off to a good start with our shift toward high added-value operations.
Meat and Poultry Products	We increased the proportion of sales of high-profit products to 50% of total sales. These products are made from specially selected ingredients.
Logistics	We succeeded in guiding the company onto a growth track led by our Logistics Network Business, which we have positioned as a growth area. We also managed to stop the declining trend in income from our Regional Storage Business, and realized effective increases in sales and profits.

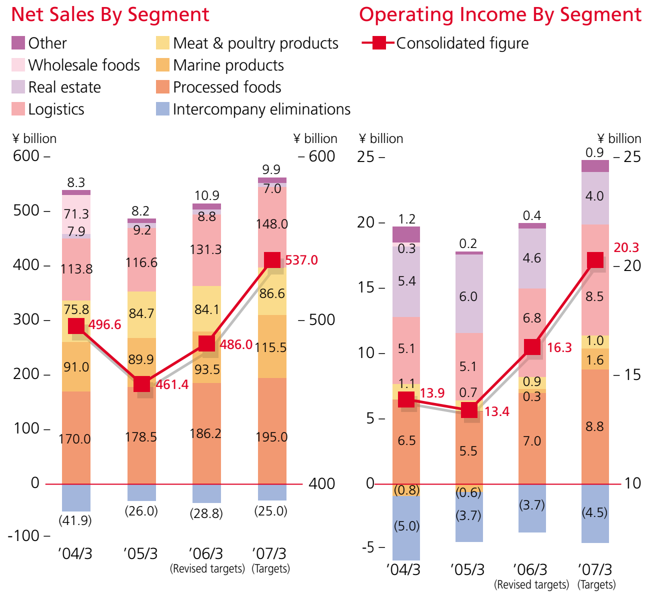
Another mainstay of our Medium-Term Plan is the establishment of a group-wide management system that supports the implementation of our business strategies. We are satisfied with the degree to which each division established an autonomous management system for realizing sustainable growth, while keeping in mind the environment and other social issues, and remaining aware of capital efficiency. This was accomplished through initiatives like moving to a holding company system, formulating and announcing a brand statement, and launching corporate social responsibility (CSR) projects. Thanks to activities like these, we believe there was a real change in the awareness of each and every employee as we geared up for the start of our holding company system on April 1, 2005.

Q It seems Nichirei is somewhat behind schedule in achieving its numerical targets. Does this change the plan for full implementation of the Medium-Term Plan?

A This fiscal year, we were not able to meet our numerical targets in some divisions due to outside forces. However, from the standpoint of basic strategy, we largely performed as expected, and we feel satisfied with our achievements. Therefore, we will maintain our existing basic strategies and focus. By steadily implementing these strategies, we intend to achieve our targeted record-high profits in the fiscal year ending March 2007, the final year of this Medium-Term Plan.

The table on page 9 shows our sales and profit goals for the fiscal year ending March 2006. Taking into account that we fell behind in the Plan's first year, we lowered our operating income target somewhat compared to the level in the original plan.

We intend to achieve increases in sales and profits on the strength of our core operations -- Processed Foods and Logistics. In Processed Foods, sales have kept growing, while increasing plant utilization has continued to lower manufacturing costs. In addition, we expect a major increase in profit now that the cost of raw chicken meat has come down, after being inflated due to avian flu. In Logistics, we expect to achieve sales and profit growth according to our Medium-Term Plan, led by growth in the Logistics Network Business and supported by recovery in the Regional Storage Business. The Marine Products business is affected by the problems of diminishing resources and intensifying global competition over supplies. Our plan is to narrow our product line and expand our line of high added-value products. By doing so, we feel sure that we can improve our profitability.



Q What are the main features of your operational strategies for boosting sales and profits in the future?

A In the following section of this report, the directors responsible for each operation's profits will explain in detail the strategies and measures by which we plan to expand sales and profits in each business. Therefore, I want to focus my own discussion on the direction of our growth strategies for core operations, both in the current Medium-Term Plan and with an eye toward future developments.

The goal of the Nichirei Group is "the creation of new customer value." We will aim to achieve this in our core operations as follows.

In our Processed Foods business, we see "creating health value" as the driving force behind medium-term growth. In Japan, the birth rate is declining, the population is aging, and the frozen foods market has already matured. On the other hand, consumers are increasingly concerned with health, and we expect this to lead to the formation of a new market. We want to create customer value by contributing to good health through daily diet. Specifically, we want to make the most of our expertise in areas like the manufacture of "ingredient-guaranteed foods," cultivated through the production of specialty foods for diabetics, and expand our operations through products like good-tasting, healthful, high added-value foods that are ready to serve.

In our Marine Products and Meat and Poultry Products businesses, too, Nichirei's growth depends on the extent to which we can focus on the value of health and create new value for consumers by offering them high-quality foodstuffs. We intend to increase the proportion of premium business, which entails developing new materials that stimulate demand from consumers, and making effective use of outsourcing providers through our networks in Japan and overseas.

In our Logistics business, competition has intensified due to the shrinkage of demand for domestic storage. Our best opportunity for growth lies in meeting increasing outsourcing demand from downstream customers, such as retailers and restaurants who are ready to use outsourcing to achieve greater distribution efficiency. So this is what we are focusing on. We aim to build up the overall scale of our low-temperature logistics business by expanding our Logistics Network Business, which offers customers the opportunity to greatly increase their distribution efficiency by sharing third-party distribution infrastructure. As we establish systems that provide the benefits of scale, we will also aim to reap synergistic effects from our Logistics Network Business and Regional Storage Business.

Corporate Social Responsibility (CSR) and Increasing Shareholder Value

Q Please explain your ideas about Nichirei's corporate social responsibility.

A So far, Nichirei has been a pioneer in the Japanese food industry. We have created products and services that truly serve people in their lives and deliver outstanding quality. Our goal as a corporate group has been to help people achieve healthy and satisfying lifestyles. In order to realize our goals and fulfill our mission, we believe it is essential that our corporate group continually earn the trust and support of all stakeholders, including not just consumers, but business partners, shareholders, and employees.

Based on this way of thinking, we designated this fiscal term as Nichirei's "CSR Year 1" and initiated "CSR Promotion Projects." In order to fulfill our corporate social responsibilities, we reviewed our past activities from six standpoints and considered our vision for the future of the Nichirei Group's CSR. These six standpoints were: legal compliance, corporate governance, customer value, employee job satisfaction, concern for the environment, and contributions to society.

One of the most important themes for Nichirei to consider in the future is environmental preservation. Because our core businesses are the manufacture, sale, storage and distribution of food products based on frozen storage technologies, it is inevitable that we impact the environment in various ways. We intend to continue to work actively, as we have in the past, to minimize that impact through a variety of activities such as waste reduction, recycling, energy conservation, and working toward zero emissions.

One of the most important ways that we contribute to society is by supporting people's health. We already contribute to consumers' health through food, and we also intend to support a variety of sports, which, along with food, is another important element that supports human health.

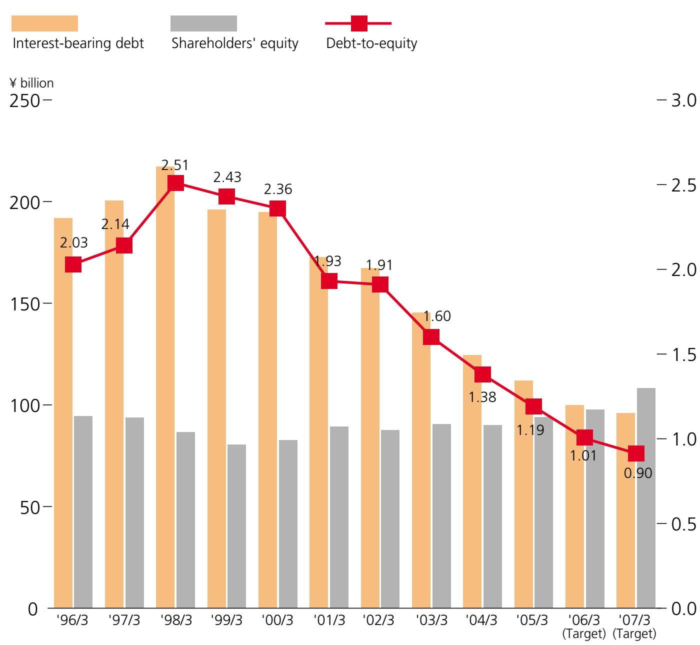
In addition, we intend to create mechanisms that promote thorough legal compliance, including an internal reporting system. Our goals include appropriate information disclosure and fulfillment of our corporate social responsibility.

Q What are your thoughts on maximizing shareholder value?

A First of all, the Nichirei Group works to maximize shareholder value by offering consumers value in the form of foods that are good-tasting, fresh, and healthy. We believe that in order to maximize value for Nichirei shareholders, it is most important that we provide outstanding-quality products and services by creating a slim and tough corporate structure, using capital efficiently, implementing thorough cost reductions on a group-wide basis, concentrating management resources in our strongest business fields, and making the most of our unique technologies and expertise. We believe that the holding company system that we introduced on April 1, 2005 is the system that can best enable us to realize these goals by clarifying who is accountable for achieving profits.

Assuming that we achieve our targets for the fiscal year ending March 2006, our consolidated interest-bearing debt will be 100 billion yen with a debt/equity ratio of 1:1. We believe that once we have reduced our interest-bearing debt to that point, we will have ample leeway for returning free cash flow to shareholders.

Reduction of Interest-Bearing Debt



Processed Foods

We are developing a new brand strategy that starts with "Creating health value." As we pursue greater profitability and capital efficiency, we will continue to work hard at reducing costs.

Nichirei Foods Inc.
Mitsudo Urano, President

Basic Strategies

Achieve growth by changing the focus of the Processed Foods domain to ready-to-serve dishes

- In the market for frozen, pre-cooked foods for household use, establish solid brands like "*Obento*-ni-Good (Good for Bento *Boxed* Lunches) Series" and develop product groups that emphasize high value-for-money, like the "Joto Series," in order to avoid getting drawn into price competition.
- In the market for frozen, pre-cooked foods for industrial use, increase market share and achieve high growth by pushing into market segments (like the restaurant and institutional meal service sectors) where our share has been low due to insufficient marketing despite the fact that we dominate in terms of quality.
- Cut overall costs. Focus on production of best-selling products in order to improve facility utilization rates and reduce manufacturing costs. Review manufacturing processes, product by product. Improve coordination between sales and production functions, in order to reduce production and distribution expenses.
- Enter the growing market for chilled foods.

Acerola: establish a brand and product lineup that no competitor can match; expand sales by introducing non-beverage products.

Major Policies and Measures for Implementing Our Medium-Term Plan as of This Term

Expand sales by increasing our share of the market for frozen, prepared foods for industrial use

We will continue to strive to expand sales by focusing on frozen, prepared foods for industrial use. We will work harder at developing market segments where we did not push hard in the past despite having strong products. For example, we can offer pork cutlets for use by institutional meal services. By expanding our market share, we aim for sales growth of 5% in the fiscal year ending March 2006.

Boost profitability by improving capacity utilization rates at plants that process foods for home use

In the market for home-use foods, fierce competition continues to force retailers to mark down prices. Given this environment, we are placing priority on improving profitability by boosting capacity utilization at our group's production plants. Specifically, we will actively invest in promoting sales of product groups that we select for reinforcement. By boosting sales of these products, we can improve capacity utilization rates at our processing plants. Also, we will create opportunities for dialogue with customers, such as a new section about nutritional education on Nichirei's web site, and promote Nichirei brands that provide a high degree of customer satisfaction.

Use "health" as a starting point for tapping new markets

In addition to the values that Nichirei has traditionally offered — "safety and reliability," "good taste," and "freshness" — we intend to develop products that incorporate an additional value: "helping to maintain health through everyday foods." In this way, we hope to develop new markets. For example, we used

Market and Industry Trends

- The amount that the average Japanese spent on frozen, pre-cooked household-use foods declined 2.7% compared to the previous year. Due to intense competition over sales, products were discounted more frequently, and sales promotion expenses increased.
- The Japanese food market has become increasingly polarized into one sector that emphasizes price and another that emphasizes quality.
- Imports of raw poultry from Thailand and China are still prohibited due to the effects of avian flu. Although this caused the price of raw poultry to soar temporarily, supplies from other sources have increased and prices have settled down.
- There is a growing trend toward the formation of alliances, operational tie-ups, and M&As as the food industry strives to respond to increasingly diverse and complex consumer needs.
- Amid soaring medical costs, both the government and the private sector are shifting their sights from treating disease to preventing it. Accordingly, there is rapidly increasing demand for preventing obesity and lifestyle-related diseases.

the expertise we gained by producing ingredient-guaranteed foods for diabetics and calorie-counters to launch a series of delicious, healthy meals called "Kikubari Gozen" last December, and we will work on expanding sales of this product group.

Reduce costs by boosting equipment utilization and consolidating production lines

Higher capacity utilization rates at group plants and lower production line costs are the keys to boosting profitability. We have made good progress toward consolidating production of our best-selling products and expanding sales of products selected for reinforcement, and we will continue to pursue these strategies. One of the objectives in our Medium-Term Plan is to increase our group-wide facility utilization rate by 63%, and we intend to achieve this one year ahead of schedule. In addition, we will build and operate systems for unified control of raw materials used at our group's production plants as part of our drive to construct appropriate production control systems and thoroughly implement cost-cutting measures. At the same time, we will widen our lead over the competition in terms of product quality, through more efficient operation.

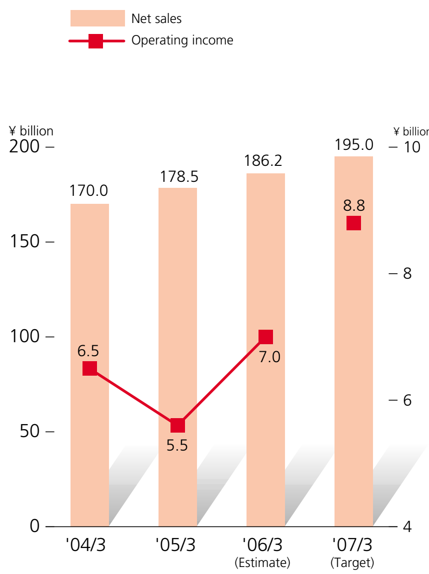
"*Obento*-ni-Good" Series

Increase acerola sales by expanding our product line

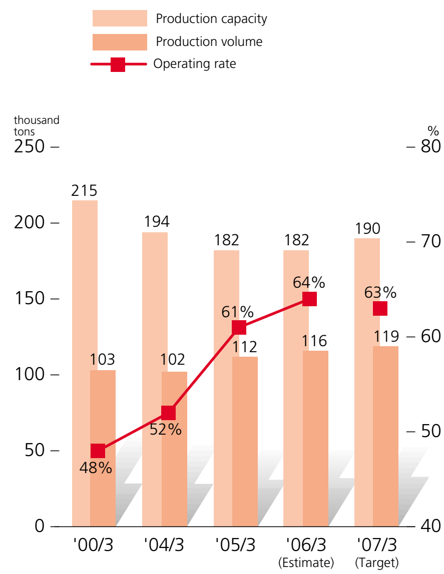
"Kikubari Gozen" Series

Nichirei was the first company to introduce acerola products in Japan. We have achieved impressive results from our acerola brand, which mainly consists of beverages. In the year ended March 2005, however, low-cost look-alike products appeared in the market, which forced us to take a defensive stance. In the future, we intend to fight back by emphasizing antioxidant and other benefits of acerola, in order to distinguish our products and increase sales.

Net Sales and Operating Income of Processed Foods



Production Capacity and Production Volume at Plants in Japan



2005 Performance

- In the market for frozen, pre-cooked foods for household use, we identified specific items whose reinforcement we deemed to be high priority, and we expanded sales of these by actively investing sales promotion expenses. Processed meats, rice dishes, and Chinese ready-to-serve dishes sold well, with sales increasing by 3.4% over the previous year.
- In the market for frozen, pre-cooked foods for industrial use, we concentrated investment of resources in business sectors and product groups where we are already strong, and increased our market share. Sales grew 8.7% year on year but operating income declined, largely because of higher raw ingredient costs.
- Our acerola business marked its 20th anniversary. Sales declined 11.0% as low-cost competitors grabbed market share. Operating income also fell.
- Net sales by segment as a whole amounted to 178.548 billion yen, an increase of 5.0%. However, operating income decreased by 5.581 billion yen. Improved capacity utilization by the group's production plants resulted in savings of 1.1 billion yen, exceeding the target in our Medium-Term Plan, but we still fell short of the Plan's profit goal, largely because BSE in U.S. beef and avian flu caused raw meat and poultry prices to soar.

Logistics

Amid continued reorganization in this industry, our first task is to build an organization that is big enough to allow us to realize merits of scale as a low-temperature distribution company. As part of this process, we will expand high value-added services, including focusing on the Logistics Network Business that we have positioned as a growth area. By cutting costs at the same time, we intend to improve capital efficiency and increase profits.

Nichirei Logistics Group Inc.
Toshiaki Murai, President

Basic Strategies

In response to strong demand for new types of logistics services at every stage from upstream to downstream, including more efficient systems and shared distribution services, reinforce the Logistics Network Business that we have positioned as a growth area.

- Work to develop new 3PL accounts
- Establish transfer centers that do not store inventories; provide new functions like our Pre-Distribution Centers; increase utilization of delivery vehicles; achieve greater capital efficiency by making it possible for multiple customers to share transfer centers
- Expand services and capacity by strengthening alliance with Meito Transportation Co., Ltd.

Meet local customer needs and improve cost competitiveness in Regional Storage Business

- Enhance local collections; provide meticulous service by making quick decisions
- Shift to lower-cost constitution
- Expand business opportunities by tying up with our Logistics Network Business

Develop overseas business

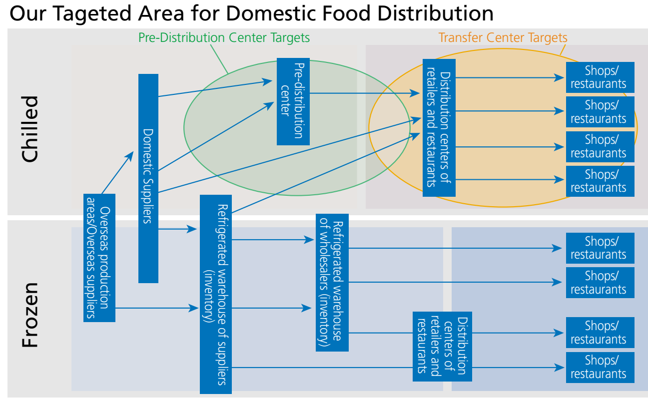
- Expand European low-temperature logistics business into Eastern Europe
- Expand transport business in Shanghai

Major Policies and Measures for Implementing Our Medium-Term Plan as of This Term

Establishment of a highly competitive transport business model

The Logistics Network Business is a growth area where we will accelerate our shift from a business model in which Nichirei's assets are the source of profits to a transport business model in which we provide new value by serving every phase of the distribution channel. Nichirei has many years of experience in operating transfer centers for retail businesses. Our strengths are the reliable quality of the logistics we provide, and our ability to provide optimal solutions. Going forward, we will expand our field of business to include intermediate food distribution and deliveries to retail outlets and restaurants, where there is growing demand for new types of logistics services. Also, a system that is overwhelmingly surperior in terms of combining customers and operations and achieve rapid growth by providing a variety of services that meet customer needs. For example, Nichirei operates a Pre-Distribution Center that allows chilled food manufacturers to share logistics infrastructure used for delivering products to retailers' transfer centers. Also, because the Pre-Distribution Center and the retailers' transfer centers operate during different hours, we use the same trucks as are used for store deliveries. This combining of various services and enabling multiple customers to share facilities and vehicles is our response to our customers' need for lower-cost logistics services.

Our Tageted Area for Domestic Food Distribution



Market and Industry Trends

- There is great demand for processed food logistics reform, in areas ranging from intermediate distribution to distribution aimed at leading supermarket and restaurant chain outlets. In this growth market, competition is intensifying between logistics vendors and food wholesalers.
- In Japan's 12 largest cities, the value of inventories in refrigerated storage increased by about 2% from the previous term, but the average inventory ratio fell 0.3 point from a year earlier.
- Import volumes continue to fall due to the stoppage of beef imports from the U.S. and of raw poultry imports from Thailand and China.

Logistics Network Business expanding nicely despite delay in progress

The driving force behind the expansion of sales is the operation of transfer centers, whereby we deliver an assortment of chilled processed foods, meat, vegetables, and other perishables to stock the shelves of individual retail outlets. Our track record has been recognized by a wide range of customers, including not only major retailers but regional supermarkets, major home meal replacement providers and buying cooperatives. In this second year of our Medium-Term Plan, the transfer centers that we opened the previous year continued to function throughout the year . Our sales have also been steadily growing in other business fields, especially those related to the frozen temperature zone that is our specialty, and we anticipate a year-on-year increase of 9.8 billion yen, or 18%. However, we are somewhat behind schedule in achieving our growth targets, both in terms of receiving new orders for transfer centers and in terms of starting up the new transfer center that was already ordered. Overall, it does not look like the Logistics Network Business will reach the sales and operating income goals cited in our Plan for the year through March 2007.

Big improvement in the profitability of our Regional Storage Business thanks to more local sales and lower costs

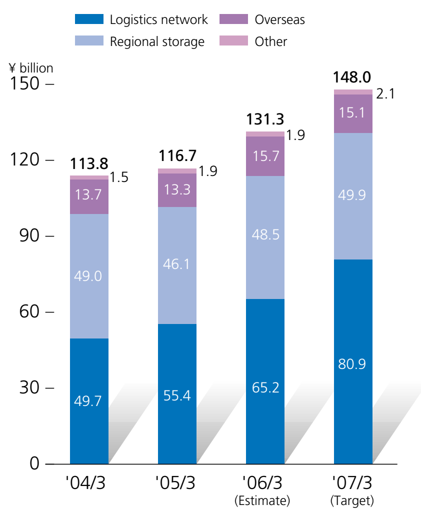
The Regional Storage Business is a field that has already matured, but thanks to improved profitability, its operating income recovered beyond the expectations in our Plan and made up for the delay in progress by the Logistics Network Business. Sales also increased as each regional company worked hard to tailor sales efforts to local customers. In the future, we aim to continue our policy of providing meticulous service that meets the needs of local markets and customers, at rates that are competitive with local players, and thereby boost our cargo collection capacity. We will also improve capital efficiency through such steps as consolidating our refrigerated warehouses. Thanks to these efforts, we expect to make up for the lagging progress of the Logistics Network Business so that the Logistics segment as a whole will post 8.5 billion yen in operating income, which is our Medium-Term Plan's target for the year ending March 2007.

Europe: gearing up for more business in Eastern Europe
Asia: expanding within China

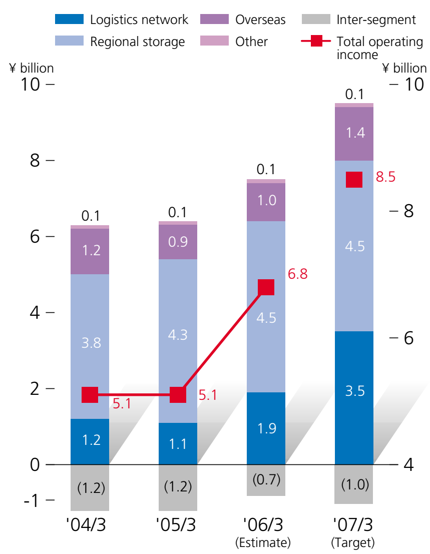
Our European business, centered in the Netherlands, has moved into the black in the past few years. From this base, we intend to expand into all of Europe. In light of changes to European logistics in recent years resulting from EU unification and economic development in Eastern Europe, we acquired a refrigerated base in Poland. We plan to use this base for stepping up our activities in Eastern Europe and for moving into Russia.

Meanwhile, in China, we continue to develop the transport business model that we started up in Shanghai after establishing a track record for it in Japan. Going forward, we are considering the spread of this business model to other parts of China.

Sales by Sub-segment of Logistics



Operating Income by Sub-segment of Logistics



2005 Performance

- Transfer centers for major mass retailers are the mainstay of our Logistics Network Business. We opened eight new ones in seven locations, and net sales grew 11.6%. However, due to the cost of opening the new centers, operating income declined by 11.2%.
- In our Regional Storage Business, net sales declined 6.1%, but if we discount the effects of structural reorganization (segment changes within our Chugoku regional foods division and the sale of our Kyushu regional foods division), we achieved an effective 2.5% increase in sales, due in part to new freight collections achieved by boosting local sales. As a result of spinning off local companies, fixed expenses shrank while operating efficiency improved, resulting in a 13.2% increase in operating income.
- In Europe, we did not have last year's one-time logistics demand resulting from preferential tax treatment of chicken imports. Moreover, storage fees fell in some areas due to increased competition. As a result, sales declined 2.6% and profit declined 27.5%.

Marine Products, Meat and Poultry Products

Based on the motto, "creating value for consumers, starting from raw ingredients," Nichirei will continue to make full use of its networking strength and product planning and development capacities to introduce one premium, high added-value product after another. By increasing the proportion of sales of such products, we aim to improve profitability and capital efficiency.

Nichirei Fresh Inc.
Masahiro Ara, President (left) Toshio Aoki, Executive Vice-President (right)

Marine Products

Basic Strategies

Changing our corporate constitution so we can secure steady profits

- Work harder at selling to downstream businesses such as retail stores, buying cooperatives, delis, and restaurants
- With high-quality "premium products" as a base, concentrate on developing and marketing processed foods that are designed with the consumers' convenience in mind

Major Policies and Measures for Implementing Our Medium-Term Plan as of This Term

Dispose of leftover inventories; secure operating profits

Unfortunately, our Marine Products Business ended up posting its second consecutive operating loss in the fiscal year ended March 2005. The main reasons for that poor performance were prolonged suspension of octopus fishing and small octopus catches, and a poor environment for crab sales due to the huge earthquake in Niigata Prefecture in October, resulting in a large volume of unsold inventories. In order to restore operating income this term, we will work on disposing of inventories left over from the previous year. Also, it seems that profit margins for shrimp, which are mostly used in highly processed foods, will continue to be firm. We are also expecting our crab business to be profitable on an operating income base, as its margins are improving.

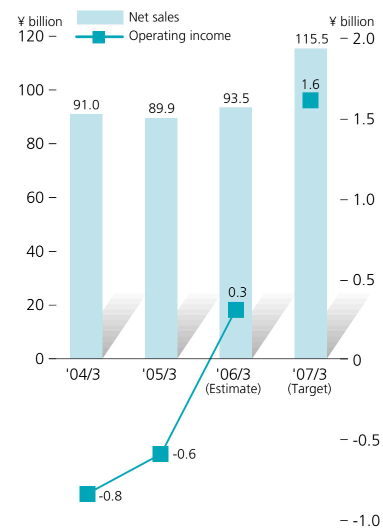
Boost profitability and capital efficiency by handling a higher proportion of highly processed foods

Because the domestic market is not growing, Nichirei must either provide products that no one else can supply, or products that meet the needs of downstream users. Offering these types of products gives us an advantage because they differ from products that can be purchased from any competitor and are relatively unaffected by market fluctuations.

An example of the type of product that we are emphasizing is the "Hone-Maru" series. These original Nichirei products use a special type of pressure-processing that makes it possible to eat whole fish, bones and all, while enjoying the taste. This group of products has attracted a great deal of favorable attention both in Japan and abroad. We will continue to handle products other than processed foods and premium marine products, but we will control inventories of such products more carefully than in the past, and we will work to use capital more efficiently by reducing the amount of capital that we devote to them.

" Hone-Maru" Series

Net Sales and Operating Income of Marine Products



Market and Industry Trends

- As demand expands in the world market, competition to procure certain kinds of fish has intensified. Small catches of octopus and certain other marine products have resulted in higher prices in producing areas.
- In the Japanese market, the trend toward declining consumption is continuing. In 2004, nationwide per-household expenditures for fish and shellfish fell by 4.0% compared to the previous year.

2005 Performance

- Shrimp sales fell 1.7% because we restricted procurement of Southeast Asian shrimp for which retail prices have been falling. Nevertheless, our shrimp business stayed in the black.
- Sales of raw marine products fell 0.1% as the volume of octopus shipments received continued to decline due to small catches. Another factor behind the decline was deterioration in the market for crab.
- In our overall Marine Products Business, net sales declined by 1.2%, because we concentrated on procuring and handling our best-selling products as domestic retail prices fell and procurement prices rose. We handled more high-added-value products -- processed foods and premium marine products -- but not enough to make up for the drop in overall sales. Therefore our Marine Products Business was unable to climb out of the red.

Meat and Poultry Products

Basic Strategies

Continually develop and introduce differentiated, premium meat and poultry ingredients

Develop processed products for retailers and restaurants, primarily through joint development with them

Major Policies and Measures for Implementing Our Medium-Term Plan as of This Term

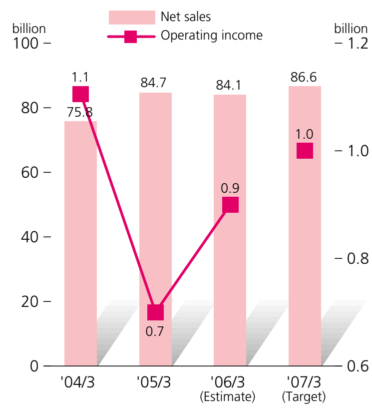
Further expand sales by developing ingredients with "health value" as an additional keyword

Nichirei does not simply procure raw materials and resell them. Based on the concepts of "good taste, safety, reliability, health, and friendliness to the environment," we plan, develop, and sell premium meat and poultry ingredients. Because consumers are increasingly concerned with maintaining good health, we have added "health value" to the list of keywords that we will keep in mind as we plan and develop products in the future. We have already developed products designed to promote health maintenance, such as pork with an ideal proportion of fatty acids, and chicken raised without antibiotics. However, we aim to expand profits by introducing products developed with an even stronger awareness of these keywords.

Improve capital efficiency by further strengthening Nichirei's capacities for networking, planning, and development

Our business depends on our ability to work with producers and processors who can help us turn our ideas into products. Our capital efficiency rate is high because we use outsourcing rather than owning our own means of production and processing. Going forward, we will continue to conduct systematic training of personnel, especially in the area of planning, in order to further strengthen our capacities for networking, planning, and development, and in order to continue to increase capital efficiency. For example, we will enhance employees' ability to make presentations that accurately explain products to customers.

Net Sales and Operating Income of Meat and Poultry Products



Market and Industry Trends

- Market prices for meat and poultry, particularly for imports, have fluctuated wildly due to prolonged restrictions on imports of beef from the U.S. (because of BSE) and poultry from East Asia (because of avian flu)
- Consumer expectations for the safety, reliability, and healthfulness of meat and poultry products are higher than ever

2005 Performance

The volume of U.S. beef imports that we handled declined due to the suspension of imports, but we made up for that drop with domestic beef and Australian beef, and net sales increased 1.5%.

- Because of avian flu, poultry imports from Thailand, China, and Indonesia were suspended. As a result, the volume of imported poultry that we handled dropped sharply, but sales of domestic poultry used as a substitute rose nicely, and overall sales increased 1.5%.
- Sales of both domestic and imported pork grew sharply, as pork was used to replace beef. Sales increased 27.9%.
- In all, meat and poultry sales rose 11.7%, but because of the higher cost of procuring poultry, operating income fell 36.3%.

Corporate Social Responsibility

In order to answer the needs of society, the Nichirei Group declared the fiscal term ended March 2005 to be the start of a new level of corporate social responsibility. In order to fulfill our corporate responsibilities to society, we examined our track record and reconsidered our future stance in relation to six areas: 1) legal compliance, 2) corporate governance, 3) customer value, 4) employee job satisfaction, 5) concern for the environment, and 6) contributions to society. Below we explain our policies and current status regarding environmental preservation and social contributions.

Environmental Preservation

Nichirei views environmental preservation as an important issue. At Nichirei, our fundamental policy on the environment is to effectively use and protect resources, and to preserve the Earth's environment. To support this policy, we established the following guidelines: reduce our business activity's impact on the environment, strengthen environmental preservation measures by building an environmental management system, and comply with environmental laws, regulations, and other legal requirements.

Implementation of Environmental Measures

■ Reduction of Waste Products

Until the fiscal term ended March 2004, our goal was to reduce the volume of final waste disposal at our food production plants and logistics service centers to 70% of the amount generated in the fiscal year ended March 2000, by the fiscal term that will end March 2011. Now we aim to achieve that target by March 2007, while our goal for March 2011 is zero final waste disposal. This term, three of our food production plants (including Nichirei Foods' Funabashi plant) and four logistics service centers reached the goal of zero final waste.

■ Reduction of Carbon Dioxide Emissions

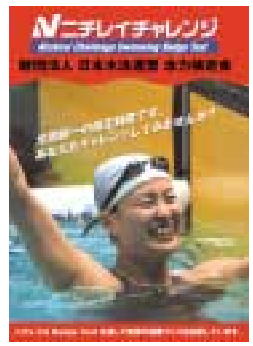
By March 2011, the Nichirei Group aims to reduce carbon dioxide emissions from its food processing plants to 385 kg per ton of product output, which is 15% below the rate of generation from the fiscal year ended March 2000.
One way in which we strive to reduce carbon dioxide emissions is by shifting away from reliance on trucks in favor of mass transport methods like railway containers and ships, which use less energy and generate less pollution. In the future, we intend to make use of ferries. Also, in our low-temperature logistics business, we installed solar power generation equipment in one of our new logistics service centers. We plan to continue to introduce a variety of environmental protection measures in the future.

Contributing to Society

As a food manufacturer, we believe that the Nichirei Group's biggest contribution to society is that we support consumers' health by providing them with safe, reliable products. As the Japanese population ages more and more, we know that exercising is as important as eating nutoritious food for the maintenance of a healthy lifestyle. We intend to make a major contribution to the health of the Japanese people by supporting a variety of sports-related activities.

■ Support for testing of swimming ability

Swimming is a popular sport that contributes greatly to the health of the Japanese people. There are reportedly 30 million swimming fans in Japan alone. The Japan Swimming Federation has introduced a system for testing swimming ability according to uniform standards. To date, the Federation has held more than 660 testing events. We support these swimming tests because we believe they encourage widespread, lifelong participation in swimming.



The Nichirei Challenge Swimming Badge Test.

■ Support for women's soccer team

Since February 2005, Nichirei has been the uniform sponsor for NTV Beleza, a women's soccer team in Japan's L-League. The number of women who play soccer in Japan is still small, but the Japanese Football Association (JFA) has made boosting of women's soccer a priority measure, and we believe that the number of female soccer players will increase greatly in the future. As part of Nichirei's support for Beleza, Nichirei sponsors soccer clinics taught by Beleza athletes. Through activities like these, Nichirei hopes to help generate more enthusiasm for women's soccer.

Corporate Governance

Core Philosophy

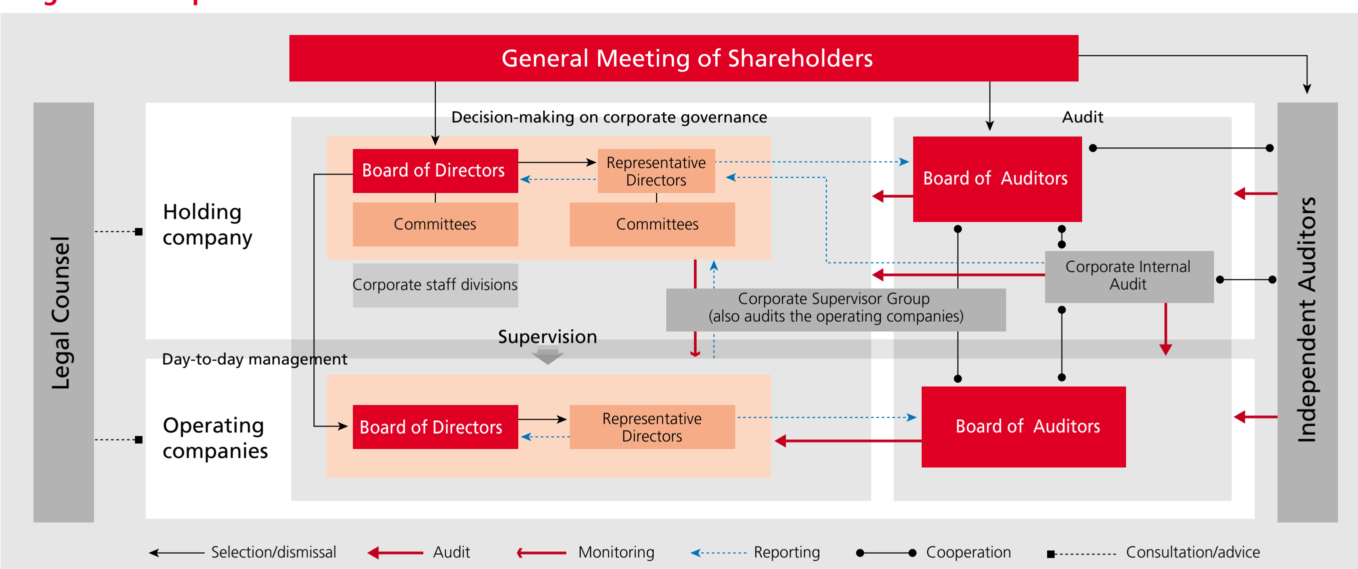
We at Nichirei recognize that one of the most important items on our business agenda is to strengthen our corporate governance to maximize Nichirei's corporate value. To further strengthen the systems of directors and auditors, we changed the limit on the number of members of the Board of Directors, as specified in the articles of incorporation, from no more than 15 to no more than 11, and increased the number to be appointed from outside the company by two. Also, we shortened the term for directors from two years to one year so as to clarify directors' responsibilities and establish a system that allows the company to react quickly to changes in business conditions. Through these efforts, Nichirei has established an organizational structure that separates day-to-day management from governance responsibilities, makes its business more transparent and enforce legal compliance.

In conjunction with the transition to a Company Holding Structure in April 2005, we strengthened our internal control functions by establishing a "Corporate Supervisor Group," in addition to the "Corporate Internal Audit" that is responsible for auditing group companies. The members of the "Corporate Supervisor Group" are also non-standing auditors of the operating companies who, as outside evaluators familiar with the operating companies, monitor the operating companies' progress on business strategies, report the results to the management of the holding company, and provide business management support.

Corporate Governance Structure and Policies

Company with Committees system or Company with statutory auditor system	Company with statutory auditor system
Selection of outside directors	No. of outside directors: 3 (up 2 from the previous year)
Structure of day-to-day management and corporate internal auditing	Group ethics committee: Convened by the committee chairperson Group environmental protection committee: Convened by the committee chairperson Group quality assurance committee: Convened by the committee chairperson Management committee: Meets every Tuesday Group risk management committee: Convened by the committee chairperson Intellectual property management committee: Convened by the committee chairperson
Risk management structure	Establishment of risk management committee Establishment of internal reporting system Audits of group companies by "Corporate Internal Audit"
Internal audits, audits by auditors, and financial auditing	No. of "Corporate Internal Audit" members: 10 (up 4 from the previous year) Establishment of "Facility Audit" in "Corporate Internal Audit" No. of outside auditors: 2 (up 1 from the previous year) Independent auditors: Ernst & Young ShinNihon Auditors and corporate internal audit group: Meet once a month
Strengthening of compliance and corporate ethics	Town hall-style CSR meetings: 24 times during the fiscal year (941 participants) Establishment of group committee on personal information protection (permanent)
Improvement of quality assurance levels	Establishment of provisions on group quality management

Diagram of Corporate Governance Structure



Selected Financial Data

Nichirei Corporation and Consolidated Subsidiaries
For the years ended March 31

	1996	1997	1998
Income Statement Data (¥ million)			
Net sales	¥ 561,453	¥ 591,190	¥ 594,469
Cost of sales	467,698	496,187	498,618
Gross profit	93,775	95,003	95,850
Selling, general and administrative expenses	83,474	86,521	89,636
Operating income	10,280	8,481	6,214
Income (loss) before income taxes and minority interests	4,763	4,946	(3,414)
Net income (loss)	219	1,977	(5,172)
Balance Sheet Data (¥ million)			
Total assets	¥ 382,004	¥ 388,613	¥ 393,032
Property, plant and equipment-net	174,763	179,701	176,254
Interest-bearing debt	191,767	200,632	217,322
Long-term liabilities	126,300	131,091	137,078
Total liabilities	287,477	294,715	306,342
Shareholders' equity	94,526	93,898	86,689
Other Selected Data (¥ million)			
Capital expenditures	¥ 17,456	¥ 19,213	¥ 12,158
R&D expenditures	2,107	2,189	2,530
Depreciation and amortization expenses	14,494	14,504	15,357
No. of common shares outstanding	310,845,905	310,848,485	310,851,065
Per Share Data (¥, shares)			
Net income - basic	¥ 0.70	¥ 6.36	¥ (16.63)
Net income - fully diluted		(data prior to 2000 not prepared)	
Cash dividends	7	6	6
Shareholders' equity	304.09	302.07	278.88
Financial Ratios (%, times)			
As a percent of net sales:			
Gross profit	16.70%	16.07%	16.12%
Selling, general and administrative expenses	14.87	14.64	15.08
Operating income	1.83	1.43	1.05
Income before income taxes and minority interests	0.85	0.84	(0.57)
Net income	0.04	0.33	(0.87)
Return on equity	0.2	2.1	(5.7)
Current ratio	1.02	0.98	1.00
Debt-to-equity	2.03	2.14	2.51

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

1999	2000	2001	2002	2003	2004	**2005**
¥ 571,775	¥ 569,482	¥ 560,006	¥ 558,191	¥ 563,440	¥ 496,611	**¥ 461,426**
477,692	465,641	456,121	458,708	461,318	401,101	**372,589**
94,082	103,840	103,884	99,482	102,121	95,510	**88,836**
86,036	86,866	85,287	85,466	83,845	81,533	**75,354**
8,046	16,973	18,596	14,016	18,275	13,976	**13,482**
2,406	7,979	6,503	5,235	9,377	(3,817)	**10,830**
233	4,326	4,020	4,062	5,216	(1,891)	**5,878**
¥ 365,838	¥ 370,623	¥ 367,770	¥ 353,385	¥ 330,703	¥ 284,700	**¥ 276,417**
168,812	178,716	172,943	167,277	158,893	126,767	**116,963**
195,994	194,840	172,704	167,439	145,394	124,388	**111,984**
130,157	143,392	120,043	100,062	119,515	92,055	**88,399**
284,777	287,008	277,229	264,728	238,925	194,010	**181,779**
80,567	82,624	89,395	87,649	90,666	90,176	**94,007**
¥ 11,103	¥ 31,310	¥ 11,672	¥ 10,282	¥ 9,537	¥ 6,848	**¥ 6,397**
2,554	2,339	2,238	2,294	2,279	2,090	**2,075**
15,572	16,547	14,003	13,570	12,767	11,904	**11,139**
310,851,065	310,851,065	310,851,065	310,851,065	310,851,065	310,851,065	**310,851,065**
¥ 0.74	¥ 13.91	¥ 12.93	¥ 13.06	¥ 16.16	¥ (6.28)	**¥ 18.45**
	13.87	12.93	13.05	16.08	-	**-**
6	6	6	6	6	6	**6**
259.18	265.80	287.58	282.00	291.46	290.38	**302.50**
16.45%	18.23%	18.55%	17.82%	18.12%	19.23%	**19.25%**
15.05	15.25	15.23	15.31	14.88	16.42	**16.33**
1.41	2.98	3.32	2.51	3.24	2.81	**2.92**
0.42	1.40	1.16	0.94	1.66	(0.77)	**2.35**
0.04	0.76	0.72	0.73	0.93	(0.38)	**1.27**
0.3	5.3	4.7	4.6	5.9	(2.1)	**6.4**
1.00	1.06	0.83	0.78	0.98	1.06	**1.17**
2.43	2.36	1.93	1.91	1.60	1.38	**1.19**

Management's Discussion and Analysis

Operations

Business Environment

In the first half of the fiscal year ended March 2005, the Japanese economy recovered as improvement in corporate earnings drove capital spending higher and the employment situation gradually improved. In the second half, however, a series of natural calamities and inclement weather dampened consumer spending and a surge in oil prices left uncertainties hanging over the economy.

In our business area, the food industry, consumers have strongly sought safe and reliable products and services in light of the unresolved problems with avian flu in East Asia, including Japan, and bovine spongiform encephalopathy (BSE, also known as mad-cow disease) in U.S. beef. Companies have also come to be tested in every aspect, including what they are doing to protect the environment, fulfill their social responsibilities, and contribute to society.

Overview

We are currently working on a group Medium-Term Plan that started with this fiscal year and ends in fiscal 2006. Under this plan, our aim is to establish a slim yet strong structure so as to use our capital efficiently. In this fiscal year, Nichirei delegated substantial authority to operating companies to give them more autonomy and clearer P&L responsibilities. The logistics business was reorganized to encompass two units, the logistics network business (a growth area) and the regional storage business (a maturing area). As a result, employees had a greater sense of participation in the Company's operations and earnings in the regional storage business improved.

To steadily provide safe and reliable products, we worked to establish a comprehensive quality assurance system that covers everything from product development and raw materials procurement to production and sales. We also strove to improve product quality groupwide by establishing provisions for the group's product quality management.

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. It was reclassified as an equity-method affiliate of the Company and excluded from consolidation. This had a negative impact on the change in consolidated sales and operating income from the previous fiscal year (hereafter referred to as the impact of Yukiwa Co., Ltd.).

Net sales for this fiscal year decreased 7.1% from the previous year to ¥461,426 million (US$4,295.9 million), but excluding the impact of Yukiwa Co., Ltd., sales increased by 4.2%. Revenue was higher in the processed foods, meat and poultry products, and logistics businesses. However, revenue in the wholesale foods business fell by ¥71,360 million (US$664.3 million) because of the impact of Yukiwa Co., Ltd.

Operating income fell 3.5% from the previous year to ¥13,482 million (US$125.5 million). The operating income margin improved from 2.8% to 2.9%. Operating income in the processed foods business declined because of higher costs for key materials stemming from the outbreak of avian flu and discover of BSE-afflicted cows in the U.S., while in the real estate business, operating income increased from gains in sales of properties. Excluding the impact of Yukiwa Co., Ltd., groupwide operating income was down by only 1.6%.

Among the key cost items, the cost of goods sold (COGS) fell 7.1% from the previous year to ¥372,589 million (US$3,468.8 million). The impact of Yukiwa Co., Ltd. reduced the COGS ratio by 1.1 percentage points, but an increase in materials costs and other procurement costs as a result of avian flu and BSE resulted in an overall decline in the COGS ratio by only 0.1 percentage point.

Selling, general and administrative expenses declined by 7.6% to ¥75,354 million (US$701.5 million). Selling expenses slipped 0.7% to ¥44,340 million (US$412.8 million), but excluding the impact of Yukiwa Co., Ltd., they rose 5.4% mainly because of heavy spending to promote sales, primarily of prepared frozen foods for the household market. General and administrative expenses declined by 15.9% to ¥31,014 million (US$288.7 million), but excluding the impact of Yukiwa Co., Ltd. they fell by 8.7%, mainly because of a decline in retirement benefit expenses related to the amortization of unrecognized actuarial loss.

Performance by Segment

Processed Foods

	2004.3	2005.3	Change (%)
Net sales	¥ 170,048	¥ 178,548	5.0
Operating income	6,521	5,581	-14.4
Operating income margin	3.8%	3.1%	

(yen in millions)

During the fiscal year, net sales in the processed foods division rose 5.0% to ¥178,548 million (US$1,662.3 million). Thanks to the *Obento*-ni Good (Good for Bento) series of products for boxed lunches, featuring foods containing no preservatives, coloring or artificial flavoring, priority and new products among our prepared frozen foods for the household market did well and made further inroads in the market. Our efforts to diversify our sales channels included expanded sales of Gravy Hamburg, a product developed for the institutional market in cooperation with a leading foreign company, into the food service channel and the sale of our Hotto Suru Okazu series of food products in prepared foods channels.

Operating income in the processed foods business fell 14.4% to ¥5,581 million (US$51.9 million) while the operating income margin also declined from 3.8% to 3.1%. Growth in sales contributed to increased capacity utilization for production plants and lower production costs, but costs for key materials increased because of avian flu and BSE in the U.S. In addition, marketing costs rose 8.6% owing to aggressive sales promotion efforts. Distribution costs also increased as a result of higher costs for packaging materials stemming from the surge in oil prices.

(a) Prepared frozen foods for the household market

Amid a 2.7% contraction in the overall household market for prepared frozen foods, sales promotion costs increased because of the increased frequency of discount sales brought on by intense sales competition.

Even in these challenging market conditions, brisk sales of our core *Obento*-ni Good products contributed to sales in this business, which rose 3.4% from the previous year.

(b) Prepared frozen foods for the industrial market

Sales of prepared frozen foods for the industrial market rose 8.7% from the previous year.

Sales rose considerably as sales of processed chicken products rebounded sharply in the second half, and sales of Gravy Hamburg, a processed meat product, increased again. Cooked-rice products and Chinese foods also did well.

(c) Agricultural products

Sales of agricultural products rose 4.5% from the previous year.

Sales of hashed potato, soybean, and broad beans grew. Blueberry and mango fruit cups also sold well.

(d) Acerola

Sales in the acerola business declined 11.0% from the previous year.

Despite efforts to increase product value by announcing research results on new benefits of acerola, sales of mainstay our Acerola Drink, which comes in cans and PET bottles, were sluggish.

Marine Products

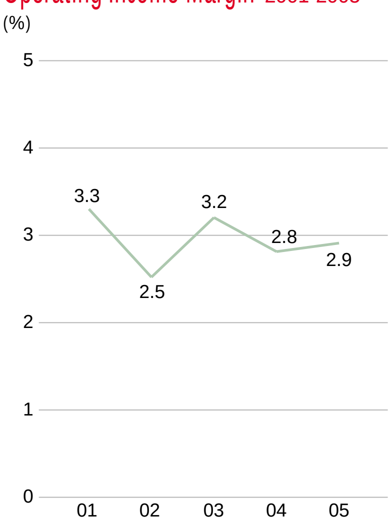
	2004.3	2005.3	Change (%)
Net sales	¥ 91,048	¥ 89,998	-1.2
Operating income	-853	-626	-
Operating income margin	-%	-%	

(yen in millions)

In the marine products business, demand growth in the worldwide market (mainly the U.S., the EU, China, and Russia) and a meager octopus catch pushed up prices of overseas marine products, but domestic sales prices remained weak. Domestic spending per household on seafood in 2004 slipped 4.0% from the previous year.

Sales in the Company's marine products business slumped 1.2% because Nichirei limited its core products to octopus and crab in light of the decline in domestic sales prices and a spike in procurement prices. We put effort into developing and selling processed food products as well as high-value added, gourmet items with safety, reliability, freshness and deliciousness as key concepts; introduced a Hone-Maru series of processed fish products that can be eaten whole, including the bones; newly established a marine products business promotion group in April 2004 and expanded the offerings in this area, but these initiatives were insufficient to offset the decline in overall sales. Operating losses in the marine products business totaled ¥626 million (US$5.8 million), an improvement from the year-ago of ¥853 million (US$7.9 million), but short of a full-fledged recovery.

Operating Income Margin 2001-2005



Meat and Poultry Products

	2004.3	2005.3	Change (%)
Net sales	¥ 75,891	¥ 84,745	11.7
Operating income	1,188	757	-36.3
Operating income margin	1.6%	0.9%	

(yen in millions)

In the meat and poultry products business, market prices for meat and poultry, especially imports, fluctuated substantially, as the Japanese government continued to prohibit imports of U.S. beef on concerns about BSE and imports of chicken from East Asia because of avian flu.

Under these conditions, we worked to introduce and sell such gourmet items as Omega Balance Pork and Label Rouge Organic Chicken. To stabilize supplies of processed products, we expanded our procurement channels by working with more government-approved factories in China and using more domestic products, mainly lightly processed pork products.

Sales of pork rose by a strong 27.9% on demand for substitutes for U.S. beef. Sales of beef increased 14.6%, as the prohibition on imports of U.S. beef was more than offset by domestic and Australian beef. Sales of chicken inched up 1.5%, as the prohibition on imports because of avian flu was offset by domestic and cooked and processed Chinese chicken. As a result, sales in the meat and poultry products business rose 11.7% from the previous year to ¥84,745 million (US$788.9 million). Operating income in the business, however, declined 36.3% to ¥757 million (US$7.0 million) as a result of higher chicken costs stemming from avian flu.

Logistics

	2004.3	2005.3	Change (%)
Net sales	¥ 113,894	¥ 116,671	2.4
Operating income	5,120	5,199	1.5
Operating income margin	4.5%	4.5%	

(yen in millions)

In the temperature-controlled logistics industry, the volume warehoused in the 12 major cities increased by 2.2% to 10,506,000 tons, and the average overall inventory ratio fell 0.3 percentage point to 34.2%. The group's total volume warehoused increased 4.5% to 2,732,000 tons and the average overall inventory ratio fell 0.9 percentage point to 36.3%.

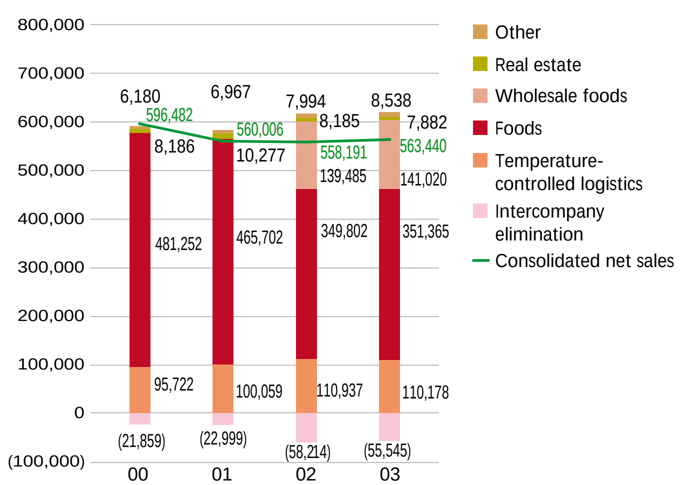
Imports of meat and poultry fell because of a prohibition on imports of U.S. beef on concerns about BSE and the continued ban on Thai and Chinese raw chicken imports precipitated by the outbreak of avian flu in East Asia. The volume of marine product imports declined from the previous year, despite expectations for a rise in demand for meat and poultry substitutes. The volume of agricultural product imports increased after the ending of voluntary restrictions on spinach imports from China due to residual pesticides.

In this environment, sales in the logistics business increased 2.4% to ¥116,671 million (US$1,086.2 million) and operating income rose 1.5% to ¥5,199 million (US$48.4 million).

Excluding the impact of a split-off of the food products business in April 2004 as part of a reorganization of the logistics business, sales in the business climbed 6.3%.

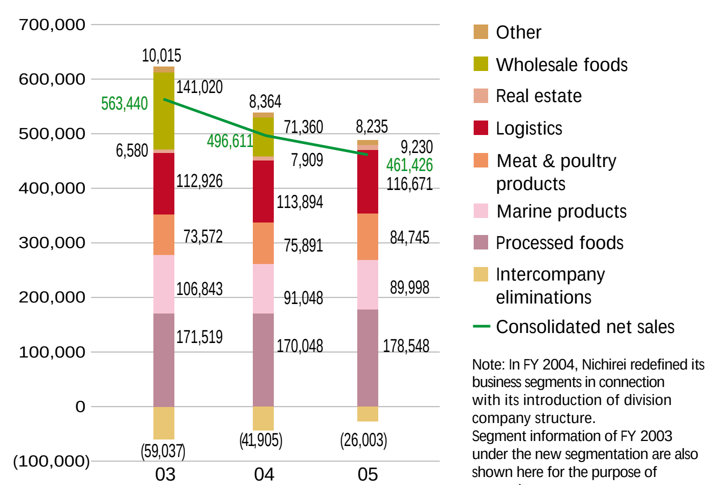
Net Sales by Segment 2000-2003

(¥ Million)



Net Sales by Segment 2003-2005

(¥ Million)



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.

(a) Logistics network business

Sales in the logistics network business increased 11.6% to ¥55,414 million (US$515.9 million) but operating income fell 11.2% to ¥1,110 million (US$10.3 million).

Sales growth was strong thanks to the construction and startup of seven distribution centers and eight projects serving leading retailers, a core source of sales and earnings, but operating income declined because of the initial costs for the new centers.

(b) Regional storage business

Sales in the regional storage business declined 6.1% to ¥46,069 million (US$428.9 million) but operating income climbed 13.2% to ¥4,297 million (US$40.0 million). Excluding the impact of a change in the segment classification of the Chugoku food products business and the sale of the Kyushu food products business, sales effectively increased 2.5%.

Sales declined in the Tokyo harbor area as a result of the prohibition on imports of U.S. beef, but operating income increased thanks to successful consolidations of new cargo resulting from localized sales efforts in other areas and reduced fixed costs and streamlined operations following the split-off of regional companies.

(c) Overseas business

Sales from our the overseas business declined 2.6% to ¥13,285 million (US$123.6 million) and operating income dropped 27.5% to ¥867 million (US$8.0 million).

In the transport segment, the amount of imported chicken handled rose substantially in the previous year because of tax incentives. The absence of this factor led to lower sales and operating income in the business in this fiscal year. In the refrigerated warehousing business, the volume of fruit juice handled rose, but the loss of a major shipper as a customer and intensified competition hurt rates and led to a decline in sales.

Real Estate

	2004.3	2005.3	Change (%)
Net sales	¥ 7,909	¥ 9,230	16.7
Operating income	5,444	6,032	10.8
Operating income margin	68.8%	65.4%	

(yen in millions)

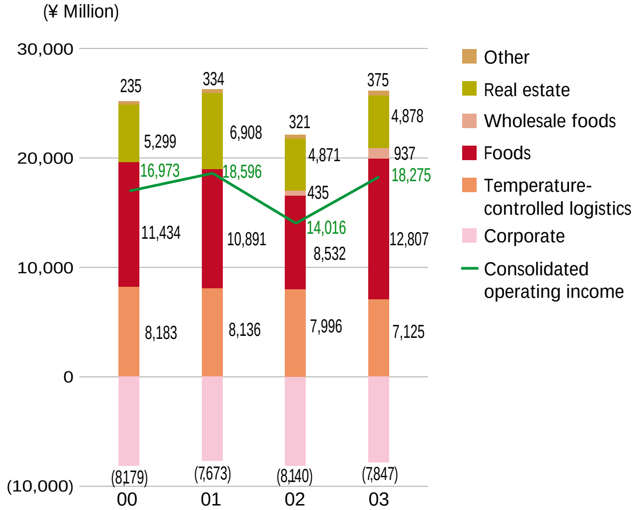
In the real estate business, we tried to stabilize income by effectively using the Group's assets, mainly those from the logistics business and the former sites of facilities for fringe-benefit use by employees, strengthening the competitiveness of our rental office buildings, and expanding the real estate leasing business. The sale of land in Kyoto and in Takasaki, Gumma prefecture contributed substantially to results in the business.

Sales rose 16.7% from the previous year to ¥9,230 million (US$85.9 million) and operating income climbed 10.8% to ¥6,032 million (US$56.1 million).

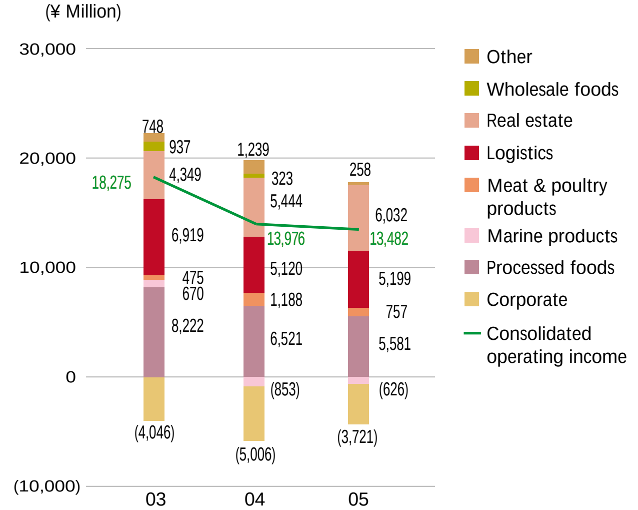
(a) Real estate sales

In the real estate sales business, we sold a total of 21 lots for houses and eight other sections of land.

Operating Income by Segment 2000-2003



Operating Income by Segment 2003-2005



(b) Real estate rentals

In the real estate rental business, we started renting out land in Naka-ku in Yokohama using commercial land lease rights and retail space on the first floor of a condominium building in Chuo-ku in Sapporo. We also sold the rental office building annex of The Kyoto Hotel in Kyoto's Chukyo-ku.

Other Businesses

	2004.3	2005.3	Change (%)
Net sales	¥ 8,364	¥ 8,235	-1.5
Operating income	1,239	258	-79.1
Operating income margin	14.8%	3.1%	

(yen in millions)

Net sales at Tengu Company, Inc. declined considerably because concerns about BSE in U.S. beef led to a sharp decline in production of beef jerky, a core product. Even with a reduction in fixed costs, it still posted an operating losses.

In the biosciences business, sales and income declined as a result of sluggish sales of functional materials such as raw materials for cosmetics and despite strong demand for reagents and industrial cell-culture media.

Subsidiary Nichirei Shoji Co., Ltd., which had been included as part of the "other" segment until the previous fiscal year, was dissolved and Hokuyo Nichirei, which was split off as a new company as part of the reorganization of the logistics business, became part of the "other" segment. These two companies had a combined positive impact of ¥1,125 million (US$10.4 million) on sales and a negative impact of ¥654 million (US$6.0 million) on operating income. As a result, sales in the "other" segment declined 1.5% to ¥8,235 million (US$76.6 million) and operating income dropped 79.1% to ¥258 million (US$2.4 million).

Other Income and Expenses

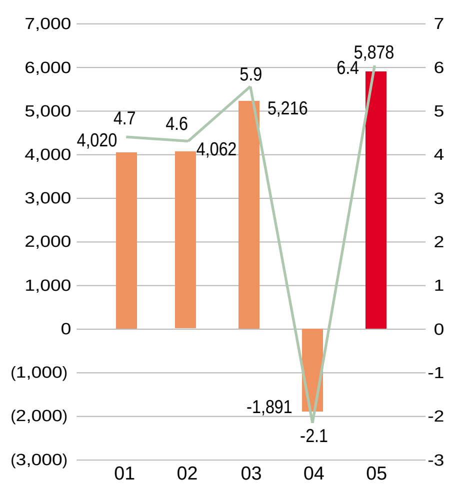
The net amount of other income and expenses this fiscal year was a loss of ¥2,651 million (US$24.6 million), compared with a loss of ¥17,794 million (US$165.6 million) the previous year. The loss narrowed substantially thanks to the absence of losses on sales of property, plant and equipment, namely the land and building leased to The Kyoto Hotel, Ltd., which was the main reason for the loss the previous year. Equity in earnings of affiliates totaled ¥1,423 million (US$13.2 million) thanks to the reclassification of RY Food Service Limited as an equity-method affiliate and an improvement in results at other affiliates. Gains on investment securities sold to reduce interest-bearing debt totaled ¥1,288 million (US$11.9 million). These factors contributed to the substantial decline in net other expenses.

Income before Income Taxes and Net Income

As a result of the above, income before income taxes and minority interests totaled ¥10,830 million (US$100.8 million), versus a loss before income taxes and minority interests of ¥3,817 million (US$35.5 million) in the previous year, and net income was ¥5,878 million (US$54.7 million), versus a loss of ¥1,891 million (US$17.6 million) in the previous year. Net income per share was ¥18.45 (US$0.172), compared with a net loss per share of ¥6.28 (US$0.058) in the previous year. Return on shareholders' equity came to 6.4%, versus –2.1% in the previous year.

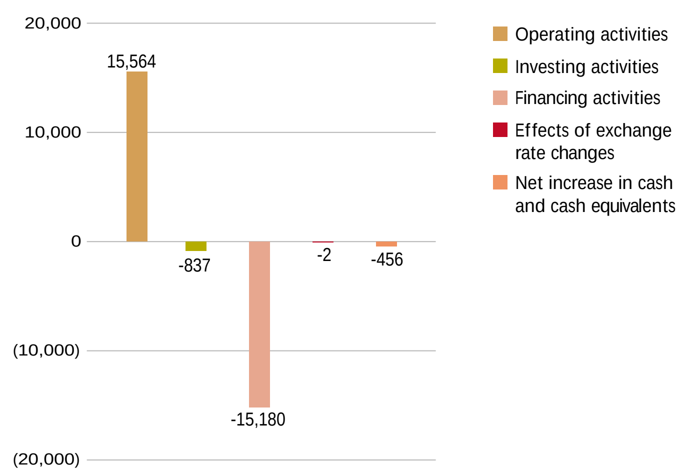
Net Income and ROE 2001-2005

(¥ Million / %)



Cash Flows 2005

(¥ Million)



Liquidity and Capital Resources

Net cash provided by operating activities this fiscal year increased ¥2,457 million (US$22.8 million) from the previous year to ¥15,564 million (US$144.9 million). The main reason was a swing to income before income taxes and minority interests of ¥10,830 million (US$100.8 million) from a loss before income taxes and minority interests of ¥3,817 million (US$35.5 million) in the previous fiscal year. Other factors included the absence of the previous year's refunds of deposits for rental office buildings and The Kyoto Hotel, Ltd. and a decline in taxes and other interim payments thanks to tax loss carryforwards stemming from the confirmation of losses on the dissolution of Nichirei Shoji Co., Ltd.

Net cash used in investing activities this fiscal year was ¥14,595 million (US$135.8 million), versus net cash provided by investing activities of ¥837 million (US$7.7 million) in the previous year. The main reasons for the decline were a drop of ¥8,609 million (US$80.1 million) from the previous year in proceeds from sales of property, plant and equipment and a decline of ¥6,246 million (US$58.1 million) in proceeds from sales of investment securities.

Net cash used in financing activities this fiscal year decreased ¥8,217 million (US$76.5 million) from the previous year to ¥15,180 million (US$141.3 million). As a result of increased asset sales to reduce interest-bearing debt, the amount of interest-bearing debt declined ¥12,404 million (US$115.4 million) to ¥111,984 million (US$1,042.5 million), lower than the target of ¥120,000 million (US$1,117.2 million). Fixed assets to long-term captal ratio declined from 96.9% at the end of the previous fiscal year to 91.9% 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 ¥419 million (US$3.9 million) from ¥1,790 million (US$16.6 million) in the previous year to ¥1,371 million (US$12.7 million) in this fiscal year thanks to a 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 ¥456 million (US$4.2 million) from the previous year to ¥3,087 million (US$28.7 million).

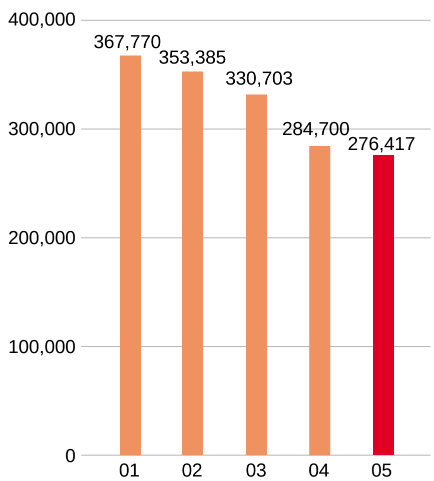
The Balance Sheet

This fiscal year, we reduced Nichirei's total assets by ¥8,283 million (US$77.1 million) to ¥276,417 million (US$2,573.4 million). The main reasons for the asset reduction include a decline in deferred tax assets related to the completed liquidation of a subsidiary and increased sales of property, plant and equipment and investment securities.

Current assets increased by ¥723 million (US$6.7 million) to ¥108,835 million (US$1,013.2 million). Notes and accounts receivable increased by ¥5,023 million (US$46.7 million) because of strong sales in the processed foods and meat and poultry segments. Inventories rose by ¥2,463 million (US$22.9 million) as a result of reclassifications from commercial land to real estate for sale and the resumption of imports of cooked and prepared chicken products. Deferred tax assets declined by ¥4,318 million (US$40.2 million) mainly as a result of the

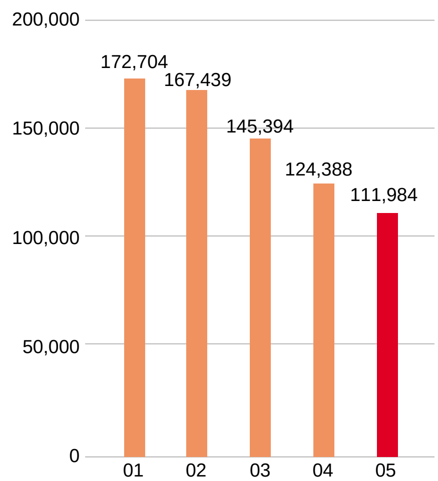
Total Assets 2001-2005

(¥ Million)



Interest-Bearing Debt 2001-2005

(¥ Million)



confirmation of losses on the dissolution of Nichirei Shoji Co., Ltd.

The amount of property, plant and equipment decreased by ¥9,803 million (US$91.2 million) to ¥116,963 million (US$1,088.9 million). Capital investment resulted in an increase of ¥4,900 million (US$45.6 million), but ¥9,700 million (US$90.3 million) in depreciation, ¥2,600 million (US$24.2 million) in sales of land and buildings, and ¥14,700 million (US$136.8 million) in assets reclassified as inventory contributed to the decline. Investments and other assets increased by ¥797 million (US$7.4 million) to ¥50,617 million (US$471.3 million). The amount of investment securities declined by ¥3,071 million (US$28.6 million) as a result of sales to reduce interest-bearing debt. Deferred tax assets increased by ¥1,804 million (US$16.7 million) as a result of tax loss carryforwards from the confirmation of losses on the dissolution of Nichirei Shoji Co., Ltd. Other assets rose by ¥1,763 million (US$16.4 million) owing to an increase in prepaid pension costs related to the transfer of employees in the logistics business.

The amount of total liabilities decreased by ¥12,230 million (US$113.8 million) to ¥181,779 million (US$1,692.3 million). The amount of interest-bearing debt declined substantially as a result of increased sales of property, plant and equipment and investment securities.

Current liabilities decreased by ¥8,574 million (US$79.8 million) to ¥93,380 million (US$869.3 million). Short-term bank loans declined by ¥2,224 million (US$20.7 million) and the current portion of long-term debt decreased ¥11,388 million (US$106.0 million) mainly because of redemption of the Company’s Series 14 unsecured bonds in November 2004 . Commercial paper, however, increased by ¥5,000 million (US$46.5 million).

Long-term liabilities decreased by ¥3,656 million (US$34.0 million) to ¥88,399 million (US$823.0 million). To keep our financing costs low and become more financially stable, we took out ¥4,500 million (US$41.8 million) in new long-term loans, but the overall amount of long-term debt declined by ¥3,792 million (US$35.3 million) because of a reclassification of ¥8,200 million (US$76.3 million) as the current portion of long-term debt.

The amount of total shareholders’ equity increased by ¥3,830 million (US$35.6 million) to ¥94,007 million (US$875.2 million). Retained earnings rose by ¥3,969 million (US$36.9 million) as the reduction from interim dividends and other appropriations of retained earnings for the previous year was more than offset by the increase from net income. Net unrealized holding gain on securities decreased by ¥356 million (US$3.3 million) as a result of sales of such securities. Shareholders’ equity as a percentage of total assets came to 34.0%, up 2.3 percentage points from the previous year.

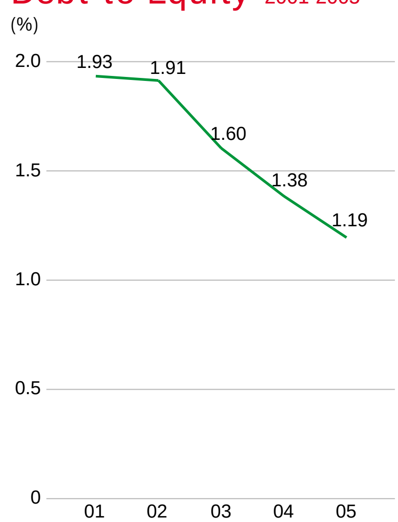
Significant Risk Factors Impacting Operating Results

Significant risk factors we can determine as of the end of March 2005 that could affect investors' investment decisions, of which some involve possible future developments, include the following:

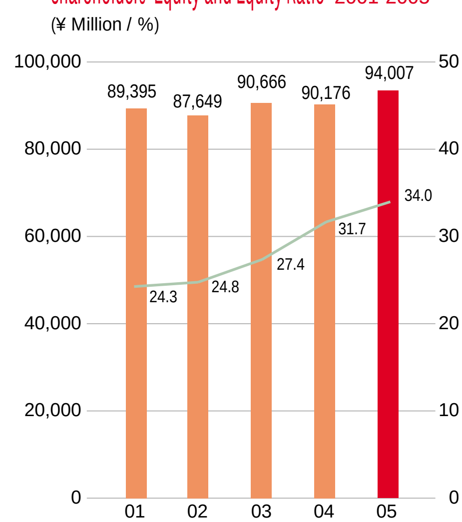
(1) Food safety issues

One of our primary businesses is the importation of food

Debt-to-Equity 2001-2005



Shareholders' Equity and Equity Ratio 2001-2005



products and materials from outside Japan. The Nichirei Group's consolidated results this fiscal year, as well as the previous 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. Basically, imports of processed chicken products and materials from East Asia were banned because of an outbreak of avian flu 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. Although spinach imports from China were resumed, the volume did not recover to previous levels because of the substantial impact of problems with 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 of frozen fish imports are also affected by prices and 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 have been affected considerably 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 flu. 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. With product safety and reliability as our highest priority, we are establishing a solid trace-back system that allows us to track down the origin of raw materials and setting up a team 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, 2004 and 2005

Assets	Millions of yen		Thousands of U.S. dollars (Note 1)
	2004	**2005**	**2005**
Current Assets:			
Cash and bank deposits	¥ 3,543	¥ **3,087**	$ **28,743**
Notes and accounts receivable - trade	59,127	**64,150**	**597,248**
Less allowance for doubtful accounts	(294)	**(285)**	**(2,654)**
Inventories (Note 3)	30,602	**33,065**	**307,844**
Deferred tax assets (Note 8)	7,779	**3,460**	**32,215**
Other current assets	7,354	**5,357**	**49,876**
Total current assets	108,112	**108,835**	**1,013,273**
Property, plant and equipment (Note 5):			
Land	33,607	**29,486**	**274,522**
Buildings and structures	192,534	**191,248**	**1,780,546**
Machinery and equipment	65,320	**64,911**	**604,331**
Construction in progress	177	**14**	**134**
	291,640	**285,660**	**2,659,534**
Less accumulated depreciation	(164,872)	**(168,696)**	**(1,570,586)**
Property, plant and equipment, net	126,767	**116,963**	**1,088,948**
Investments and other assets (Note 5):			
Investment securities (Note 4)	23,040	**19,969**	**185,916**
Investment in affiliates	7,428	**7,830**	**72,901**
Deferred tax assets (Note 8)	1,414	**3,219**	**29,969**
Other	19,093	**20,856**	**194,181**
Less allowance for doubtful accounts	(1,155)	**(1,257)**	**(11,709)**
Total investments and other assets	49,820	**50,617**	**471,259**
Total assets	¥ 284,700	¥ **276,417**	**$2,573,482**

The accompanying notes are integral parts of these statements.

Liabilities, minority interests and shareholders' equity	Millions of yen		Thousands of U.S. dollars (Note 1)
	2004	**2005**	**2005**
Current liabilities:			
Short-term bank loans (Note 5)	¥ 18,514	¥ **16,289**	$ **151,661**
Commercial paper	10,000	**15,000**	**139,651**
Current portion of long-term debt (Note 5)	19,575	**8,187**	**76,225**
Notes and accounts payables - trade	23,198	**24,563**	**228,692**
Income taxes payable	2,501	**1,648**	**15,343**
Accrued expenses	18,219	**18,615**	**173,314**
Other current liabilities	9,945	**9,075**	**84,497**
Total current liabilities	101,955	**93,380**	**869,385**
Long-term liabilities:			
Long-term debt (Note 5)	76,299	**72,506**	**675,048**
Directors' and employees' retirement benefits (Note 13)	3,542	**3,984**	**37,093**
Deferred tax liabilities (Note 8)	320	**391**	**3,647**
Other	11,892	**11,516**	**107,217**
Total long-term liabilities	92,055	**88,399**	**823,007**
Total liabilities	194,010	**181,779**	**1,692,393**
Contingent liabilities (Note 11)			
Minority interests	513	**630**	**5,872**
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, 2004	30,307	**-**	**-**
310,851,065 shares at March 31, 2005	-	**30,307**	**282,169**
Capital surplus	23,704	**23,705**	**220,700**
Retained earnings	31,525	**35,495**	**330,465**
Net unrealized holding gain on securities	4,890	**4,533**	**42,211**
Translation adjustments	(60)	**189**	**1,762**
Less treasury stock, at cost	(191)	**(224)**	**(2,093)**
Total shareholders' equity	90,176	**94,007**	**875,216**
Total liabilities, minority interests and shareholders' equity	¥ 284,700	¥ **276,417**	**$2,573,482**

The accompanying notes are integral parts of these statements.

Consolidated Statements of Operations

Nichirei Corporation and Consolidated Subsidiaries
For the years ended March 31, 2004 and 2005

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2004	**2005**	**2005**
Net sales	¥ 496,611	**¥ 461,426**	**$ 4,295,937**
Operating costs and expenses:			
Cost of sales	401,101	**372,589**	**3,468,856**
Selling, general and administrative expenses	81,533	**75,354**	**701,560**
	482,635	**447,944**	**4,170,416**
Operating income	13,976	**13,482**	**125,521**
Other income (expenses):			
Interest and dividend income	410	**288**	**2,681**
Interest expense	(2,198)	**(1,657)**	**(15,433)**
Other - net (Note 7)	(16,006)	**(1,282)**	**(11,935)**
	(17,794)	**(2,651)**	**(24,687)**
Income (loss) before income taxes and minority interests	(3,817)	**10,830**	**100,833**
Income taxes (Note 8):			
Current	4,415	**2,085**	**19,419**
Deferred	(6,406)	**2,779**	**25,877**
	(1,991)	**4,865**	**45,296**
Minority interests	65	**87**	**810**
Net income (loss)	¥ (1,891)	**¥ 5,878**	**$ 54,727**

Amounts per share:	Yen		U.S. dollars (Note 1)
Net income (loss):			
Basic	¥ (6.28)	**¥ 18.45**	**$ 0.172**
Diluted	-	**-**	**-**

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, 2004 and 2005

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2004	**2005**	**2005**
Common stock:			
Balance at beginning of year	¥ 30,307	¥ **30,307**	$ **282,169**
Balance at end of year	¥ 30,307	**30,307**	**282,169**
Capital surplus:			
Balance at beginning of year	¥ 23,704	¥ **23,704**	$ **220,693**
Gain from disposal of treasury stocks	-	**0**	**7**
Balance at end of year	¥ 23,704	¥ **23,705**	$ **220,700**
Retained earnings:			
Balance at beginning of year	¥ 35,872	¥ **31,525**	$ **293,504**
Net income (loss)	(1,891)	**5,878**	**54,727**
Cash dividends	(1,863)	**(1,862)**	**(17,342)**
Bonuses to directors and statutory auditors	(184)	**(45)**	**(424)**
Decrease due to change in ownership interest resulting from a merger of consolidated subsidiary	(408)	**-**	**-**
Balance at end of year	¥ 31,525	¥ **35,495**	$ **330,465**
Unrealized holding gain on securities:			
Balance at beginning of year	¥ 847	¥ **4,890**	$ **45,530**
Net change during the year	4,043	**(356)**	**(3,319)**
Balance at end of year	¥ 4,890	¥ **4,533**	$ **42,211**
Translation adjustments:			
Balance at beginning of year	¥ 107	¥ **(60)**	$ **(560)**
Net change during the year	(168)	**249**	**2,323**
Balance at end of year	¥ (60)	¥ **189**	$ **1,762**

The accompanying notes are integral parts of these statements.

Consolidated Statements of Cash Flows

Nichirei Corporation and Consolidated Subsidiaries
For the years ended March 31, 2004 and 2005

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2004	**2005**	**2005**
Cash flows from operating activities:			
Income (loss) before income taxes and minority interests	¥ (3,817)	¥ **10,830**	$ **100,833**
Depreciation and amortization	11,904	**11,139**	**103,708**
Provision for doubtful accounts	334	**140**	**1,306**
Provision for employees' retirement benefits	224	**377**	**3,513**
Equity in earnings of affiliates	(119)	**(1,423)**	**(13,250)**
Loss on devaluation of real estate held for sales	-	**942**	**8,777**
Loss on disposal of property, plant and equipment	512	**428**	**3,991**
Loss on devaluation of investment securities	253	**62**	**578**
Loss on devaluation of goodwill	-	**513**	**4,782**
Loss on discontinued operation	1,004	**118**	**1,107**
Adjustment on prior year loss on discontinued operations	-	**(161)**	**(1,503)**
Loss on futures contract	-	**158**	**1,474**
Expenses related to establishment of the holding company structure	-	**339**	**3,157**
Additional payment to withdraw from the welfare pension fund plans	-	**221**	**2,060**
Interest and dividend income	(410)	**(288)**	**(2,681)**
Interest expense	2,198	**1,657**	**15,433**
Loss on sales of property, plant and equipment	14,964	**347**	**3,231**
Gain on sales of investment securities	(1,803)	**(1,288)**	**(11,997)**
Gain on sales of investment in affiliates	(198)	**(344)**	**(3,210)**
Increase in notes and accounts receivable - trade	(1,242)	**(5,049)**	**(47,007)**
Increase in inventories	(924)	**(1,105)**	**(10,289)**
Decrease in notes and accounts payable - trade	1,309	**1,342**	**12,498**
Other	(4,349)	**674**	**6,280**
Subtotal	19,838	**19,634**	**182,796**
Interest and dividend income received	619	**662**	**6,163**
Interest expense paid	(2,247)	**(1,691)**	**(15,744)**
Income taxes paid	(5,104)	**(3,040)**	**(28,311)**
Net cash provided by operating activities	13,106	**15,564**	**144,903**
Cash flows from investing activities:			
Purchase of investment securities	(311)	**(186)**	**(1,737)**
Proceeds from sales of investment securities	10,911	**4,664**	**43,423**
Purchase of property, plant and equipment	(5,640)	**(5,317)**	**(49,505)**
Proceeds from sales of property, plant and equipment	10,887	**2,278**	**21,208**
Decrease in short-term loans receivable	28	**1**	**10**
Increase in long-term loans receivable	(6)	**(1)**	**(11)**
Proceeds from collection of long-term loans receivable	53	**33**	**315**
Other	(2,163)	**(2,309)**	**(21,502)**
Net cash (used in) provided by investing activities	13,757	**(837)**	**(7,798)**
Cash flows from financing activities:			
Decrease in short-term bank loans	(531)	**(3,094)**	**(28,806)**
Increase (decrease) in commercial paper	(5,000)	**5,000**	**46,550**
Proceeds from long-term debt	9,200	**4,503**	**41,929**
Repayment of long-term debt	(18,732)	**(9,735)**	**(90,635)**
Redemption of bonds	(6,307)	**(10,000)**	**(93,101)**
Dividends paid	(1,864)	**(1,865)**	**(17,365)**
Other	(162)	**10**	**97**
Net cash used in financing activities	(23,397)	**(15,180)**	**(141,331)**
Effects of exchange rate changes on cash and cash equivalents	(82)	**(2)**	**(25)**
Net increase (decrease) in cash and cash equivalents	3,384	**(456)**	**(4,251)**
Decrease in cash and cash equivalents due to change in ownership interest resulting from merger of consolidated subsidiary	(3,422)	**-**	**-**
Cash and cash equivalents at beginning of year	3,581	**3,543**	**32,994**
Cash and cash equivalents at end of year (Note 14)	¥ 3,543	¥ **3,087**	$ **28,743**

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 ¥107.41 = US$1.00, the exchange rate prevailing on March 31, 2005.

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 73 (70 in 2004) 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 14 (15 in 2004) 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.

The Company and subsidiaries reviewed their portfolio of real estate holdings when they transitioned to a holding company structure on April 1, 2005. As a result, ¥1,731 million ($16,123 thousand) of land, previously classified as "Property, plant and equipment", is now classified as "Inventories" since the land is held for sale. The devaluation loss of the land of ¥942 million ($8,777 thousand), which was derived from this change, is included in "Other expenses."

(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.

In a management reform plan for the temperature-controlled logistics business, the employees who were temporarily seconded from the Company to the subsidiaries have been transferred to the subsidiaries on January 1, 2005. In connection with this transfer, the Company recognized ¥908 million ($8,455 thousand) of "Reversal of retirement allowances due to transfer of the employees" as other income, in accordance with the "Accounting for transfer of retirement benefit scheme" (Business Accounting Standard Guidelines No. 1, January 31, 2002), the amount of which was calculated as follows:

	(Millions of yen)
Decrease in the retirement benefit obligation	¥ 4,638
Retirement allowance paid, including the allowance paid from the pension plan assets	(3,786)
Write-off of unrecognized actuarial gain	56
Net (Other income)	¥ 908

(i) Directors' and Statutory Auditors' Retirement Benefits

An accrual for directors' and statutory auditors' retirement benefits of ¥533 million and ¥596 million ($5,554 thousand) has been included in directors' and employees' retirement benefits at March 31, 2004 and 2005, 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.

"Diluted net income per share" for the year ended March 31, 2004 is not presented because of net loss position. In addition, "Diluted net income per share" for the year ended March 31, 2005 is not presented because there were no bonds to be converted to shares at the year end.

(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, 2004 and 2005 were as follows:

	Millions of yen		*Thousands of U.S. dollars*
	2004	**2005**	**2005**
Finished goods and merchandise	¥ 28,369	**¥ 31,285**	**$ 291,268**
Raw materials and supplies	2,232	**1,780**	**16,575**
	¥ 30,602	**¥ 33,065**	**$ 307,844**

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, 2004 and 2005.

	Millions of yen		*Thousands of U.S. dollars*
	2004	**2005**	**2005**
Acquisition costs:			
Equity securities	¥ 11,321	**¥ 8,657**	**$ 80,605**
Bonds	107	**107**	**996**
	¥ 11,428	**¥ 8,764**	**$ 81,601**
Book value:			
Equity securities	¥ 18,722	**¥ 15,527**	**$ 144,563**
Bonds	107	**107**	**1,004**
	¥ 18,830	**¥ 15,635**	**$ 145,568**
Difference:			
Equity securities	¥ 7,400	**¥ 6,869**	**$ 63,958**
Bonds	0	**0**	**8**
	¥ 7,401	**¥ 6,870**	**$ 63,966**

b) Information regarding sales of securities for the years ended March 31, 2004 and 2005 is as follows:

	Millions of yen		*Thousands of U.S. dollars*
	2004	**2005**	**2005**
Proceeds from sales	¥ 9,884	**¥ 4,045**	**$ 37,660**
Gains on sales	1,838	**1,288**	**11,997**
Losses on sales	9	**-**	**-**

c) The following table shows the aggregate book value of available-for-sale securities with no available fair value as of March 31, 2004 and 2005:

	Millions of yen		*Thousands of U.S. dollars*
	2004	**2005**	**2005**
Non-listed equity securities (excluding equity securities traded on the OTC market)	¥ 4,183	**¥ 4,222**	**$ 39,311**

d) The redemption schedule for securities with maturity dates classified as available-for-sale securities as of March 31, 2005 is summarized as follows:

	Millions of yen		*Thousands of U.S. dollars*	
March 31, 2005	*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	**¥ 7**	**¥ 100**	**$ 65**	**$ 931**

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, 2004 and 2005 were 1.327% and 1.492%, respectively.

Long-term debt at March 31, 2004 and 2005 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
	2004	**2005**	**2005**
The Company:			
1.52% bonds due 2004	¥ 10,000	¥ **-**	$ **-**
0.97% bonds due 2006	10,000	**10,000**	**93,101**
0.99% bonds due 2007	10,000	**10,000**	**93,101**
1.43% bonds due 2008	5,000	**5,000**	**46,550**
1.42% bonds due 2009	10,000	**10,000**	**93,101**
Unsecured loans, principally from banks and life insurance companies	41,784	**38,538**	**358,793**
Secured loans, principally from government-sponsored agencies	450	**425**	**3,956**
Consolidated subsidiaries:			
Loans, principally from banks	8,639	**6,731**	**62,669**
Less current portion	(19,575)	**(8,187)**	**(76,225)**
	¥ 76,299	¥ **72,506**	$ **675,048**

The aggregate annual maturities of long-term debt outstanding at March 31, 2005 are summarized as follows:

Year ending March 31,	Millions of yen	Thousands of U.S. dollars
2006	¥ 8,187	$ 76,225
2007	11,555	107,580
2008	11,596	107,967
2009	11,251	104,752
2010 and thereafter	38,103	354,748
	¥ 80,694	$ 751,274

The assets pledged as collateral for long-term debt at March 31, 2004 and 2005 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2004	**2005**	**2005**
Property, plant and equipment	¥ 8,858	¥ **7,735**	$ **72,017**
Investment securities	1,125	**958**	**8,926**
Other assets	352	**352**	**3,282**
	¥ 10,336	¥ **9,046**	$ **84,226**

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 reserve account equals 25% of the common stock account. The legal reserve amounted to ¥39 million ($367 thousand) at March 31, 2004 and 2005.

The Code provides that neither capital reserve 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. If the total amount of capital reserve 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, 2004 and 2005 consisted primarily of the following:

	Millions of yen		*Thousands of U.S. dollars*
	2004	**2005**	**2005**
Gain on sales of property, plant and equipment	¥ 36	¥ **569**	$ **5,300**
Gain on sales of investment securities	1,838	**1,288**	**11,997**
Reversal of retirement allowances due to the transfer of employees	-	**908**	**8,455**
Loss on sales and disposal of property, plant and equipment	(15,625)	**(1,545)**	**(14,389)**
Loss on discontinued operations	(1,279)	**(346)**	**(3,223)**
Loss on devaluation of investment securities	(253)	**(62)**	**(578)**
Loss on devaluation of real estate held for sales	-	**(942)**	**(8,777)**
Loss on devaluation of goodwill (1)	-	**(513)**	**(4,782)**
Expenses relating to establishment of the holding company structure	-	**(441)**	**(4,107)**
Additional payment to withdraw from the welfare pension fund plans (2)	-	**(428)**	**(3,989)**
Provision for allowance for doubtful accounts	(517)	**-**	**-**
Special retirement allowance paid	(410)	**(987)**	**(9,194)**
Other, net (3)	205	**1,219**	**11,355**
	¥ (16,006)	¥ **(1,282)**	$ **(11,935)**

(1)The loss was recognized from the devaluation of the goodwill in Tengu Company, Inc. (a US subsidiary) based on the local accounting principle (US GAAP).

(2)The payment was made when four domestic subsidiaries withdrew from the welfare pension fund plans.

(3)"Other, net" includes the following gains/(losses):

a.The following gain and loss derived from the execution of a futures contract, where some of the shares in The Kyoto Hotel, Ltd. were transferred:

	Millions of yen	*Thousands of U.S. dollars*
Gain on sales of investment in affiliate	¥ 465	$ 4,332
Loss on futures contract	¥ (158)	$ (1,474)

b.Adjustment of estimated loss on discontinued operation to actual, where the actual loss realized from the liquidation of a domestic subsidiary was less than the estimation:

	Millions of yen	*Thousands of U.S. dollars*
	¥ 148	$ 1,381

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 year ended March 31, 2004 and 40.6% for the year ended March 31, 2005. The effective tax rate reflected in the accompanying consolidated statement of income for the year ended March 31, 2005 differs from the statutory tax rate for the following reasons:

	2004	**2005**
Statutory tax rate	41.9%	**40.6%**
Entertainment and other expenses not deductible	(7.7)	**2.2**
Dividends and other income received but excluded from taxable income	0.3	**-**
Elimination of dividends received from overseas affiliates	(1.4)	**1.4**
Undistributed earnings of overseas affiliates	(2.1)	**-**
(Increase) Decrease in income taxes resulting from equity in earnings	2.9	**(5.5)**
Inhabitants' per capita taxes	(3.2)	**0.9**
Valuation allowance	4.5	**6.4**
Corporation tax credit	7.8	**-**
Loss on sales of investment in affiliates	7.1	**(1.9)**
Devaluation loss of goodwill	-	**2.0**
Other, net	2.1	**(1.0)**
Effective tax rates	52.2%	**44.9%**

The components of deferred tax assets and deferred tax liabilities at March 31, 2004 and 2005 were as follows:

	Millions of yen		*Thousands of U.S. dollars*
	2004	**2005**	**2005**
Deferred tax assets:			
Loss on sales of investment in affiliates	¥ 5,418	¥ **-**	$ **-**
Establishment of employees' retirement benefit trust	6,309	**6,309**	**58,744**
Excess over allowed limit of retirement allowance reserve	970	**1,300**	**12,110**
Deferred losses	1,170	**5,867**	**54,623**
Loss on devaluation of marketable securities	247	**245**	**2,282**
Excess over allowed limit of bonus reserve	722	**693**	**6,456**
Inventories - unrealized profits and write-downs	235	**135**	**1,261**
Property, plant and equipment - unrealized profits and losses	1,563	**1,426**	**13,283**
Allowance for doubtful accounts	1,012	**410**	**3,822**
Depreciation	940	**851**	**7,931**
Other	1,481	**1,310**	**12,199**
Total gross deferred tax assets	20,072	**18,551**	**172,715**
Less valuation allowance	(1,100)	**(1,932)**	**(17,990)**
Deferred tax assets	18,971	**16,619**	**154,725**
Deferred tax liabilities:			
Net unrealized holding gain on securities	(3,005)	**(2,790)**	**(25,979)**
Gain on securities contributed to employees' retirement benefit trust	(3,135)	**(3,135)**	**(29,187)**
Special depreciation reserve	(4)	**(2)**	**(23)**
Reserve and special reserve for advanced depreciation of property, plant and equipment	(2,745)	**(2,193)**	**(20,421)**
Other, net	(1,207)	**(2,210)**	**(20,577)**
Deferred tax liabilities	(10,099)	**(10,331)**	**(96,190)**
Net deferred tax assets	¥ 8,872	¥ **6,287**	$ **58,535**

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, 2004 and 2005, 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*
	2004	**2005**	**2005**
Acquisition costs	¥ 35,726	¥ **37,946**	$ **353,287**
Less accumulated depreciation	(12,811)	**(14,373)**	**(133,814)**
Net book value	¥ 22,915	¥ **23,573**	$ **219,472**

Future minimum lease payments subsequent to March 31, 2005 on finance leases are summarized as follows:

	Millions of yen	*Thousands of U.S. dollars*
Future lease payments:		
One year or less	¥ **3,279**	$ **30,531**
More than one year	**21,438**	**199,595**
	¥ **24,717**	$ **230,127**

Future minimum lease payments and income subsequent to March 31, 2005 on noncancelable operating leases are summarized as follows:

	Millions of yen	*Thousands of U.S. dollars*
Future lease payments:		
One year or less	¥ **732**	$ **6,819**
More than one year	**8,134**	**75,734**
	¥ **8,867**	$ **82,554**

	Millions of yen	*Thousands of U.S. dollars*
Future lease income:		
One year or less	¥ **140**	$ **1,306**
More than one year	**544**	**5,064**
	¥ **684**	$ **6,371**

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.

No derivative positions remained outstanding at March 31, 2004 and 2005.

Note 11: Contingent Liabilities

As at March 31, 2005, the Company and its subsidiaries had the following contingent liabilities:

	Millions of yen	*Thousands of U.S. dollars*
As guarantor of indebtedness of affiliates	**¥ 3,355**	**$ 31,239**
As guarantor of indebtedness of employees	**832**	**7,750**
As guarantor of indebtedness of other companies	**2**	**27**
	¥ 4,190	**$ 39,016**

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, 2004 and 2005 were ¥2,090 million and ¥2,075 million ($19,322 thousand), respectively.

Advertising costs included in selling, general and administrative expenses for the years ended March 31, 2004 and 2005 were ¥4,666 million and ¥4,466 million ($41,582 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.

On April 1, 2005, the Company and certain number of its domestic subsidiaries changed their defined benefit plan for employees from a qualified pension plan and a lump-sum payment plan to a cash balance plan. They also introduced a defined contribution pension plan system for some of the additional future pension payments.

According to the change, the projected retirement benefit obligation is reduced by ¥2,047 million ($19,059 thousand). The reduced amount is treated as prior service cost (¥2,047 million) and will be amortized over ten years from the year incurred.

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, 2004 and 2005 for the Company's and the subsidiaries' defined benefit plans:

	Millions of yen		*Thousands of U.S. dollars*
	2004	**2005**	**2005**
Projected retirement benefit obligation	¥ 25,875	**¥ 21,361**	**$ 198,874**
Fair value of plan assets	(21,998)	**(20,541)**	**(191,246)**
Unrecognized actuarial loss	(2,301)	**(1,235)**	**(11,507)**
Prepaid pension cost	1,434	**3,804**	**35,417**
Net liability	¥ 3,009	**¥ 3,387**	**$ 31,539**

Due to a large number of employee transfers under the business reorganization, the projected retirement benefit obligation and the fair value of plan assets were reduced by ¥4,638 million and ¥2,729 million, respectively, while the unrecognized actuarial loss and the prepaid pension cost were increased by ¥56 million and ¥1,057 million, respectively. As a result, ¥908 million ($8,455 thousand) of "Reversal of retirement allowances due to the transfer of employees" is reported as "Other income".

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, 2004 and 2005 were as follows:

	Millions of yen		*Thousands of U.S. dollars*
	2004	**2005**	**2005**
Service cost	¥ 1,443	¥ **1,466**	$ **13,650**
Interest cost	516	**391**	**3,648**
Expected return on plan assets	(1)	**(152)**	**(1,416)**
Amortization of unrecognized actuarial loss	1,311	**444**	**4,139**
Total retirement benefit expenses	¥ 3,270	¥ **2,150**	$ **20,021**

In addition to the retirement benefit expenses above, ¥428 million ($3,989 thousand) of "Additional payment to withdraw from the welfare pension fund plan" is reported as "Other income".

The actuarial assumptions used for the years ended March 31, 2004 and 2005 are set forth as follows:

	2004	**2005**
Discount rate	2.0%	**2.0%**
Expected rates of return on pension plan assets	0.0 – 1.5%	**2.0 %**
Amortization period of unrecognized actuarial gain/loss	10 years	**10 years**

Note 14: Supplementary Cash Flow Information

Year ended March 31, 2004

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

The Company and its subsidiaries are engaged 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.

On October 1, 2003, Yukiwa Co. Ltd., a consolidated subsidiary engaged in "Wholesale foods" business, merged with Ryoshoku Food Service Limited and changed its name to RY Food Service Limited (“RY Food”). As RY Food has been accounted for under the equity method effective October 1, 2003 instead of a full consolidation, the "Wholesale foods" business is not shown in the segment information for the year ended March 31, 2005.

The business segment information of the Company and its subsidiaries for the years ended March 31, 2004 and 2005 was summarized as follows:

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, 2005 (Millions of yen)

	Processed foods	Marine products	Meat and poultry products	Logistics	Real estate	Other	Total	Intercompany eliminations and corporate	Consolidated
Operating revenues	**¥ 177,471**	**¥ 87,934**	**¥ 80,431**	**¥ 101,146**	**¥ 8,721**	**¥ 5,720**	**¥ 461,426**	**¥ –**	**¥ 461,426**
Intra-group sales and transfers	**1,076**	**2,064**	**4,313**	**15,524**	**509**	**2,514**	**26,003**	**(26,003)**	**–**
Total	**178,548**	**89,998**	**84,745**	**116,671**	**9,230**	**8,235**	**487,430**	**(26,003)**	**461,426**
Operating expenses	**172,967**	**90,625**	**83,987**	**111,471**	**3,198**	**7,977**	**470,227**	**(22,282)**	**447,944**
Operating income	**5,581**	**(626)**	**757**	**5,199**	**6,032**	**258**	**17,203**	**(3,721)**	**13,482**
Total assets	**¥ 66,624**	**¥ 28,636**	**¥ 14,040**	**¥ 106,516**	**¥ 24,751**	**¥ 6,966**	**¥ 247,535**	**¥ 28,882**	**¥ 276,417**
Depreciation and amortization	**¥ 2,386**	**¥ 140**	**¥ 47**	**¥ 6,400**	**¥ 961**	**¥ 359**	**¥ 10,295**	**¥ 844**	**¥ 11,139**
Capital expenditures	**¥ 1,251**	**¥ 180**	**¥ 5**	**¥ 4,221**	**¥ 235**	**¥ 78**	**¥ 5,973**	**¥ 424**	**¥ 6,397**

Year ended March 31, 2005 (Thousands of U.S. dollars)

	Processed foods	Marine products	Meat and poultry products	Logistics	Real estate	Other	Total	Intercompany eliminations and corporate	Consolidated
Operating revenues	**$1,652,282**	**$ 818,681**	**$ 748,826**	**$ 941,687**	**$ 81,198**	**$ 53,261**	**$4,295,937**	**$ –**	**$4,295,937**
Intra-group sales and transfers	**10,024**	**19,219**	**40,162**	**144,537**	**4,739**	**23,414**	**242,097**	**(242,097)**	**–**
Total	**1,662,307**	**837,900**	**788,988**	**1,086,224**	**85,938**	**76,675**	**4,538,035**	**(242,097)**	**4,295,937**
Operating expenses	**1,610,346**	**843,730**	**781,937**	**1,037,812**	**29,774**	**74,268**	**4,377,869**	**(207,453)**	**4,170,416**
Operating income	**51,960**	**(5,829)**	**7,051**	**48,411**	**56,163**	**2,407**	**160,165**	**(34,644)**	**125,521**
Total assets	**$ 620,282**	**$ 266,609**	**$ 130,720**	**$ 991,677**	**$ 230,438**	**$ 64,856**	**$2,304,585**	**$ 268,896**	**$2,573,482**
Depreciation and amortization	**$ 22,220**	**$ 1,304**	**$ 438**	**$ 59,587**	**$ 8,950**	**$ 3,347**	**$ 95,848**	**$ 7,859**	**$ 103,708**
Capital expenditures	**$ 11,654**	**$ 1,681**	**$ 55**	**$ 39,304**	**$ 2,188**	**$ 727**	**$ 55,611**	**$ 3,953**	**$ 59,564**

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Report of Independent Auditors

The Board of Directors
Nichirei Corporation

We have audited the accompanying consolidated balance sheets of Nichirei Corporation and subsidiaries as of March 31, 2004 and 2005, 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, 2004 and 2005, 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.

The U.S. dollar amounts in the accompanying consolidated financial statements with respect to the year ended March 31, 2005 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.

Ernst & Young ShinNihon

June 28, 2005

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Tel: 31 (10) 4913100
Fax: 31 (10) 4293251

Eurofrigo Venlo B.V.
Egtenrayseweg 35,
5928 PH Venlo
The Netherlands
Tel: 31 (77) 3231060
Fax: 31 (77) 3231069

Hiwa Rotterdam Port Cold Stores B.V.
Vierhavensstraat 20,
P. O. Box 6150,
3002 AD, Rotterdam
The Netherlands
Tel: 31 (10) 2445222
Fax: 31 (10) 4768099

Thermotraffic Holland B.V.
Abel Tasmanstraat 1,
3165 AM, Rotterdam
The Netherlands
Tel: 31 (10) 4282866
Fax: 31 (10) 4296290

Thermotraffic GmbH
Im Industriegelaende 66,
33775 Versmold Germany
Tel: 49 (54) 23-9680
Fax: 49 (54) 23-968294

Nichirei Corporation

Tengu Company, Inc.
14420 Bloomfield Avenue,
Santa Fe Springs, California
90670 U.S.A.
Tel: 1 (562) 483-7388
Fax: 1 (562) 483-7389

* Affiliates accounted for by the equity method

Directors, Auditors and Officers

Representative
Director and Chairman

Takemoto Ohto

Representative
Director and President

Mitsudo Urano

Managing Executive Officer

Masatoshi Toyama

Managing Executive Officer

Masahiro Ara

Managing Executive Officer

Yoshihiko Soma

Directors

Representative Director and Chairman
Takemoto Ohto

Representative Director and President
Mitsudo Urano

Managing Executive Officers
Masatoshi Toyama
Masahiro Ara
Yoshihiko Soma

Executive Officers
Hisashi Hasegawa
Toshiaki Murai

Directors
Mitsuo Hirose
(Executive Advisor, Vision Care Company, Johnson & Johnson K.K.)
Toshiki Sumitani
(Professor, Kenichi Ohmae Graduate School of Business)
Miyuri Kawamata
(Associate Professor, International Graduate School of Social Sciences, Yokohama National University)

Auditors

Senior Standing Auditor
Kazuhiko Goto

Auditors
Yasuyuki Inoue
Kazuo Kawakami
Masaaki Sato

Officers

Executive Officers
Hiroki Yamamoto
Kazuaki Nagatsuka
Yutaro Mita

Investor Information

Offices
Head Office:
Nichirei Higashi-Ginza Building
6-19-20 Tsukiji, Chuo-ku
Tokyo 104-8402 Japan

Investor Information:
Corporate Relations
TEL:81(3)3248 2235
FAX:81(3)3248 2237

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)
32,146

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

No. of Full-Time Employees
5,575

Transfer Agent and Registrar
Mizuho Trust & Banking Co., Ltd.
Stock Transfer Agency Division
TEL:81(3)3642 4004

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

Independent Auditors
Ernst & Young ShinNihon

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Nichirei Corporation

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