



1 Financial Results for FY2008

Overview of Operations

The business conditions surrounding management in FY2008 were extremely harsh even when seen from a historical perspective.

Optimism toward the future abounded in the first half of the year, as resource-rich countries and emerging countries flourished on the strength of soaring resource prices. However, since the summer of 2008 and the failure of the U.S. financial institutions, the global economy has shrunk considerably, and with the emergence of new risks for mankind, such as the new strains of influenza, we have been living in an age where there is little certainty for the future.

In our industry as well, various data indicate that while sales to Europe and the emerging countries have grown, domestic sales of marine products have lagged far behind in the past few years. And from the fall of 2008, the circumstances of the entire industry have been bleak as it struggled under the burden of sluggish sales and growing inventory.

The business model, to which we, at the Nissui Group, have aspired, has been based on a mechanism that diversified risks through the globalization of businesses. In specific terms, we have been extending our resource procurement and markets overseas, expanding our aquaculture and functional materials businesses, and changing the framework of our key domestic industries. However, it seems that despite our efforts, the massive changes, mentioned earlier, that have taken place this year have thwarted such a mechanism from functioning effectively.

In FY2008, we recorded sales of 505,200 million yen (5.4% decrease year-on-year) and operating income of 3,100 million yen (56% decrease year-on-year), both of which fell short of the previous year's levels, and a net loss of 16,200 million yen.

In terms of sales, reorganization of the group companies, including a domestic consolidated subsidiary (Hohsui Corporation) becoming an affiliate accounted for under the equity method and the incorporation-type demerger of Nissui's Seafood-ECR business to become a subsidiary of Hohsui Corporation, resulted in a decline in revenue of 28,700 million yen compared to the previous year.

As for our operating income, we posted a marginal increase of 300 million yen over the previous year thanks to the strong performance of the Marine Products Business in South America, despite the lackluster showing by the Marine Products Business in Japan. In the Food Products Business, profits declined by a considerable 2,700 million yen compared to the previous year due to the hike in domestic raw material prices and the poor performance by the frozen prepared manufacturer for foodservice in North America (King & Prince Seafood Corp.).

Meanwhile, under extraordinary losses, a total of 16,400 million yen was recorded for impairment loss, loss on disasters, loss on valuation of investment securities, and loss on liquidation of subsidiaries and affiliates, which ultimately resulted in our posting a net loss of 16,200 million yen for the year.

Business Performance

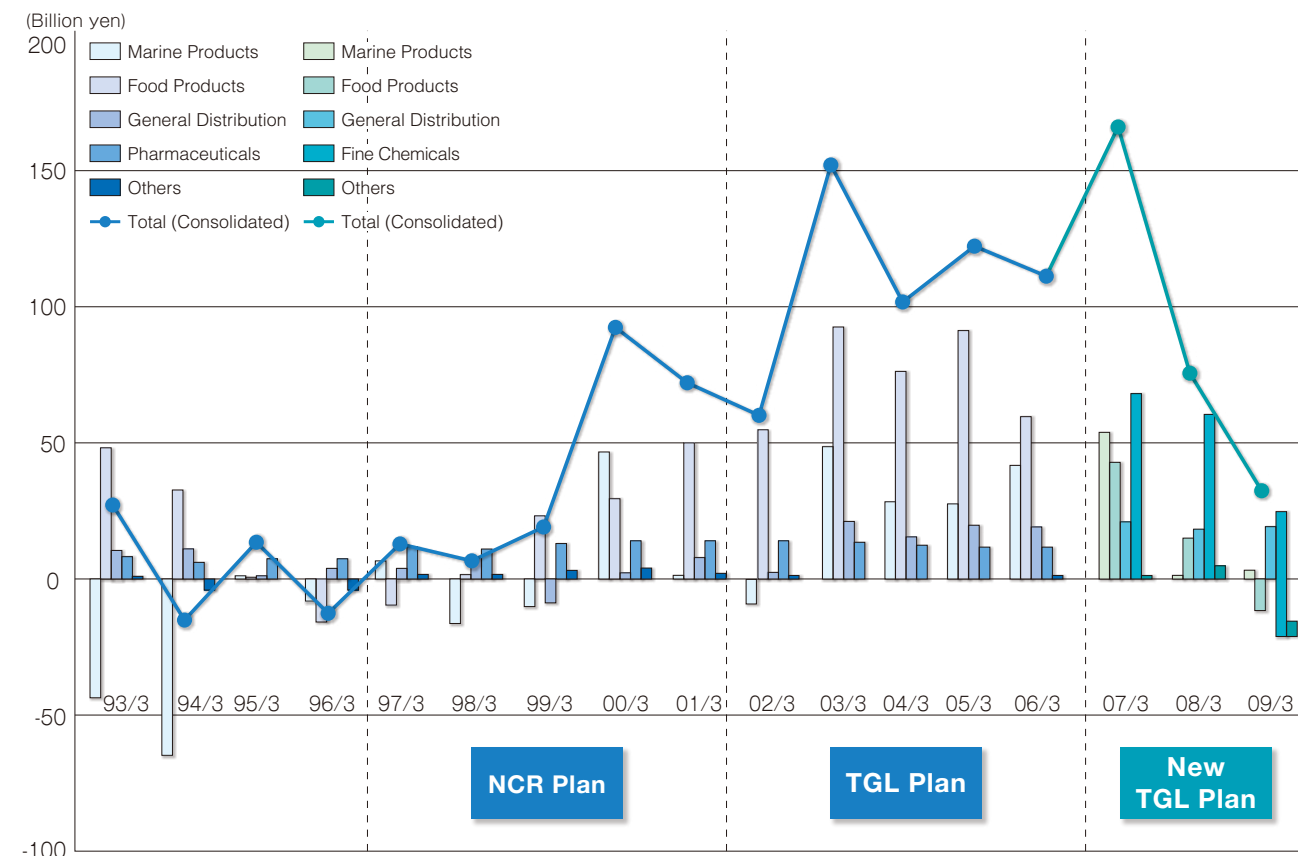
In the Marine Products business, apart from aquaculture business of Salmenes Antártica S.A. in Chile (South America) the fishing segment performed well. However, despite the strong performance by the Marine Products Business in Japan in the first half of the year, their sales volume and prices deteriorated considerably from the second half of the year under the effects of the global recession. In addition, we posted a loss on valuation of inventories at year-end, which has resulted in our posting of 300 million yen in operating income. It should be noted that as part of our efforts to strengthen our access to marine resources, we have added Kyowa Suisan Co., Ltd. as a consolidated subsidiary to our Group in October.

Our domestic Food Products Business has grown to such an extent that we have been able to constantly record monthly sales of 10,000 million yen. Nevertheless, in our fish sausage and ham segment, we were unable to cover the entire amount of increase of the cost of the main ingredient, surimi, despite our various efforts including revisions of product selling price; and we ended up recording a loss. Moreover, performance by King & Prince Seafood Crop. slipped further, which resulted in an operating loss of 1,100 million yen for the Food Products Business overall. It should be noted that as part of our efforts to reinforce our producer functions, we built a frozen food plant and installed state-of-the-art facilities for Hachikan Co., Ltd. in October. Since then the plant has been operating as a production base mainly for foodservice.

The Fine Chemicals Business recorded an operating income of 4,500 million yen, attributed to the fact that our customers who for the past few years had purchased in large quantity in order to accumulate reserves of pharmaceutical ingredients had put a damper on it and also to the delay in the beginning of operation at the new Kashima Plant. It should be noted that as part of our efforts to expand our Fine Chemicals Business, we have established Hokkaido Fine Chemicals Co., Ltd. in Hakodate, Hokkaido, which took over part of the business from Nihon Kagaku Shiryo, and TN Fine Chemicals Co., Ltd. in Thailand, a joint venture with the Thai Union Frozen Products Group, as consolidated subsidiaries.

In the General Distribution Business, we faced a number of problems including a small volume of storage cargo in the first half of the year and a slow cargo turnover in the latter half of the year. However, we were ultimately able to secure an operating income of 1,900 million yen, which was comparable to the previous year's level.

Trends of Consolidated Operating Income by Business (from the Fiscal Year Ended in March 1993)



(In FY 2006, we combined the former Fine Chemicals Business, which belonged to the "Other Processed Foods" in the Food Products Business, and the former Pharmaceuticals Business into the Fine Chemicals Business, the Food Products Business has been relaunched (English name unchanged).)

TOPICS

- April 2008 Qingdao Nissui Food Research and Development Co., Ltd. is founded.
- June 2008 Nissui acquired 25% of shares of Glacier Fish Company.
- August 2008 Hiroshima Suisan Co., Ltd becomes an affiliate accounted for by the equity method
- October 2008 Phase 2 of the Fine Chemicals Kashima Plant is completed and commenced operations
The frozen food plant of Hachikan Co., Ltd. is completed and commenced operations
Kyowa Suisan Co., Ltd. becomes a consolidated subsidiary
Tomiso Co., Ltd. becomes an affiliate accounted for by the equity method
- December 2008 Hokkaido Fine Chemicals Co., Ltd. is established (Commenced operations in April 2009)
- March 2009 TN Fine Chemicals Co. Ltd. is established (Scheduled to commence operations in October 2009)
Daisui Co., Ltd. becomes an affiliate accounted for by the equity method
- May 2009 30th Anniversary Ceremony of Nippon Marine Enterprises, Ltd.
- June 2009 The Executive Officer System
Two outside directors elected
Takeover Defense Measures (with advance warnings)



The Northern Glacier of the Glacier Fish Company



Daihachi Koyomaru of Kyowa Suisan Co., Ltd.



Qingdao Nissui Food Research and Development Co., Ltd.



Hokkaido Fine Chemicals Co., Ltd.



Shinkai 6500, which is owned by JAMSTEC and operated and managed by Nippon Marine Enterprises, Ltd.



2 Plan for FY2009

In planning our business for FY2009, I have analyzed the changes in the external environment in the following manner. In terms of domestic market conditions, data by the Japan Chain Stores Association has shown that sales of marine products, which had been 920,000 million yen in 2005, had decreased to 840,000 million yen in 2008. However, processed fish products such as bottled salmon flake and fish sausage and ham have been increasing steadily every year. Therefore it is important that we expand the consumption of processed, easy-to-eat fish products, rather than the fish itself.

In terms of the overseas business, Europe, which had recently grown to become the leader of the marine products market, found that the distribution of its marine products had deteriorated because the European importers and sellers, as a result of the financial crisis, could no longer open LCs or secure lines of credit.

Turning our attention to the situation surrounding marine resources, we will see that the Total Allowable Catch (TAC) of Alaska Pollack in the Bering Sea, which had been 1.5 million tons in 2007, has been reduced in 2009 to a mere 815,000 tons. Moreover, regulations on tuna fishery are getting tighter and movements to control marine resources are gaining greater momentum.

Furthermore, we now live in an age in which whether a resource has been procured under a sustainable scheme has become the center of focus for both the consumer and the supplier.

When we considered the type of management that the Nissui Group should pursue in this age of dramatic changes, we came face-to-face with the fact that "sales

would decline unless demand was created," and accordingly we have decided to change the way the Group thinks and acts in order to create such demand.

The Nissui Group's medium term management plan promised to "help people around the world fulfill a bountiful and healthy lifestyle by creating diverse values from marine resources and by delivering them to customers." We have taken this concept a step further, and have decided to expand the activities of the Nissui Group to include activities that "link the resources to everyday life," and to this end we have established a new management structure.

Assuming the above, we are forecasting sales of 510,000 million yen, operating income of 12,000 million yen, ordinary income of 10,000 million yen and a net income 5,000 million yen for FY2009.

As long as marine resources are properly managed, they can be utilized in sustainable ways. And if we are able to expand our sphere of activities to activities that "link the resources to everyday life," and contribute to the everyday lives of people, we believe the Nissui Group's has a bright future.

Judging from the recent economic climate and the changes taking place in people's lifestyles as well as the inherent risks of the industry, FY2009 promises to be another trying year. Nevertheless, we are determined to carefully perfect each business, one by one, under our new organization and personnel framework.

Image of Group's Business Structure in New TGL Plan (3 basic strategies)

1. Improve Profitability of Core Businesses

- ① Improve profitability through cost reduction
- ② Develop and sell value-added, highly functional products
- ③ Switch to "pull-oriented" marketing style based on advertisements
- ④ Reinforce the Group's vertically integrated business structures / Product & Market Mix

2. Make Businesses More Sophisticated → Improve Profitability

- ① Upgrade aquaculture businesses and cultivate fish as crops. Safety, reliability and traceability assured by vertically-integrated farming
- ② Develop and commercialize functional material businesses

3. Develop Third Production Means

- ① Carry out bio-production of chemicals such as EPA and DHA, engage in research and commercialization of bio-production, and prepare for future risks that may be caused by technological innovations

2 in 5 plan

Logistics innovation (SCM Dept.)

Aquaculture Business Promotion Office

Human Life Science R&D Center

Bio-production Research Center

Marine Resources