

# Interim Financial Results for 1<sup>st</sup> Half of Fiscal Year 2008

NIPPON SUISAN KAISHA,LTD.

25<sup>th</sup> November,2008

Code:1332

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## Introduction

First of all, I would like to express my heartfelt apologies for the disappointing results of the first half of the fiscal year.

Today, I would like to take a different approach in explaining to you exactly what happened and what went wrong.

Despite certain improvements beginning to take effect as a result of the emergency revival measures, the three companies (Salmones Antartica, King & Prince and Nissui Indonesia) have held us back to an extent beyond what was initially imagined. The total operating income of the three companies for the first half of the year was -3.2 billion yen, 1.6 billion yen less than the plan for the first half of the year and 2.3 billion yen less than the same period of the previous year. As means to compensate for this, DOSA, which began operations in Chile last October, expects to bring in over 3.5 billion yen in operating income for the full year, thanks to the effects of the merger and the hike in the price of white fish including fish paste (surimi). However, this will not be enough to make up for the shortfall.

Moreover, the Marine Products business and the Foods business are in a position of trade-off against each other. In other words, rising fish prices, on the one hand, have had positive effects on DOSA, UniSea and the non-consolidated Marine Products business, which are based on the fishery business, while Gorton's, King & Prince and the non-consolidated Foods business, on the other hand, which must use the expensive raw materials, have been negatively affected. This negative impact has reached a point where price revisions have not been enough and losses are chipping away at profits, which had been generated by operating close to the source. Furthermore the mistrust of foods produced in China has posed immense challenges for Shandong Sanfod Nissui, Ltd.

In terms of our Medium-Term Management Plan, a report will be given on another opportunity, as we are planning to discuss this in further detail at a number of our management meetings beginning from this week, taking into account the deliberations at our Nissui Global Links Conference (NGLC), which was held last week.

Today I would like to give you a report mainly on what is currently happening inside the Nissui Group, what measures are being taken to deal with these issues and how the results of such efforts are affecting revenues. And I have also envisioned the second half of the year that lies beyond and the latest situation, taking into account risks.

Global Links updated

## Global Links by Segment Matrix (as of 25<sup>th</sup> November,2008)



	Fishery	Aquaculture	Processed Foods	Trading/ Wholesale	Logistics	Pharmaceuticals/ Others
Japan	Kyowa Suisan	Kurose Suisan Nakatani Suisan	Nippon Cookery Mogami Foods Hachican Kunihiro Kaneko Shokuhin Sasaya Shoten Tomiso	YTC Kurahashi K-Teion Hohsui Suisan Ryutsu	Nissui Logistics Cary Net Hokkaido Nissui	Nissui Pharma. Nippon Marine Entr.
N. America	UniSea Bering Sea Partners Glacier Fish Company		Gorton's King & Prince	F.W.Bryce		
S. America	PESPASA PESANTAR DOSA (EMDEPES FRIOSUR)	Salmones Antartica		Nordsee		
Europe			Cite Marine	Nordic Seafood Europacifico		
Asia/Oceania	I.M.P. W.I.F. Sealord	Nissui Indonesia Xiamen Nissui Cultivation	NIGICO Nissui Thailand SANNIS Tai mei	Nissui(S'pore)		

Black : Consolidated total 60

Blue : Affiliates applied equity method total 37

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Three points need to be clarified in terms of the Global Links by Segment Matrix: First of all, Kyowa Suisan under Japan fishery, which used to be an affiliate in Equity Method, became a consolidated subsidiary. Glacier Fish Company, LLC (hereinafter "GFC") under North America fishery became an affiliate in Equity Method. This company, which emerged from the merger with Alaska Ocean Seafood LP (hereinafter "AOS"), a former affiliate in Equity Method, grew to a scale three times its original size as a result of the merger. Nissui will continue to hold 25% of this company's shares. And finally, Tomiso Co., Ltd. under Japan processed food became an affiliate in Equity Method in November. Tomiso is a manufacturer of fish paste (surimi) products based in Nagoya.

## Overview of 1<sup>st</sup> Half of Fiscal Year 2008

Overview of 1<sup>st</sup> Half of Fiscal Year 2008  
 Consolidated Income Statement



(Unit: 100 million yen)

	08/9	%	07/9	%	Y-on-Y
Net Sales	2,590		2,676		▲ 86
<b>Gross Profit</b>	<b>537</b>	<b>20.7%</b>	<b>554</b>	<b>20.7%</b>	<b>▲ 17 ▲ 3.1%</b>
SGA expenses	511		492		19
<b>Operating Income</b>	<b>25</b>	<b>1.0%</b>	<b>62</b>	<b>2.3%</b>	<b>▲ 37 ▲ 59.7%</b>
Non-operating income	15		23		▲ 8
Non-operating expenses	29		27		1
<b>Ordinary Income</b>	<b>11</b>	<b>0.4%</b>	<b>58</b>	<b>2.2%</b>	<b>▲ 47 ▲ 81.0%</b>
Extraordinary Income	7		1		5
Extraordinary loss	19		26		▲ 7
<b>Income before tax</b>	<b>▲ 1</b>	<b>▲ 0.0%</b>	<b>32</b>	<b>1.2%</b>	<b>▲ 34 -</b>
Income taxes - current	22		14		8
Income taxes - deferred	▲ 6		7		▲ 14
Minority interest in income	3		▲ 1		4
<b>Net income</b>	<b>▲ 20</b>	<b>▲ 0.8%</b>	<b>12</b>	<b>0.4%</b>	<b>▲ 33 -</b>

\*Extraordinary loss includes 490 million yen of loss on fish disease in Chile occurred in 2Q, 430 million yen of loss on non-current assets and 240 million yen of loss on special severance pay.

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As for the consolidated results for the six months ended September 30, 2009, sales fell by 8.6 billion yen to 259.0 billion yen. Operating income only amounted to 2.5 billion yen, ordinary income was 1.1 billion yen and consequently we ended up recording a net loss of 2.0 billion yen.



**Positive Results**

compared to the previous year

- South America's DOSA Group becoming a consolidated subsidiary
- Europe's EUROPACIFICO becoming a consolidated subsidiary
- Europe's CITE MARINE becoming a consolidated subsidiary

8,600 million yen decrease

**Net Sales**

Marine Products Business

Foods Business

**Negative Results**

compared to the previous year

- Reorganization of Hohsui and the Seafood-ECR dept.
- Decrease of FWB's sales volume
- Poor performance by King & Prince

**Positive Results**

compared to the previous year

- South America's DOSA Group becoming a consolidated subsidiary
- Europe's EUROPACIFICO becoming a consolidated subsidiary
- Strong performance by domestic Marine Products

3,700 million yen decrease

**Operating Income**

Marine Products Business

Foods Business

Fine Chemicals Business

Marine Products / Foods Business

**Negative Results**

compared to the previous year

- Poor Performance by Salmenes Antartica (Chile)
- Soaring prices of food raw materials (fish sausage and hum)
- Poor performance by King & Prince
- Decrease in sales volume of Fine Chemicals
- Amortization of goodwill

## Overview of 1<sup>st</sup> Half of Fiscal Year 2008

### Effect of accounting change



	Operating Income	Income before taxes and minority interests
		(Unit: 100 million yen)
<b>1. Adoption of accounting standards relating to valuation of inventory</b>		
The profitability of inventory is determined on an individual basis at the fiscal year end, and in cases where the profitability has declined, compulsory write-down is conducted.	1.5	3.7
<b>2. Adjustment of results of foreign subsidiaries</b> (Practical Issues Task Force No 18)		
Exclusion of Chilean company from inflation accounting; -1,310 million yen / Amortization of goodwill; -1,110 million yen / Write-down of inventory of SANNIS; -40 million yen	9.9	23.9
<b>3. Revision of tax system</b> (Change in the useful lives of depreciable assets)		
Useful lives of machinery and equipment lengthened		
(Foods) Meat/chicken processing facilities 9 years 10 years	+1.4	+1.4
(Foods) Seafood processing facilities 8 years 10 years		
(Fine Chemicals) Animal / vegetable oil manufacturing and purifying facilities 8 years 10 years		
<b>4. Adoption of accounting standards of lease transactions</b>		
Lease assets that are deemed equivalent to purchased assets are recorded on the balance sheet. The impact of this change is minimal since lease payments are deemed equivalent to depreciation expenses.	Minimal	Minimal

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Accounting changes resulted in the commencement of amortization of goodwill and the exclusion of profits, which had formerly been recognized under Chilean inflation accounting and have had the effect of working against us.

Overview of 1<sup>st</sup> Half of Fiscal Year 2008  
Effect of change in consolidated scope



(Unit: 100 million yen)	Marine Products	Foods	General Distributions etc.	Total
Increase of consolidated companies (Operating income)	+6.2 <small>DOSA Group, EUROPACIFICO</small>	1.5 <small>SANNIS, CITE MARINE</small>	0.0	+4.6
Decrease of consolidated companies (Operating income)	+0.5 <small>Hohsui</small>	N/A	0.0	+0.4
<b>Total</b>	<b>+6.7</b>	<b>1.5</b>	<b>0.0</b>	<b>+5.0</b>
Increase/Decrease of affiliates applied equity method (Equity in earnings of affiliates)	+0.3 <small>Hohsui, Suisan Ryutsu</small>	+1.4 <small>SANNIS</small>	+0.0	+1.8
<b>Total (Consolidated + Affiliates)</b>	<b>+7.0</b>	<b>0.0</b>	<b>+0.0</b>	<b>+6.8</b>

\*Effect in net sales of increase/decrease of consolidated companies: 1,800 million yen

\*Blue: Main companies

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I believe there were no major changes due to changes in the scope of consolidation.

Overview of 1<sup>st</sup> Half of Fiscal Year 2008  
Y-on-Y comparison of sales by segment matrix



(Unit: 100 million yen)

	Japan	N.America	S.America	Asia	Europe	sub total	Consolidated Adjustment	G Total
Marine Products	1,981 (▲287)	355 (▲33)	301 (50)	135 (▲8)	104 (79)	2,879 (▲201)	▲808 (▲33)	2,071 (▲237)
	2,269	391	250	144	25	3,081	▲773	2,308
Foods	2,795 (71)	503 (▲60)		35 (23)	96 (67)	3,431 (102)	▲823 (▲13)	2,607 (89)
	2,723	563		11	29	3,328	▲810	2,518
General Distribution	192 (▲27)					192 (▲27)	▲80 (15)	111 (▲12)
	219					219	▲95	124
Fine Chemicals	252 (▲22)					252 (▲22)	▲14 (10)	237 (▲11)
	274					274	▲25	248
Others	337 (111)					337 (111)	▲166 (▲79)	171 (31)
	226					226	▲86	140
sub total	5,559 (▲155)	859 (▲95)	301 (50)	171 (15)	201 (146)	7,093 (▲37)	▲1,893 (▲102)	5,200 (▲139)
	5,714	954	250	156	54	7,131	▲1,791	5,339
Consolidated Adjustment	▲1,411 (▲27)	▲164 (▲9)	▲188 (▲45)	▲128 (▲24)	0 (0)	▲1,893 (▲102)		
	▲1,389	▲154	▲143	▲103	0	▲1,791		
G total	4,147 (▲176)	695 (▲105)	113 (5)	43 (▲9)	200 (145)	5,200 (▲139)		
	4,324	800	107	52	54	5,339		

\*Upper: 2008 (Y-on-Y)  
Below: 2007

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Turning our attention to sales by geographic segment, consolidated sales in Japan fell by 12.6 billion yen year-on-year, and similarly in North America by 10.0 billion yen. The decrease in Japan is due to the effects of Hohsui and Suisan Ryutsu becoming consolidated subsidiaries of another company, while the decrease in North America is due to the poor performance by King & Prince Seafood Corp. (hereinafter "K&P") and F.W. Bryce, Inc. (hereinafter "FWB").

In terms of sales by business segment, the 12.0 billion yen year-on-year decrease in marine products became a major factor.

Overview of 1<sup>st</sup> Half of Fiscal Year 2008

Y-on-Y comparison of operating income by segment matrix



(Unit: 100 million yen)

	Japan	N.America	S.America	Asia	Europe	Elimination/ Common	sub total	Consolidated Adjustment	Total
Marine Products	32 (20)	11 (0)	5 (13)	▲4 (13)	2 (2)		48 (50)	▲2 (▲4)	46 (46)
	12	10	▲7	▲17	0		▲2	2	0
Foods	23 (11)	▲3 (▲7)		▲6 (▲3)	2 (1)		16 (2)	▲16 (▲18)	0 (▲16)
	12	3		▲2	1		14	2	16
General Distribution	18 (▲1)						18 (▲1)	0 (0)	18 (▲1)
	19						19	0	19
Fine Chemicals	55 (▲3)						55 (▲3)	0 (0)	55 (▲4)
	59						59	0	60
Others	8 (2)			0 (0)			8 (2)	▲2 (▲2)	5 (0)
	5			-			5	0	5
Elimination/ Common						▲35 (▲5)	▲35 (▲5)		▲35 (▲5)
						▲29	▲29		▲29
sub total	138 (28)	8 (▲6)	5 (13)	▲10 (10)	5 (4)	▲35 (▲5)	112 (45)	▲22 (▲27)	90 (17)
	109	14	▲7	▲20	0	▲29	66	5	72
Consolidated Adjustment	0 (▲1)	▲15 (▲14)	▲3 (▲8)	▲1 (▲1)	▲1 (▲1)		▲22 (▲27)		
	0	0	5	0	0		5		
Total	137 (26)	▲7 (▲20)	2 (4)	▲11 (8)	4 (3)	▲35 (▲5)	90 (17)		
	110	13	▲2	▲20	0	▲29	72		

\*Upper: 2008 (Y-on-Y)  
Below: 2007

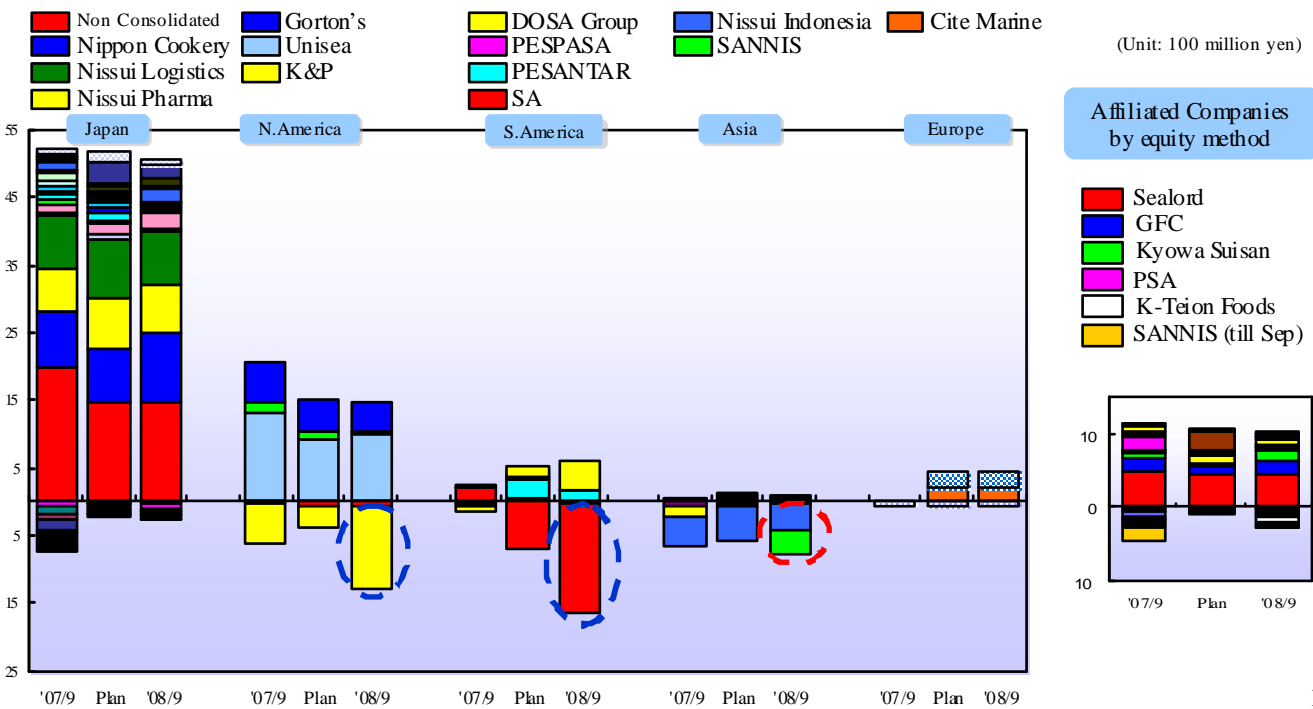
\*Consolidated Adjustment includes amortization of goodwill.

N. America 900 million yen, S. America 20million yen, Europe 40 million yen

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In terms of operating income by segment, the 2.1 billion year-on-year decrease in North America and the 1.8 billion yen decrease in South America due to the poor performance by the salmon/trout aquaculture company in Chile were major points.

Overview of 1<sup>st</sup> Half of Fiscal Year 2008  
 Comparison of operating income by geographic area and group company



Turning our attention to the graph of operating income by geographic segment and group companies, Japan is as planned and remains unchanged from the previous year. In North America, K&P recorded a drastic loss. K&P's operating income not only fell short of plans but also deteriorated compared to the previous year. The poor performance by Salmones Antartica, S.A. (hereinafter "SA") sums up the performance in South America. SA had recorded a surplus after the first six months of the previous year, but recorded a substantial deficit due to a series of accidents. In Asia, Nissui Indonesia has improved over the previous year, but the effects of the Chinese food problem has plunged Shandong Sanfod Nissui, Ltd. into the red.

Overview of 1<sup>st</sup> Half of Fiscal Year 2008  
Balance sheet (consolidated)



Current assets	Liabilities
2,012	3,090
(+105)	(+126)
	Incl. Loan debts
	2,102
	(+121)
Non-current assets	Net Assets
2,185	1,107
( 163)	( 183)
	928
Total Assets	( 211)
4,198	
( 57)	

(Unit: 100 million yen)

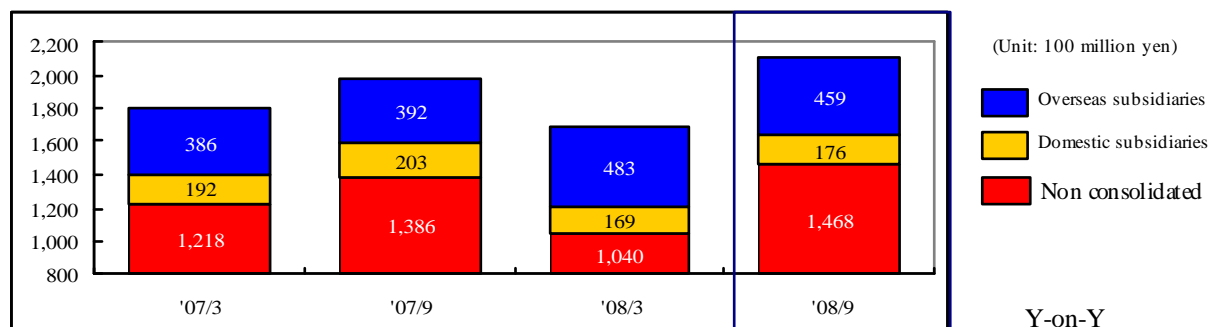
Main factors of Y-on-Y			
Current assets	+105	Cash & Cash Equivalents	+15
		Working Capital	+89
Non-current assets	163	Tangible Fixed Assets	+146
		Intangible Fixed Assets	180
		Investments etc	129
Liabilities	+126	Loan debts	+121
Net Assets	183	Retained Earning	37
		Valuation & transaction adjustments	169
		Minority Interests	+27

\*(Y-on-Y)

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As for the consolidated balance sheet, total assets stood at 419.8 billion yen, while net assets were 110.7 billion yen. Net assets decreased as a result of minus 16.9 billion yen in valuation and translation adjustments.

Overview of 1<sup>st</sup> Half of Fiscal Year 2008  
Trends of loan debts and financial interest payments (Consolidated)



	'07/3	'07/9	'08/3	'08/9	Y-on-Y
Loan debts	1,796	1,981	1,692	2,102	+121
Short term	1,044	1,245	915	1,194	50
(incl. long term loan due within one year)	(185)	(228)	(171)	(130)	( 100)
Long term	752	736	776	907	+171
Net interests payment	29.9	16.9	33.4	14.9	1.9
Interest expense	46.4	24.8	50.2	22.0	2.7
Interest income	7.6	2.9	5.8	2.4	0.5
Dividend income	8.7	4.9	10.9	4.6	0.2

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In terms of borrowings, total debt increased by 12.1 billion yen compared to the previous year and exceeded 200.0 billion yen. However, under the current financial conditions, net interest payments have decreased compared to the previous year.

Overview of 1<sup>st</sup> Half of Fiscal Year 2008  
Cash flow statement (consolidated)



(Unit: 100 million yen)

	07/9	08/9	Y-on-Y	Main factors of 08/9	
Operating activities	▲46	▲193	▲147	Income before income tax	▲1
				Depreciation	73
				Increase of working capital	▲212
Investment activities	▲86	▲192	▲105	Proceed from sales of investment securities	11
				Purchase of tangible fixed assets	▲163
				Purchase of intangible fixed assets	▲13
				Acquisition of investment securities	▲46
Financing activities	146	426	279	Proceeds from loan debts	352
				Proceeds from long term loan debts	163
				Cash dividend paid	▲13
Balance of cash and cash equivalents	145	154	8		

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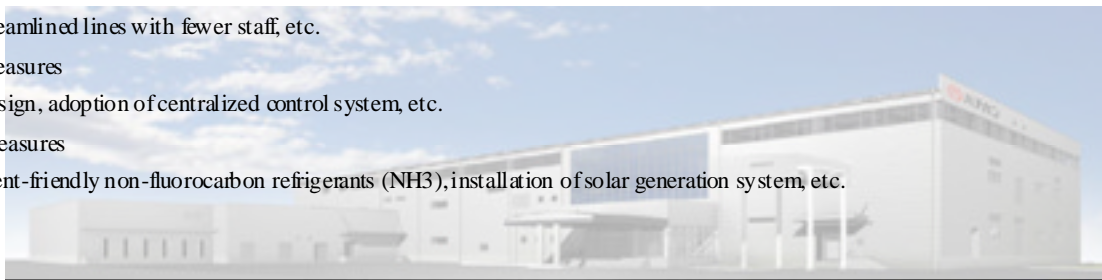
As for consolidated cash flow, the increase in operating funds and the acquisition of property, plant and equipment have aggravated cash flow.

[Basic concept]

Development of unique precooked frozen seafood that maximizes the abundant marine resources of the Tohoku and Hokkaido regions  
Utilizing the superior raw material procurement capability of Hachinohe Kandzume Enterprise Group  
Utilizing the link with Sasaya Shoten of Kushiro, Hokkaido  
Installation of various production lines that utilize and quickly processes seafood ingredients  
Development as the main plant for the product group using cream sauces such as au gratin noodles/rice, etc.

[Design concept]

Safety/security is the first concern  
Compatible with the concept of food defense (shutting out outside intrusion)  
Streamlining  
Installation of streamlined lines with fewer staff, etc.  
Energy-saving measures  
Energy-saving design, adoption of centralized control system, etc.  
Environmental measures  
Use of environment-friendly non-fluorocarbon refrigerants (NH<sub>3</sub>), installation of solar generation system, etc.



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One of the uses of the cash was the construction of the large frozen prepared foods plant in Hachinohe.

Nissui, which has been investing a considerable amount of time in reconstructing its domestic food business, has drawn up plans for the purpose of making optimum use of the Tohoku/Hokkaido regions (Local Links), which boast an abundance of marine resources and has commenced operations of its new plant.

Overview of 1<sup>st</sup> Half of Fiscal Year 2008  
 Fine Chemicals Kashima Plant



First stage construction: October 2006 – March 2007

Second stage construction: November 2007 – September 2008

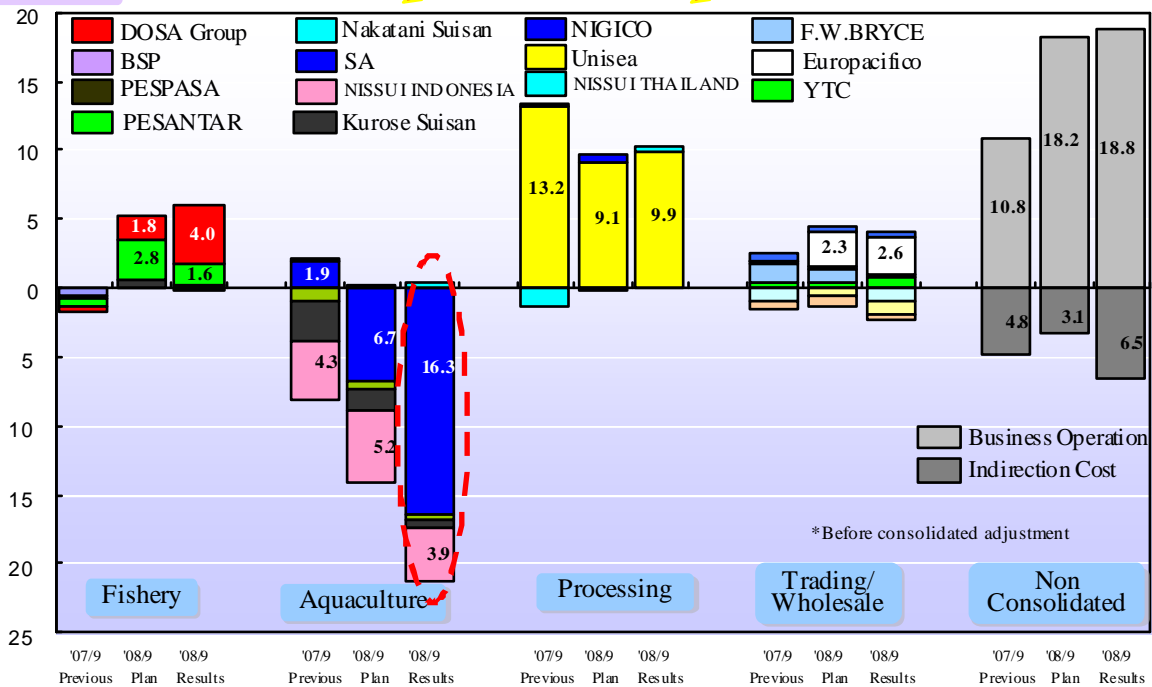
	Product	Details	Materials / Origin
Oils and Fats Plant	Purified fish oils	Deoxygenated fish oils with the environmental pollutants eliminated	Various crude fish oils
	Fish cholesterol	Purified fish cholesterol from fish oils	Various crude fish oils
	Fish oil ethylester	Ethylester mixture	Sardine oil
	Purified deodorized fish oils	Deodorized and deodorized fish oil with concentrated EPA/DHA	Sardine oil, tuna and bonito oils
	DHA46	High level, concentrated DHA oil	Tuna oil
	EM oil	Concentrated EPA and randomized MCT	Concentrated EPA oil MCT
Chemical Products Plant	Oleyl alcohol	Purified oleyl alcohol	Crude oleyl alcohol
	Marine wax	High level purified, stabilized wax	Orange roughy oil
	Squalane	High-purity squalane	Shark liver oil
	Vinyl ether	Vinyl ether from aliphatic alcohols	Long-chain aliphatic alcohols
	HPCBS	Polyhydroxypropyl chitosan	Chitosan
Oligo-Saccharide Plant	Chitin oligosaccharides	Disaccharide – hexasaccharide chitin oligosaccharide	Chitin from crab shells
	Chitosan oligosaccharides	Disaccharide – hexasaccharide chitosan oligosaccharide	Chitosan from crab shells
	Acetylglucosamine	N-acetylglucosamine	Chitin from crab shells
	Fish collagen	Collagen peptide	Fish scales

Funds were also used in the Fine Chemicals Kashima Plant. The first phase construction was completed last year and this year marked the completion of the second phase construction. Trial operations began from the beginning of October and the fine chemicals business, no longer having to depend solely on Omega-3 products, seems to be finally taking off as a comprehensive business using marine materials as raw ingredients. Together with the investments in frozen prepared foods plant of Hachikan Co., Ltd, a total of 17.0 billion yen was invested.

Overview of 1<sup>st</sup> Half of Fiscal Year 2008  
 Operating Income by Geographic Segments & Group Companies (Marine Products)



Marine Products '07/9 Previous 17 '08/9 Plan 19 '08/9 Results 9 (Unit: 100 million yen)



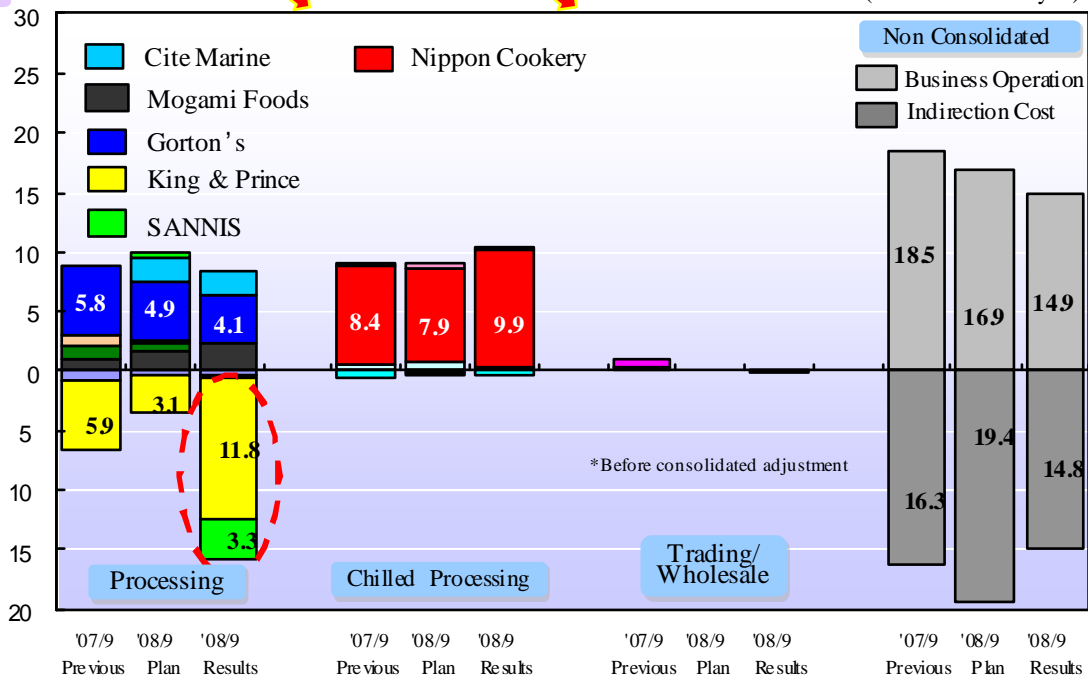
A detailed explanation of the graphs will follow. It was a good year for the marine business. Unfortunately, however, the performance of the aquaculture business performed poorly as indicated by the graph. In addition to SA and Nissui Indonesia, as of the first half of the fiscal year, Kurose Suisan is still recording losses. The only company to record a surplus was Nakatani Suisan, Co., Ltd., which is engaged in the farming of tuna. In the processing business, despite Unisea, Inc (hereinafter "UniSea") operating income at a lower level than the previous year, performance is up on the whole. The trading/wholesale business performed as indicated by the above graph.

Taken as a whole, the marine products business, which had recorded an operating income of 1,700 million yen in the previous year, projected 1,900 million yen for the current year but ended up with only 900 million yen. The major setback came from SA.

Overview of 1<sup>st</sup> Half of Fiscal Year 2008  
 Operating Income by Geographic Segments & Group Companies (Foods)



Foods '07/9 Previous 13 '08/9 Plan 3 '08/9 Results 6 (Unit: 100 million yen)



In the foods processing business, Gorton's, Inc. (hereinafter "Gorton's") of North America and Cite Marine S.A.S. of France (hereinafter "Cite Marine") and Mogami Foods Co., Ltd., the domestic frozen prepared foods company fared well, while K&P and Shandong Sanfod Nissui recorded deficits. Operating income from chilled foods surpassed both previous year's levels and the planned amounts, on the strength of the Taspo effect on the booming convenience store industry. The non-consolidated foods business, which recorded 1,850 million yen in the previous year, projected a conservative budget in light of the Chinese dumping incident, but managed to fall further below expectations.

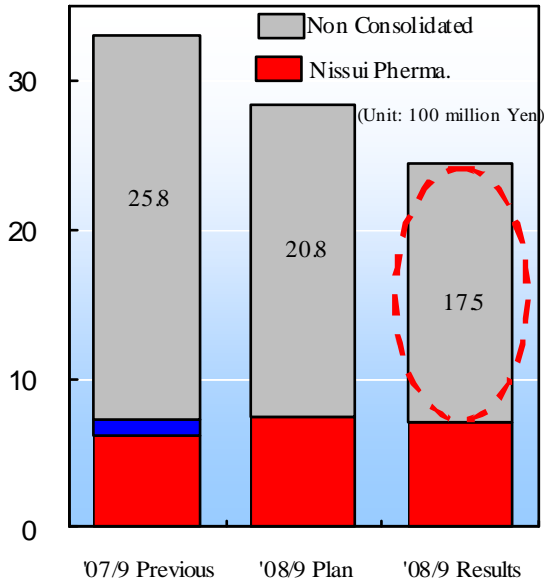
However, the element of trade-off is becoming stronger in the relationship between the marine products and the foods businesses and the combined operating income of the two businesses, which was 2,930 million yen in the previous year amounted to 3,370 million yen for the current year. In light of this amount, domestic performance was said to have been relatively strong during the current year.

Overview of 1<sup>st</sup> Half of Fiscal Year 2008  
 Operating Income by Geographic Segments & Group Companies  
 (Fine Chemicals & General Distribution)



Fine Chemicals

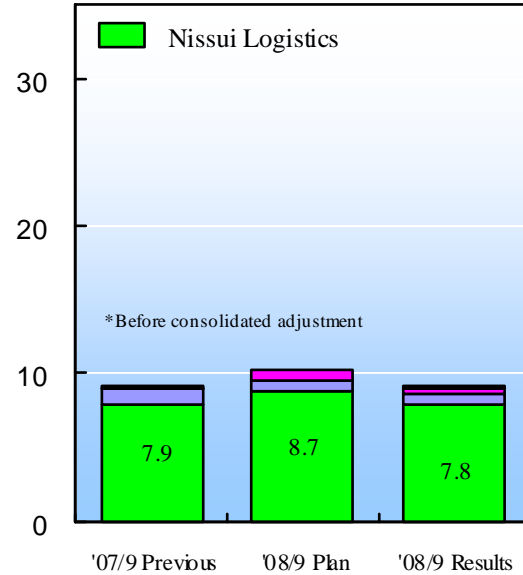
'07/9 Previous 33 ↓ '08/9 Plan 25 ↓ '08/9 Results 24



General Distribution

(Unit: 100 million yen)

'07/9 Previous 10 ↓ '08/9 Plan 10 ↓ '08/9 Results 9



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Judging from the numbers alone, there may be some cause for alarm that even the fine chemicals business, which had consistently performed strongly in the past, is beginning to look grim. However, you must understand that this does not represent a decline in the products of the fine chemicals business.

In terms of the general distribution business, I must report that the newly extended Kawasaki General Distribution Center has yet to reach its full profit potential.

## Movements within the Industry

### (1) Fishery policies of the world – The trend for conserving resources / emphasis on stewardship established

#### Russia

##### 2008 Revision of Fishery Laws

Under the new law, beginning January 1, 2009, all marine products caught in Russia's exclusive fishing zone and the sea surrounding the continental shelf must call at a port within Russia and clear Russian customs (Article 19, Commercial Fishing).

Similarly, from January 1, 2009, the allocation of fishing quotas to foreign-registered vessels and foreign entities chartered by Russian entities will be abolished (Article 16, Types of fishery)

#### Argentina

##### Expansion of ITQ system

Merluccius Hubbsi → January 2004 CUPO adopted 2008TAC 270thousand tons

Southern Blue Whiting → January 2008 ITQ adopted 2008TAC 60thousand tons

HOKI → January 2009 ITQ adopted 2009TAC 180thousand tons (Estimated)

**Desired Response** → **“Investments” in Marine Resources**

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I will now report on a number of noteworthy points concerning our industry. First of all, the fishery policies around the world are reaching a turning point. Russia revised its fishery laws in 2008 and Argentina has also adopted the ITQ system. Amid the pressing demands of resource conservation and resource-consciousness, the only industrialized country in the world without a clear direction in its fishery policies is Japan.

Considering the present state of the world, investments into marine resources are expected to become crucial. And this is the reasoning behind our additional investment into GFC and our consolidation of our subsidiary, Kyowa Suisan Co., Ltd. However as investments into limited areas entail high risks, we are aware that investments into a wide-range of areas rather than a single area will become essential in the risk management of marine resources.

(2) **“Sustainable”** and **“Traceable”** are keywords from the fishing/aquaculture phase to the distribution phase

### **M**arine **S**tewardship **C**ouncil

-Aiming for the sustainable use of safe and secure products with a clearly documented history

### **G**lobal **A**quaculture **A**lliance

-Promoting “Responsible Aquaculture” that continuously contributes to the environment, the economy and society

### **G**reen **P**eace

-Ranking of marine products in demand from major U.S. retailers from the perspective of sustainability announced on June 17, 2008

**Desired Response**  **“Investments” in the trust from our customers**

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The words “Sustainable” and “Traceable” have recently grown to become a common language in all aspects of life. For example, there is an increasing number of retailers and food services that refuse to sell foods without MSC (Marine Stewardship Council) certification. In the aquaculture industry, a number of retailers and wholesalers now collaborate with the Global Aquaculture Alliance (GAA), an organization formed under the banner of “responsible aquaculture.” In June Greenpeace announced its rankings of marine products sold by leading North American retailers, which were rated on the scale of “Sustainability.”

These examples help to illustrate that the consumers of today are becoming more aware of sustainability and traceability. What is required of the industry now more than ever is the investment in the trust of its customers.

### (3) Increasing demand the industry

#### **G**lobal **F**ood **S**afety **I**nitiative

-CIES, the organization of retailers has set its own standard toward food safety

#### **F**ood **D**efense

-Measures against deliberate acts of lacing foods with toxins and willfully disrupting the distribution of foods

#### **T**he **I**ssue of **I**ndicating **F**ood **O**origin

-From May 2009 the City of Tokyo will require labeling the origin of main ingredients in frozen foods

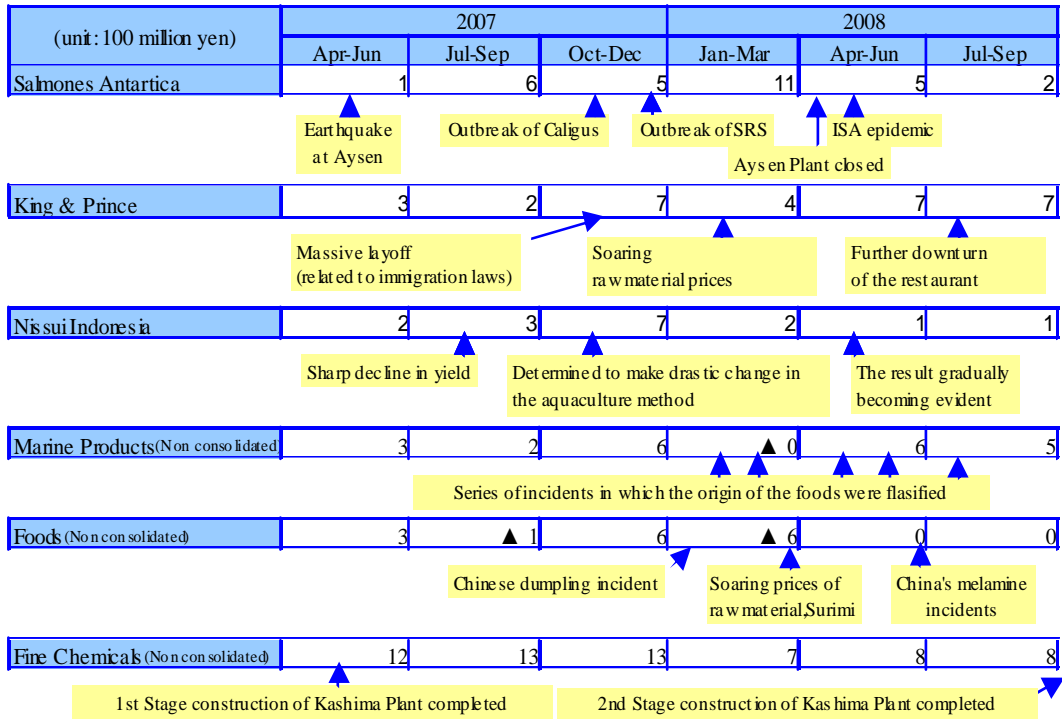
**Desired Response**  **“Investments” to prevent food accidents**

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We must also not forget investments to prevent food accidents. Nissui has taken its Quality Assurance Center (department) in Qingdao and converted it into the Qingdao Nissui Food Research and Development Co., Ltd. and put a system in place that allows the entire group, including the overseas group companies to use this function. Nissui, in response to the increasing awareness toward food safety, intends to continue similar undertakings from the standpoint of food defense.

## Current Events in Nissui Group

# What happened and where? (Events that impacted operating income)



Salmones Antartica

King & Prince

Nissui Indonesia

### 1. Visit Companies



Face to Face Meeting with Local Managers

### 2. Human Resource



Replace Top managements

- SA

- Nissui Indonesia

### 3. Quarterly Individual Hearing

Next I will talk about the measures being taken to address these challenges from the latter half of the previous fiscal year. In terms of SA, K&P and Nissui Indonesia, thorough discussions were held with the local manager-class personnel and those slightly below the managers in order to promote changes in their mentality. Also the presidents at SA and Nissui Indonesia were replaced. Additionally, we will continue to hold hearings on the type of measures implemented during each quarter and monitor the state of their progress.

## Plan vs Results(Operating Income)

	Q1		Q2	
	Plan	Results	Plan	Results
SA	▲ 6	▲ 11	▲ 0	▲ 5
K&P	▲ 2	▲ 4	▲ 0	▲ 7
Nissui Indonesia	▲ 3	▲ 2	▲ 1	▲ 1
SANNIS	▲ 0	▲ 1	0	▲ 2
Marine Products(Non consolidated)	9	10	8	8
Foods(Non consolidated)	6	7	10	7
Fine Chemicals(Non consolidated)	8	8	9	8
Before indirection costs				
Total	17	6	27	18

These measures resulted in on-budget performance by the non-consolidated marine products, non-consolidated foods and non-consolidated fine chemicals businesses but ended up enlarging the losses beyond the budget for SA, K&P and Nissui Indonesia.

# The Key Points of Change at the Time of Formulation of Plan for FY2008 and Additional Measures - Salmenes Antartica



## The Key Points of Change

- Increased production of Atlantic Salmon, which is in strong demand from Europe and the U.S., at the alternative cages acquired after the earthquake (Aysen)
- Concerning trout, which are less susceptible to ISA, at Chiloe to mitigate the risk of fish

## Subsequent Events

- An ISA epidemic spreads throughout the entire region of Chiroe and breeding of Atlantic Salmon becomes difficult
- Decline in survival rates and rising cost of fish

	FY 2008 Plan		1Q Results		2Q Results		3Q Results	
	Survival rate	Cost of fish	Survival rate	Cost of fish	Survival rate	Cost of fish	Survival rate	Cost of fish
Coho Salmon	71%	2.4	60%	2.7	-	-	-	-
Trout	83%	1.9	65%	1.8	82%	2.0	67%	2.6
Atlantic Salmon	76%	2.1	46%	2.8	62%	2.6	68%	2.7

## Additional Measures

- Revision of breeding plans by fish species  
(Discontinue breeding of Coho Salmon / Step up production in Japan)
- Early disposal of fish with high mortality rates and which entail high costs
- Close of Aysen Plants
- Layoff
- Change of products Mix / Higher proportion of Sashimi productions

## Outcome

(Unit: 100 million yen)

Preliminary figures before closing adjustments

FY2008	1st Half	Q3(accumulated)	only Oct.
Operating Income	▲ 16	▲ 18	3

Full year forecast

	FY2007	FY2008	
		Plan	Forecast
Operating Income	▲ 9	4	▲ 18

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Next I will move on to detailed reports of each company. I will first talk about SA.

Two plans were drawn up at the beginning of the term. The first plan was to use the water space, uncontaminated by ISA and provided by the government after the earthquake in Aysen, to increase production of Atlantic Salmon, which was susceptible to ISA but in strong demand from Europe and the U.S. The second plan was to mitigate the risk of fish diseases by concentrating trout, which were less susceptible to ISA, at Chiloe, in the northern part of Chile. Subsequently, despite the steady production of trout, an ISA epidemic spread throughout the entire region of Chile, which made the breeding of Atlantic Salmon extremely difficult. As indicated by the above chart, the survival rate dropped substantially below the plan to 46% in the first quarter and the cost of fish rose to 2.8 dollars per kilogram.

Additional measures taken in light of these circumstances are indicated above.

Although the prices of salmon/trout including Coho Salmon and Trout intended for the Japanese market have recovered somewhat, there is still uncertainty as to the extent of the effects of the current economic situation.

Other listed Chilean companies in the same industry have been similarly affected. The ISA epidemic originally broke out in Norway and then spread to Canada. At that time, the Norwegian government took the measure of completely sealing off the areas where the epidemic originated and even now the use of the affected fjords are totally banned under the instruction of the government. In Canada, a total ban was placed on fish farming for three years and the industry started anew after the disease was completely eliminated. We are hoping for Chile to instruct the industry by implementing similarly forceful measures.

# The Key Points of Change at the Time of Formulation of Plan for FY2008 and Additional Measures - King & Prince



## The Key Points of Change

- Improving management by
  - Increasing sales to commercial wholesale and major restaurants
  - Improving gross profit (from 'control by customer' to 'control by product')
  - Moving production facilities overseas and rebuilding production facilities at Brunswick

## Additional Measures

### Layoff

	Jan-08	Apr-08	Jul-08	Oct-08
Salaryed	153	160	153	133
Workers	547	540	535	505
<b>Total</b>	<b>700</b>	<b>700</b>	<b>688</b>	<b>638</b>

### Price revisions

Implemented in Jan2007, Jul2007, May2008 and Aug2008

### Introduction of automated machinery

Introduction of new packaging machinery

Improvement, introduction of raw materials feeding machinery Q4

**Total \$1,931 million**

## Subsequent Events

Became a victim of the sudden downturn in the restaurants industry as a result of

- Soaring oil price
- Sub-prime mortgage crisis

	Q1		Q2	
	Plan	Results	Plan	Results
Net Sales	48	42	47	42
Operating Income	▲ 2	▲ 4	▲ 0	▲ 7

### Cost Reduction

### Outcome

(Unit: 100 million yen)

Preliminary figures before closing adjustments

FY2008	1st half	Q3(accumulated)	Oct only
Operating Income	▲ 11	▲ 19	▲ 1

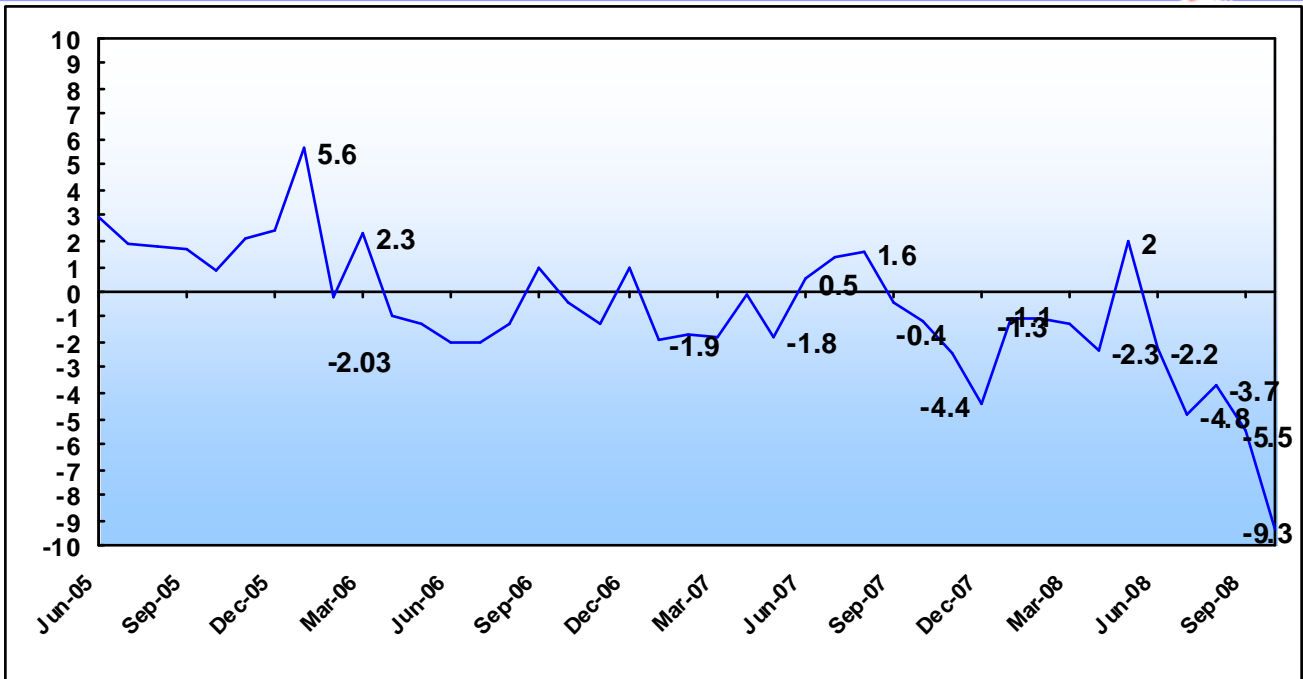
### Full year forecast

	FY2007	FY2008	
		Plan	Forecast
Operating Income	▲ 15	▲ 1	▲ 20

31

K&P is facing a particularly uphill battle. The key points at the time of formulating the plan were "to increase sales to commercial wholesale and major restaurants," "to improve gross profit," "to move production facilities overseas and rebuild production facilities at the Brunswick plant, where employees had been unexpectedly dismissed," and "to cutback on costs." However, K&P was subsequently caught up in the storm of soaring oil prices and the sudden downturn in the restaurant industry and although the plan had been for K&P to record a surplus in the 2nd half of FY 2008, it still remains in the red.

## Sales Growth of Casual Restaurants in the U.S.



Resource: Technomic, Inc.

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The entire casual dining industry in North America, which is K&P's main customer, is currently in a dismal state and is far from bringing about any substantial increase in sales volume. Although we have reduced the number of personnel and at the same time introduced automated machinery for processes allowing automation, while moving low productivity items overseas, the plan has been slow to produce results.

# The Key Points of Change at the Time of Formulation of Plan for FY2008 and Additional Measures – Nissui Indonesia



## The Key Points of Change

- Drastic review of aquaculture methods
- [Management Indicators]
- Yield (number of tons per ha) over 5.0t/ha
  - FCR (Feed Conversion Rate) below 2.0
  - Weight per shrimp over 33g/shrimp

## Subsequent Progress

1Q results	2Q results	3Q results	4Q October	4Q November forecast	4Q December forecast
3.1	7.4	6.5	6.5	6.8	6.8
2.5	1.8	1.7	2.0	1.8	1.8
22.4	31.1	28.1	28.4	31.0	31.0

## Additional Measures

- Cooperation with local governments
- Dispatch of additional technical experts (seed and seedling experts)

Outcome (Unit: 100 million yen)

Preliminary figures before closing adjustments

FY2008	1st Half	Q3(accumulated)	Oct only
Operating Income	▲ 3	▲ 5	0

Full year forecast

	FY2007	FY2008	
		Plan	Forecast
Operating Income	▲ 16	▲ 7	▲ 4

33

In terms of Nissui Indonesia, we have been conducting a drastic review of aquaculture methods based on the conviction that maintaining a yield of 5.0t/ha, a FCR (feed conversion ratio) of below 2.0 and weight per fish of 33 g/fish is indispensable for making the business viable. Beginning from May in the 2nd quarter a new method of harvesting has been implemented. In subsequent events, despite the weight per fish remaining slightly below the targeted level, the yield and FCR have reached the required levels. The failure to reach the weight required by the management indicators may be attributed to more than usual rainfall in the dry season as a result of La Nina. Increased rainfall lowers water temperature, which, in turn, stunts the growth of the shrimp.

In this case, the shrimp were harvested early in order to prevent mass mortality, which, in turn, resulted in their small size.

# The Key Points of Change at the Time of Formulation of Plan for FY2008 and Additional Measures - SANNIS



## The Key Points of Change

- Increase production as the “global plants” of Global Links
- Begin operation of Plant No.5

## Additional Measures

- Shift Plant No.3 from manufacturing thaw-at-room-temperature (TaRT) frozen food to a fried seafood products
- Manufacture products intended for the domestic Chinese market at Plant No.5

## Subsequent Events

- Production of frozen foods for household use in Japan has practically stopped because of the Chinese dumpling incident (January) and Plant operating only for commercial use
- Issue of export permit delayed on Chinese side
- Electricity restricted because of the Sichuan Earthquake (limiting operation)
- Repeated incidents, accidents involving food produced in China, such as the Chinese melamine incident

Unit: tons	09/3 Q1		09/3 Q2		09/3 Q3	
	Plan	Results	Plan	Results	Plan	Results
No.1 Marine Products	767	527	1,218	755	1,346	704
No.2 Fried Seafood	1,397	1,029	1,784	1,546	1,843	1,804
No.3 TaRT frozen Food	234	119	240	119	247	132
No.4 Bread crumbs	556	275	680	428	650	543
No.5 Flour products	144	62	225	25	214	107

Outcome (Operating income) – Plant division  
Preliminary figures before closing adjustments

Full year forecast (Unit: 100 million yen)

FY2008	Q3 (accumulated)	Oct only	FY2008	1st Half	Q3 (accumulated)	Oct only	FY 2007	FY2008	
								Plan	Forecast
Plant Division	▲ 7,601	119	SANNIS	▲ 3	▲ 5	0	SANNIS	▲ 2	1 ▲ 6

(Unit: thousand Chinese Yen)

(Unit: 100 million yen)

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Shandong Sanfod Nissui, Ltd. was built for the purpose of increasing production as the “global plant” for the Global Links network. However, it has fallen victim to the spate of food incidents and accidents occurring since the Chinese dumpling incident. Although the No. 2 Plant, which manufactures frozen fried seafood, performed strongly, the other Plants failed to follow suit. Ideally, the No. 3 Plant, which manufactures thaw-at-room temperature (frozen for household use), would be in full operations, however, unfortunately, at the moment, Japan’s household frozen food market has turned away from foods made in china. Therefore, for the time being, we are proceeding with construction to temporarily convert the No. 3 Plant into a frozen fried seafood plant.

### Positive Points

- Rise in prices marine products
- New initiatives with GFC, DOSA Group, Company A in Argentina, PESANTAR and Sasaya Shoten
- Stabilization of processing business (seafood materials) with Nissui Thailand, NIGICO, Oi Seafood Processing Plant and Sakaiminato Plant in Japan
- Commencing new initiatives

### Negative Points

- Uphill battle in aquaculture business: Uncertainty over supply of products from Salmones Antartica, Nissui Indonesia and Xiamen Longpeng Nissui Cultivation
- Excessive inventory (some influence of setting aside main materials for food)

35

Positive points of our non-consolidated marine products business include the rise in the prices of marine products and the new initiatives undertaken with the companies that have recently joined our corporate group. Expansion of our corporate group signifies the reinforcement of our supply source. The stabilization of our processing business is another point of emphasis. The stabilized processing in our non-consolidated marine products business indicates that a system has been put in place that is capable of supplying products (seafood materials) to be sold on the commercial food channels. Negative points, on the other hand, include the uphill battle facing our aquaculture business and the ensuing uncertainty over the supply of products, which has begun to affect sales companies including FWB in North America. Excessive inventory, which may be an effect of setting aside main materials for food, may be cited as another negative factor.

# Foods (Non consolidated)



## Positive Points

■ A sales/production structure capable of maintaining monthly sales of 10.0 billion yen has been established.

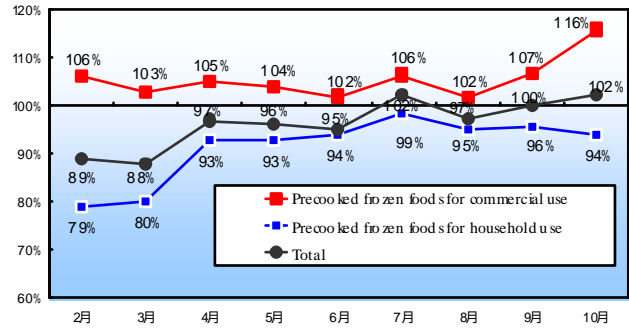
Fish ham and sausage, shelf-stable foods (bottled salmon) and frozen foods for commercial use driving sales

	Y-on-Y
Fish ham and sausage	136%
Shelf-stable foods	140%
Frozen food for commercial use	104%

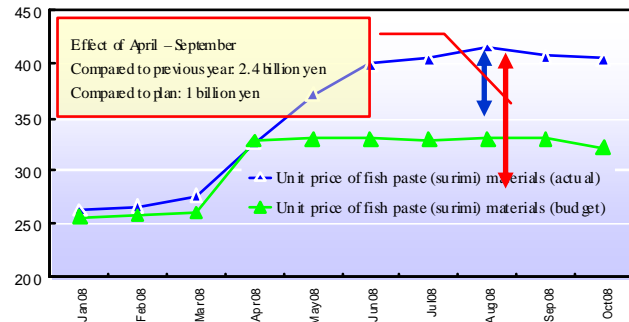
## Negative points

- Frozen food for household use still being held back by the China problem
- Rise in raw materials prices (impact of the rise of the price of fish paste (surimi))
- Non-consolidated Foods First Half 2,400 million yen (Plan: 1,000 million yen)
- Delays in price revisions in PB fish ham and sausages and PB fish paste products

Year-on-year changes in sales of precooked frozen foods



Changes in price of fish paste (surimi) materials prices at food plants

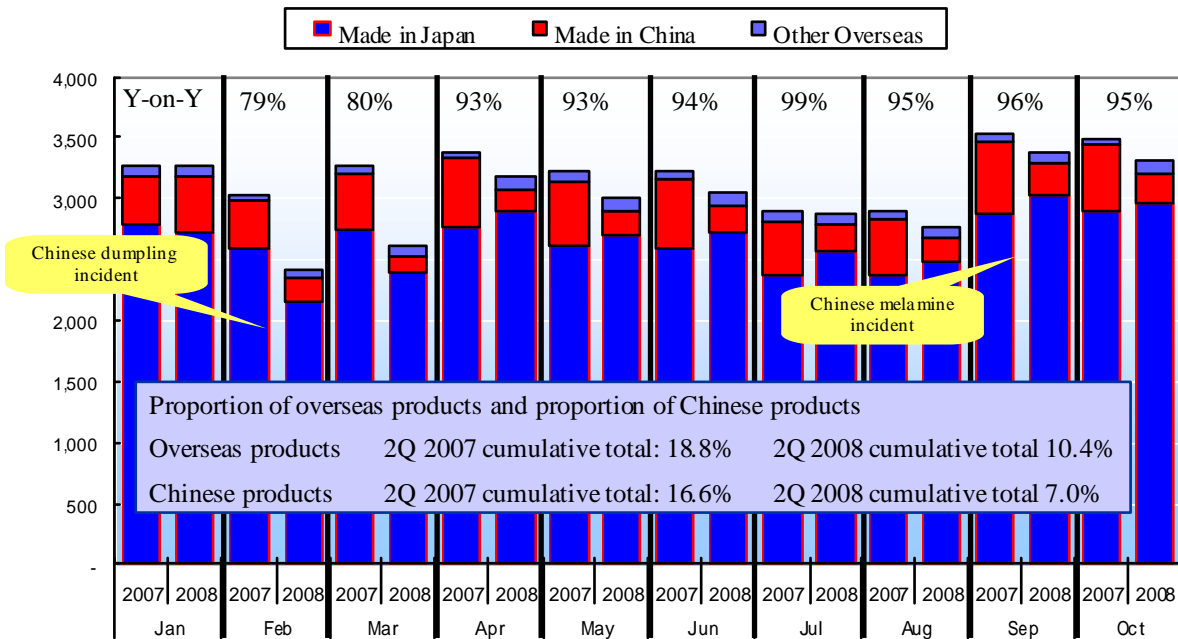


In the non-consolidated foods business, a sales/production structure capable of maintaining monthly sales of 10.0 billion yen has been established, the main impetus for which was the strong sales of fish ham and sausage, shelf-stable foods (bottled salmon) and frozen foods for commercial use, which drove sales as a whole. Negative points include the sales of frozen food for household use still being held back by the China problem and the rise in raw materials prices. The rise in the raw materials prices for fish paste (surimi), in particular, has been pronounced and the unit price has increased by 2,400 million yen compared to the previous year. Despite this, price revisions in PB fish ham and sausages and PB fish paste products have been slow to take effect and this delay has also had a negative effect on the business. Year-on-year changes in sales of precooked frozen foods indicate that precooked frozen foods for commercial use recorded sales equivalent to 116% of the previous year, whereas precooked frozen foods for household use only recorded sales equivalent to 94% and limiting sales to an amount equivalent to 102% of the previous year, combined.

# Effect on February (Chinese dumpling incident) and beyond

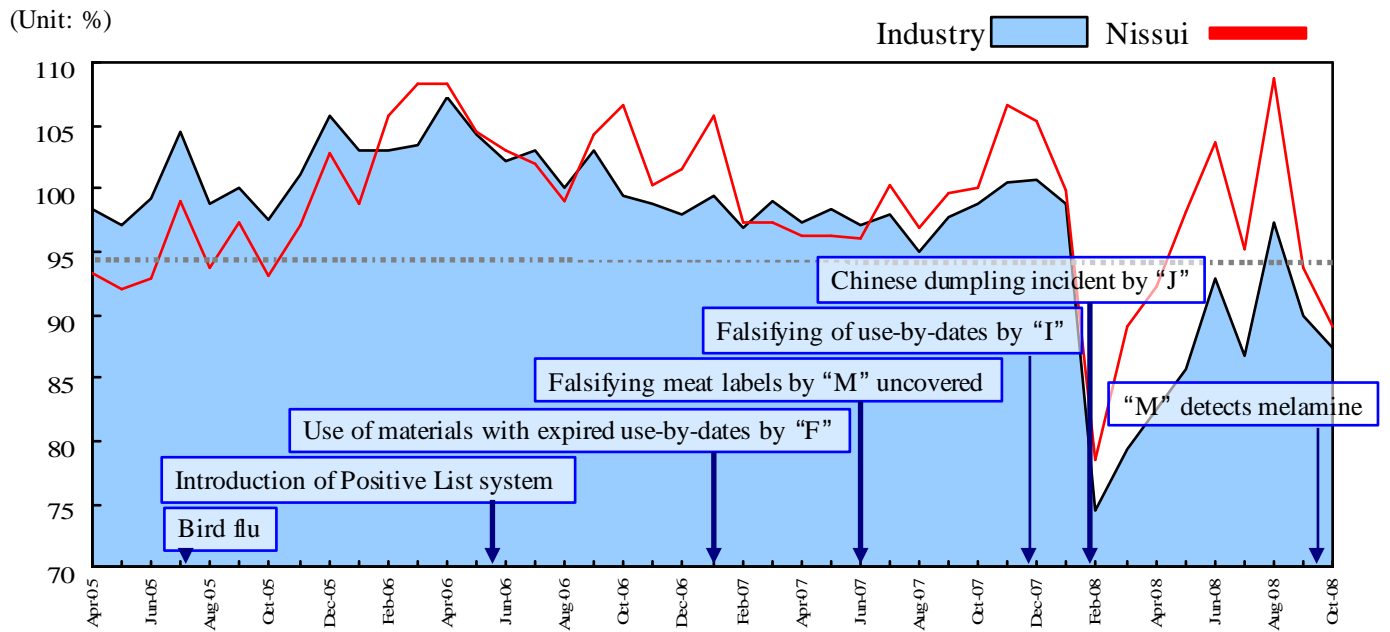


Changes in sales of precooked frozen foods for household use by supplier (Unit: 100 million yen)



In terms of precooked frozen foods for household use, the proportion of overseas products, which was 18.8% in the previous year, is only reached 10.4% for the current year, while the proportion of Chinese products has fallen from 16.6% to 7.0%. This is an effect of the China problem, which still lingers on since the Chinese dumpling incident. The reason why we manufacture our products overseas, in the first place, is to produce products with high profit margins. Therefore it is no small effect when this amount decreases. However, considering the situation at the moment and the state of the industry as whole, this segment is doing relatively well.

# Year-on-year changes in sales of precooked frozen foods for household use



Source: Intage

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Turning our attention to the changes in sales of precooked frozen foods for household use for the industry and for Nissui, we will see that Nissui, not having been involved in any of these incidents since the Chinese dumpling incident, has maintained a higher level of sales than the industry average and is gradually regaining customer support, while last year the sales trend for both Nissui and the industry showed generally the same move. Nevertheless, it does not change the fact of the negative effects these recent food-related problems have had on us.



Positive Points

- Strong performance by pharmaceutical EPA
- Global expansion of the market for omega-3 products

Negative points

- Partial delay in operations of new facilities at Kashima Plant
- Overseas sales of omega-3 products will require more time because of overseas patent issues

A positive note in the fine chemicals business is the strong support omega-3 products are receiving around the world.

## Forecast of FY2008

(Unit: 100 million yen)

Consolidated	Forecast	%	Previous Forecast	%	GAP
Net Sales	5,200		5,300		▲ 100
Operating Income	90	1.7%	135	2.5%	▲ 45
Ordinary Income	70	1.3%	120	2.3%	▲ 50
Net Income	20	0.4%	50	0.9%	▲ 30

#### ■ Dividend Forecast

Yearly 10 Yen

1<sup>st</sup> Half 5 Yen

For our full-year forecast, we predict sales of 520.0 billion yen, operating income of 9.0 billion yen, ordinary income of 7.0 billion yen and a net income of 2.0 billion yen. We are assuming an exchange of 100 yen to the dollar, which is slightly different from the current rate. In terms of dividends, we are planning a pay out of 10 yen per share for the year. Although we have little to spare on a consolidated basis, ample dividend capacity has been maintained on a non-consolidated basis and thus we intend to return this to our shareholders.

# Forecast of FY2008

## Y-on-Y comparison of sales by segment matrix



(Unit:100 million yen)

	Japan	N.America	S.America	Asia	Europe	Sub total	Consolidated adjustments	Total
Marine Products	1,981 (7)	355 (▲2)	301 (▲17)	135 (▲32)	104 (▲6)	2,878 (▲51)	▲808 (▲81)	2,071 (▲132)
	1,973	358	319	168	111	2,930	▲726	2,204
Foods	2,795 (101)	503 (▲10)		35 (▲18)	96 (▲19)	3,431 (2)	▲823 (▲15)	2,607 (17)
	2,693	534		54	116	3,398	▲808	2,590
General Distributions	192 (▲2)					192 (▲2)	▲80 (▲2)	111 (▲5)
	194					194	▲77	117
Fine Chemicals	252 (▲20)					252 (▲20)	▲14 (2)	237 (▲17)
	272					272	▲17	255
Others	337 (22)					337 (21)	▲166 (15)	171 (37)
	314					316	▲182	134
Sub total	5,559 (109)	859 (▲33)	301 (▲17)	171 (▲32)	201 (▲25)	7,092 (▲19)	▲1,893 (▲80)	5,200 (▲100)
	5,449	892	319	224	227	7,112	▲1,812	5,300
Consolidated Adjustments	▲1,411 (▲40)	▲164 (▲39)	▲188 (▲21)	▲128 (20)	0 (0)	▲1,893 (▲80)		
	▲1,371	▲124	▲167	149	0	▲1,812		
Total	4,147 (69)	695 (▲72)	113 (▲38)	43 (▲31)	200 (▲26)	5,200 (▲100)		
	4,078	768	152	75	227	5,300		

\*Upper: 2008 (Y-on-Y)  
Below: 2007

The forecast for sales by geographic segment shows decreases in Japan and North America. By business segment, major decreases are predicted for the marine products business.

# Forecast of FY2008

## Y-on-Y comparison of operating income by segment matrix



(Unit: 100 million yen)

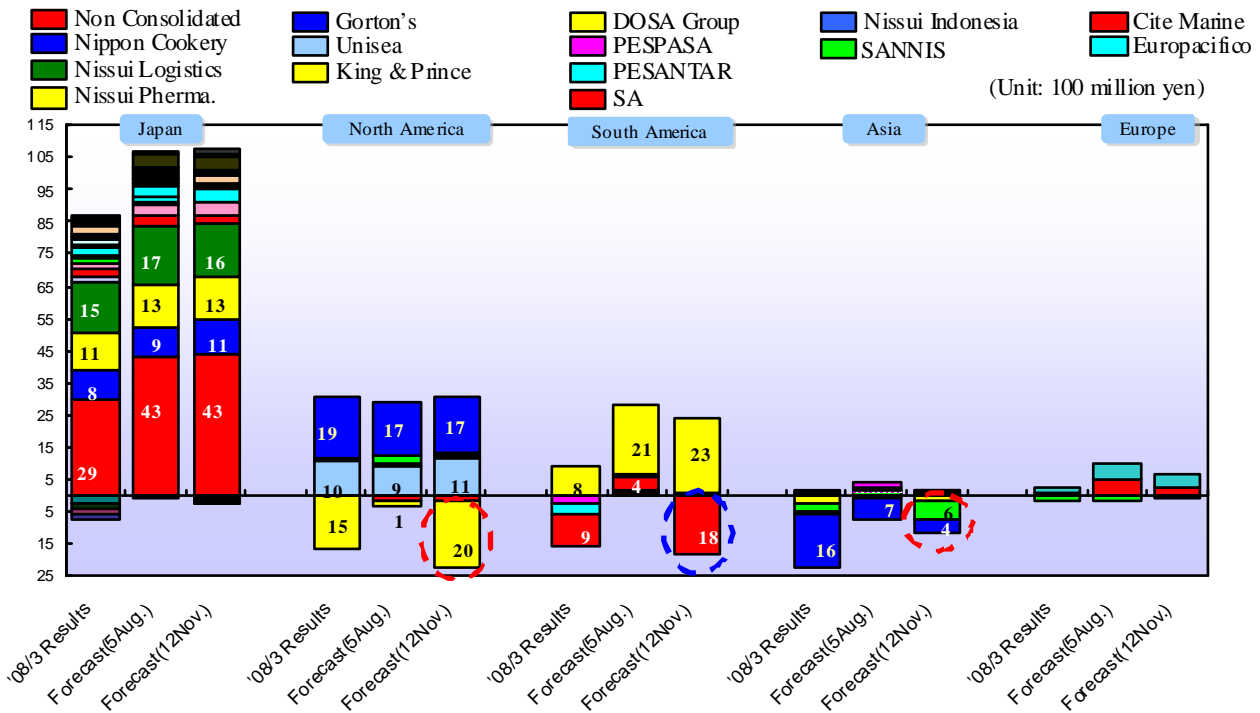
	Japan	N America	S. America	Asia	Europe	Elimination/ Common	sub total	consolidated adjustments	Total
Marine Products	32 (0)	11 (1)	5 (▲22)	▲4 (0)	2 (▲0)		48 (▲21)	▲2 (3)	46 (▲18)
	32	10	27	▲5	3		69	▲5	64
Foods	23 (0)	▲3 (▲19)		▲6 (▲7)	2 (▲1)		16 (▲28)	▲16 (3)	0 (▲26)
	23	15		1	4		45	▲19	26
General Distributions	18 (▲2)						18 (▲2)	0 (0)	18 (▲2)
	20						20	0	21
Fine Chemicals	55 (▲1)						55 (▲1)	0 (0)	55 (▲1)
	57						57	0	57
Others	8 (1)			0 (0)			8 (1)	▲2 (1)	5 (3)
	6			-			6	▲4	2
Eliminations/ Common						▲35 (0)	▲35 (0)		▲35 (0)
						▲35	▲35		▲35
Sub total	138 (▲2)	8 (▲18)	5 (▲22)	▲10 (▲6)	5 (▲2)	▲35 (0)	114 (▲50)	▲24 (5)	90 (▲45)
	140	26	27	▲3	8	▲35	164	▲29	135
Cosolidated Adjustments	0 (4)	▲15 (1)	▲3 (0)	▲1 (0)	▲1 (1)		▲24 (5)		
	▲4	▲16	▲3	▲1	▲3		▲29		
Total	137 (1)	▲7 (▲17)	2 (▲21)	▲11 (▲6)	4 (0)	▲35 (0)	90 (▲45)		
	136	10	24	▲5	5	▲35	135		

\*Upper: 2008 (Y-on-Y)  
Below: 2007

The forecast for operating income by segment shows major decreases in North America due primarily to the foods business.

# Forecast of FY2008

## Operating Income by Group Companies by Area



46

The forecast for operating income by geographic segments and group companies shows Japan improving on the previous year and performing more or less as planned.

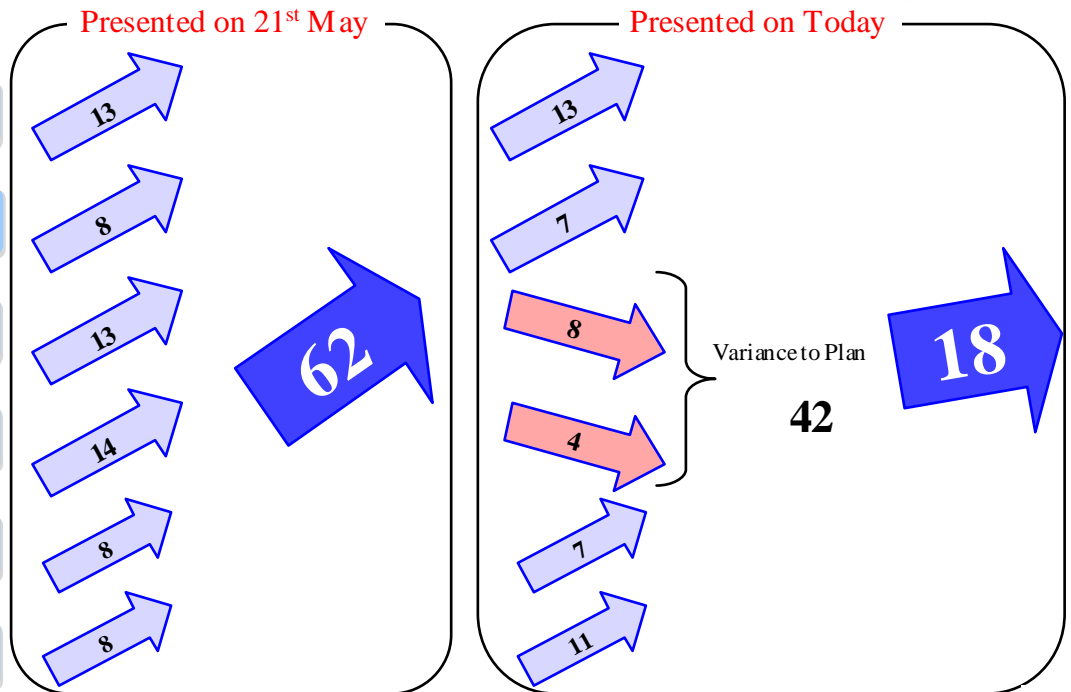
North America will be severely impacted by 2.0 billion yen loss in K&P. On the other hand, prospects are looking better for UniSea and Gorton's in achieving their targeted amounts. In South America, a 1.8 billion yen loss is predicted for SA. While an operating income of 2.3 billion yen is predicted for DOSA, the amount is expected to reach 3.5 billion yen if the synergetic effects are taken into account. In Asia, an operating loss of 1.0 billion yen is predicted reflecting the losses of Nissui Indonesia and Shandong Sanfod Nissui, Ltd.

Forecast FY2008  
Operating Income Growth from FY2007



(Unit: 100 million yen)

- Marine Products  
(Non consolidated)
- Foods  
(Non consolidated)
- SA
- K&P
- Pesapasa/Pesantar
- Nissui Indonesia



\*Before consolidated adjustments

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Future risks include the risk of further decreases in cod catches from the Bering Sea. Whether this will have the effect of driving up fish paste (surimi) prices will be decided in the tug-of-war between the marine products business in North America and the foods business in Japan. The domestic foods business conducted price revisions as recently as June of this year, in response to rising fish paste (surimi) prices in North America, however, this portion has been used up. A second price revision was conducted in September, but the price revision for PB products have been met with delays.

The differences between major recoveries in operating income forecast predicted at the briefing session in May and the current forecast of results are as shown. At that time, I predicted a recovery in operating income of 6.2 billion yen compared to the 7.2 billion yen recovery in FY 2008, however, as a result of the SA and K&P falling drastically short of the budget, the increase is expected to be a modest 1.8 billion yen. As a result of the above and in view of major uncertainties that could adversely affect the items below ordinary income, we predict sales of 520.0 billion yen in sales and operating income of 9.0 billion yen as presented on slide No.43.

## Disclaimer regarding forward-looking statements



This presentation contains forward-looking statements regarding Nissui's business projections for the current term and future terms. All forward-looking statements are based on rational judgement of management derived from the information currently available to it, and the Company provides no assurances that these projections will be achieved.

Please be advised that the actual business performance may differ from these business projections due to changes of various factors. Significant factors which may affect the actual business performance include but are not limited to the changes in the market economy and product demand, foreign exchange rate fluctuations, and amendments to various international and Japanese systems and laws.

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