

A world map in shades of blue with a grid overlay. Red dots mark various locations across the globe, and red rectangular boxes highlight specific regions: North America, Europe, Africa, Asia, and South America. The text 'ANNUAL REPORT 2006' is centered on the left side of the map.

ANNUAL REPORT

2006

Nippon Suisan Kaisha, Ltd.



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Profile

Since being founded in 1911, Nippon Suisan Kaisha, Ltd has continued its business under the basic philosophy of "contributing to society while continuing to create value." During the company's history of nearly 100 years, great changes have occurred both in society and in the forms of business. The spirit of the NISSUI Group and its businesses based on marine resources, however, have not changed at all. The company's spirit is well expressed by the words of Kosuke Kunishi, a man contributing to the company's founding: "Water is to the water service what marine resources are to the production and supply of marine products. We should search for ocean resources throughout the world, store them in as fresh a condition as possible, build water pipes, as it were, in every market of the world, and supply them while adjusting the market price according to demand. (...) Like a water system, we should avoid any loss in the supply process and strive to offer marine products at as low a price as possible. We should not demand any excessive profits in this process." This idea has since been ingrained in the company's basic management policy as "NISSUI's genes." The NISSUI Group will continue to contribute to society by creating diverse values from marine resources in cooperation with people throughout the world. With these activities, we will endeavor to meet the expectations of the many stakeholders of the NISSUI Group.

Financial Highlights

Nippon Suisan Kaisha, Ltd. and Consolidated Subsidiaries (Years ended March 31)

	(Billions of yen)			(Millions of U.S. dollars)
	2003	2004	2005	2005
Sales	494.6	510.8	539.6	4,593
Operating Income	10.1	12.2	11.1	95
Ordinary Income	8.6	12.6	11.8	101
Net Income	3.1	6.1	6.7	57

	(Billions of yen)			(Millions of U.S. dollars)
	2003	2004	2005	2005
Total Shareholders' Equity	88.5	88.5	105.8	901
Total Assets	326.5	331.5	384.8	3,275

(1 U.S. dollar = 117.47 yen)

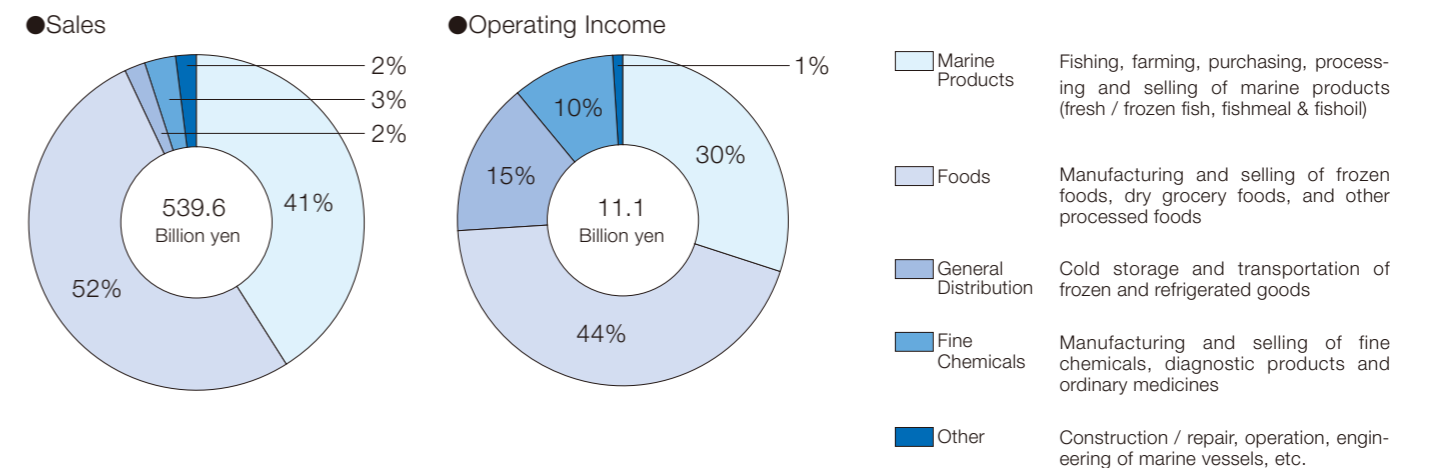
	(yen)			(U.S. dollars)
	2003	2004	2005	2005
Net Income per Share	10.66	21.50	23.60	0.2
Cash Dividends per Share	5	6	7	0.05

(1 U.S. dollar = 117.47 yen)

	ROE (%)		
	2003	2004	2005
ROE	4.1	7.2	6.9

Segment Performance

Amounts and ratios of consolidated sales and operating income of 5 business segments are as follows;
 (Note: The ratio of the operating income is calculated for 13.54 billion yen before all corporate expenses are deducted. We combined the former Fine Chemicals Business, which belonged to the Other Processed Foods in the Foods Business and the former Pharmaceuticals Business into the Fine Chemicals Business and the Foods Business has been re-launched (English name unchanged).)



Vertical Integration

from marine resources
to the dining table

Environmental preservation is an obligation that is incumbent upon nations, corporations and citizens. The key word here is "sustainable". Based on this viewpoint, the management of marine resources has been strengthened through official restrictions such as those set by the domestic laws of various countries and international treaties, as well as through cooperative efforts with the private sector.

Since it was first founded, Nissui has always put emphasis on the sustainability of the marine resources from which we benefit. In the 1920's we were the first private company to establish a fishery research laboratory, and since then we have continued to research the effective use of marine products. Nissui conducts sustainable fishery in the United States, Chile, New Zealand, and Australia. In addition, efforts at harmony with the environment are underway in Chile and other places where we conduct fish farming.



Productivity

2 in 5

double productivity in 5 years

Nissui is also a food maker involved in the manufacture and sale of processed foods in Japan and the United States. In Japan we own the “Nissui” brand, which produces frozen prepared foods, surimi paste foods, fish ham & sausage, and dry grocery foods. Moreover, we own Gorton’s, one of the top retail brands in frozen prepared seafood in the U.S. Together with King & Prince Seafood, which is almost universally recognized as a supplier to restaurant chains, our exposure level in the U.S. seafood industry is growing year by year. In order to strengthen our functions as a maker, Nissui is putting a solid cost reduction plan into action that will double productivity in five years.

EPA Crown of Marine Resources



EPA, which stands for eicosapentaenoic acid, is an Omega 3 unsaturated fatty acid which is showing promise as an effective agent in reducing the risk for major coronary artery events. Nissui is a cutting edge refiner and manufacturer of functional fish oils. We have conducted research into functional oils deriving from fish since prewar days, and this business combines that research, a procurement network spanning the Group, and refining technology. Nissui also has a 25 year history as a supplier of active ingredients in medicines used to treat obstructive arteriosclerosis and hyperlipemia, and this division is sure to develop and diversify in the future as well. In order to contribute to improving quality of life, Nissui will continue research into new ways of producing diverse types of value from marine resources.



1. Financial Results for FY2005

Overview of Operations

Nippon Suisan Kaisha, Ltd. ("Nissui") made aggressive efforts to reform its business structure in order to enhance Group management, and aimed to substantially boost its profits in the fiscal year ended March 31, 2006 the final year of the previous "Toward Global Links" Medium-term Management Plan ("TGL Plan").

In an effort to change our business structure, we invested ¥34 billion in FY2005, mainly to strengthen our production functions, including spending ¥16.8 billion on the acquisition of a frozen marine products company in North America and ¥7.6 billion on a food factory in Japan. As a result, the cumulative total amount of investments we made during the period of the TGL Plan reached ¥110 billion, which enabled us to further develop the foundations of the Nissui Group to achieve business growth.

In terms of profits, our fishery and aquaculture operations in North America and South America with access to mar-

ine resources performed better than planned, whereas newly-invested companies were slow in making progress and the performance of Nissui's Foods and Marine Products businesses fell short of the plan. Consequently, operating income was below the previous fiscal year's level and fell short of the plan made at the beginning of the year.

Under the TGL Plan, we operated our businesses by taking an approach dubbed "Global Links", which refers to a business network that includes not only our consolidated subsidiaries but also a group of crucial business partners, i.e., companies that we work with. Members of Global Links are in a win-win relationship in that they demonstrate enormous strength through synergies generated between each other while sharing Nissui Group's vision and respecting each other's corporate culture. The progress of Global Links can be measured in terms of overseas sales: in FY2005, overseas sales including members

of Global Links amounted to ¥151.5 billion, compared to overseas sales on a consolidated basis of ¥82.3 billion. We are a step away from reaching our target ratio of overseas sales to total sales of 30%.

Business Performance

The increasing demand for fish on a global scale is pushing up the price of fish worldwide. Even in Japan, the downtrend in the price of fish is switching to an uptrend. While such a trend improves the profitability of fishery and aquaculture businesses, the profitability of processing/sales-related businesses deteriorates if they cannot pass on the higher cost of fish to consumers in the form of higher prices. For this reason, in Nissui Group's Marine Products business, resource-accessing companies in North America and South America performed well, but profits of sales-oriented operations in Japan fell short of the plan, despite exceeding the previous year's level. Nis-

sui Group is building a global supply chain based on its resource-accessing businesses where its strength lies, spanning procurement, processing, distribution and sales functions. As it will be difficult to quantitatively expand natural resources (fishery) in the resource-accessing field, aquaculture operations will be the driver of growth in the future, including quantitative expansion. Earnings of our aquaculture operations declined in FY2005 as a result of the huge losses incurred by yellowtail farming in Japan and shrimp farming in Indonesia, both of which were new businesses.

Our Foods business in Japan also experienced a decrease in earnings, as there were delays in passing on the increase in raw materials costs attributable to the surge in fish prices to consumers, and cost reduction efforts did not proceed as planned. Our food production operations targeting convenience stores, which roughly doubled in sales over the past three years, were forced to declare



Products of King & Prince Seafood Corp.



Shrimp aquaculture in Indonesia



Yellowtail aquaculture in Miyazaki Prefecture



Food production operations targeted at convenience stores

huge losses due to the deterioration in productivity attributable to their systems not being able to keep pace with the rapid expansion of business. Our mainstay frozen food operations suffered lower sales than planned in the face of tough sales competition, which was one of the factors behind the fall in profits.

As a result, our net sales exceeded the previous year's level and the plan, whereas operating income fell short of both.

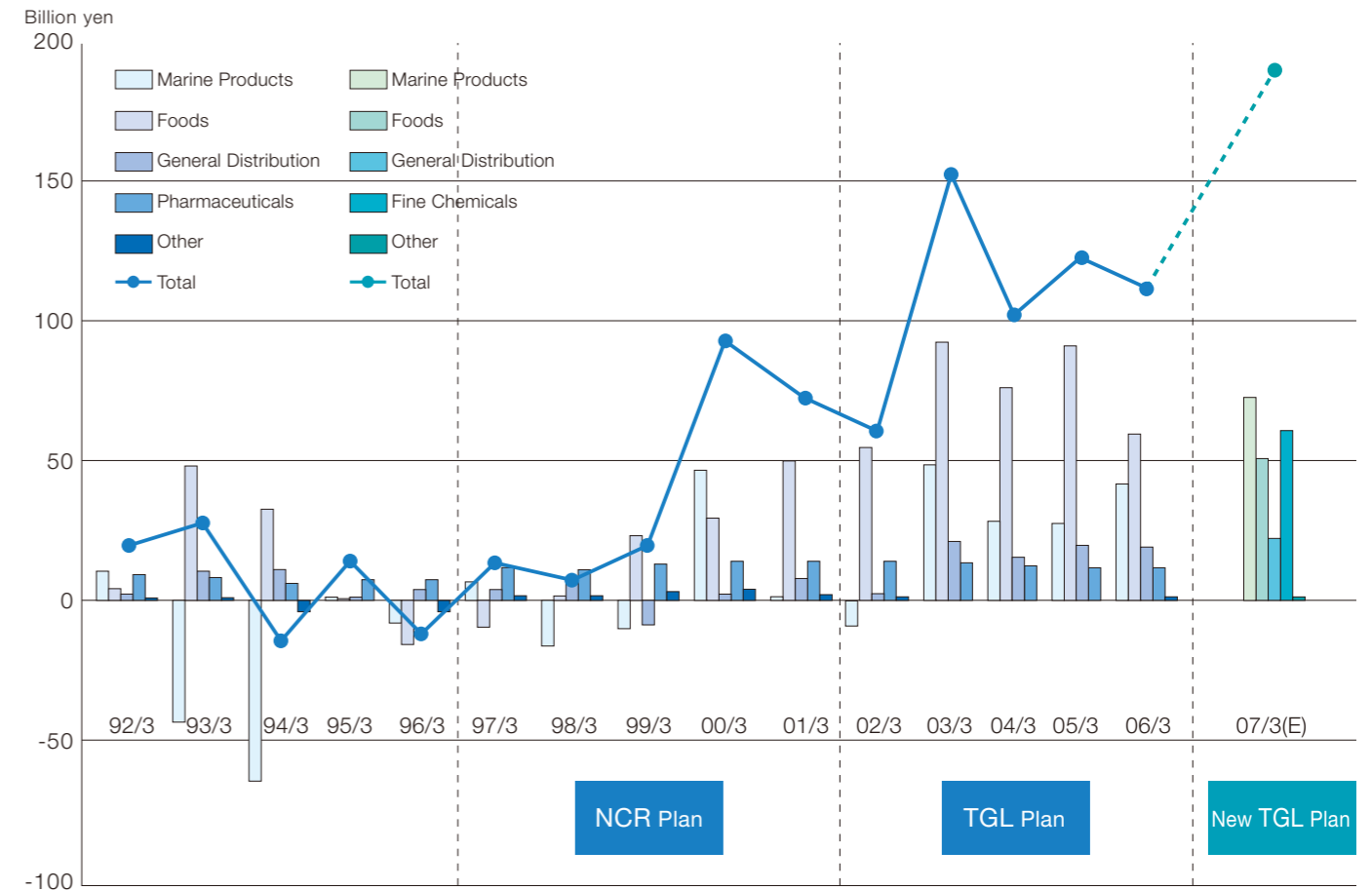
2. Plan for FY2006

FY2006 marked the launch of the new "True Global Links" Medium-term Management Plan ("New TGL Plan"). It is not an extension of the previous TGL Plan, nor is it aimed at fulfilling issues that were left unresolved. However, the accomplishments made under the previous TGL Plan will be passed on to the New TGL Plan.

Although we could not fulfill all the targets under the previous TGL Plan, we definitely moved forward with respect to key issues. While we could not reach the earnings target, we steadily made improvements. On the business front, we gained a major advantage. It was an extremely good decision to invest in access to worldwide fishery resources ahead of the competition. Otherwise, it would have been too late. It enabled us to gain a foothold in fishery and aquaculture in Japan's 200-nautical-mile exclusive economic zone (EEZ). Through Global Links, our sales grew to the scale of ¥150 billion, and we ensured our influence over the world market and customers across the globe, acquired personnel who will serve as the backbone of our businesses, and built a business network. Greater confidence placed in Nissui Group has improved its financial position and expanded its scope of investment.

Based on these premises, the key to FY2006 lies in how to generate positive growth from areas that have not yet been identified or addressed in our businesses, and how to generate synergy and leverage from the investments we have made over the past five years, totaling ¥110 bil-

Trends of Consolidated Operating Income by Business Segments (From Year ended March 31,1992)



(We combined the former Fine Chemicals Business, which belonged to the Other Processed Foods in the Foods Business and the former Pharmaceuticals Business into the Fine Chemicals Business and the Foods Business is re-launched (English name unchanged).)

lion. Assuming this, we plan to achieve net sales of ¥545 billion, operating income of ¥18.5 billion and net income of ¥9 billion on a consolidated basis for the first year of the new Medium-term Management Plan ("New TGL Plan"). In particular, we will aim to substantially increase operating income by 166% from the FY2005 level. The increase in operating income will be driven by improvements in businesses that incurred losses in FY2005 (i.e., aquaculture operations in Japan and Indonesia and food production operations targeting at convenience stores), improvements in earnings generated especially by Nissui's Marine Products and Foods businesses, and progress in the Foods business in the United States (i.e., addition of recently-acquired King & Prince Seafood Corp. to the list of consolidated subsidiaries and increase in earnings of Gorton's, Inc.). We are planning to make investments

amounting to ¥18 billion. For our shareholders, we will generate returns through dividends. We will continue to aim at achieving a dividend payout ratio of up to 30% of consolidated net income and up to 50% of non-consolidated net income.

There are two crucial challenges in proceeding with the Plan. The first challenge is to evolve Nissui Group's business model. The second challenge is to become a company committed to its stakeholders and to fulfill its commitment. The possibility of a food crisis is becoming more real by the day. We will contribute to society by tackling such a food crisis with Nissui Group's unique business model sought under the New TGL Plan. We believe that is Nissui's raison d'etre.

New TGL Plan

True Global Links
True Global Leader

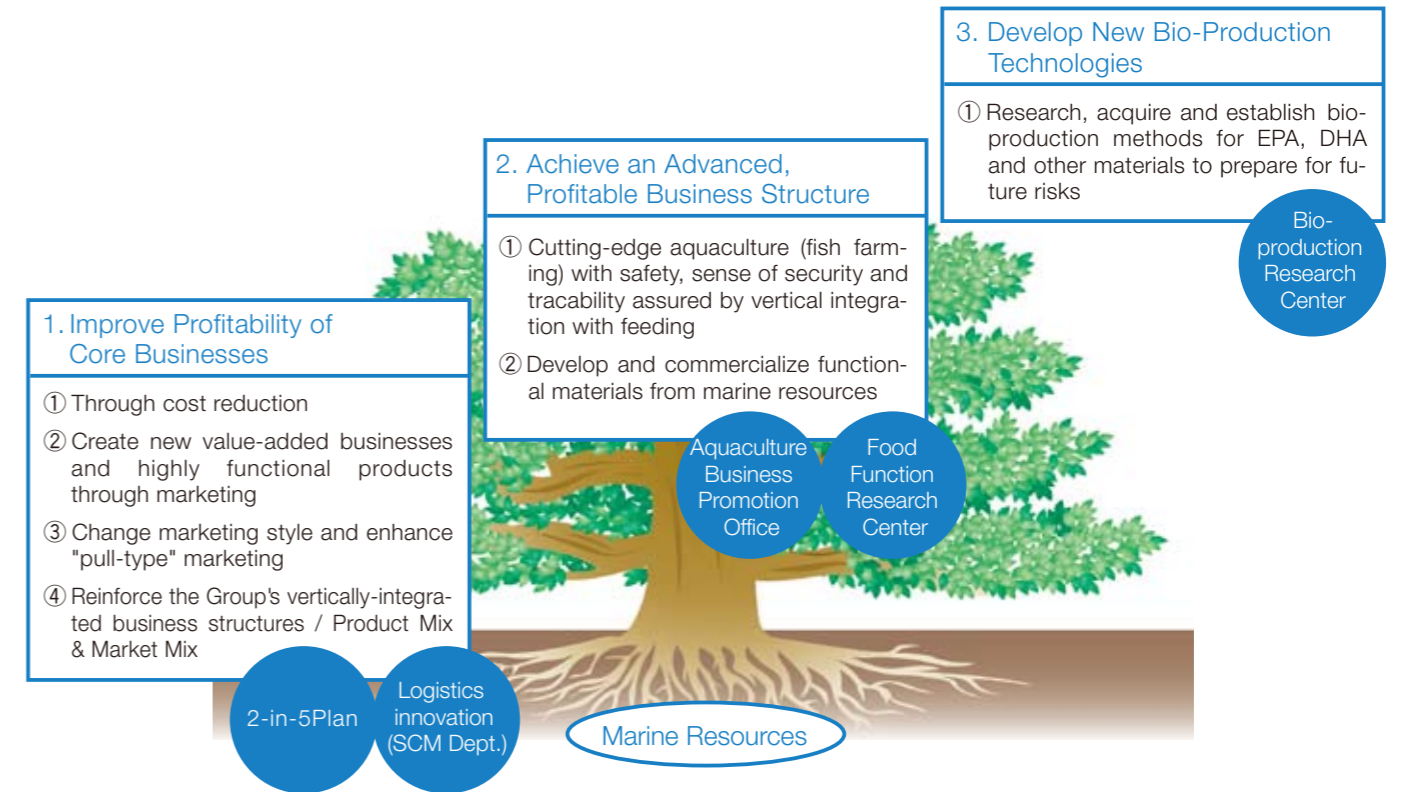
2006	2007	2008	2009	2010	2011
First three years of the New TGL Plan: Increase the profitability of management and business structures.			Second three years of the New TGL Plan: Attain good results and realize the "two TGLs."		

We named the Medium-term Management Plan launched this year the "New TGL Plan". In 2011, Nissui will celebrate its centennial anniversary. During this six-year period, we intend to put together 100 years of experience since the company's establishment in 1911, and firmly build its foundations for the next 100 years. What should be pursued is True Global Links, and True Global Leader. In the first three years, we will work to reinforce our management and business structure focusing on the strengthening of Global Links and manufacturing functions so as to raise our profitability, and in the second three-year period we will strive to capitalize on the outcome of our efforts. In 2011, therefore, Nissui wishes to be a global leader in the fields creating customer-oriented value from marine resources. As for business targets in FY2011, consolidated sales is over 600 billion yen and consolidated margin of operating income to sales is over 5%.

Basic Management Policy of New TGL Plan

1. Develop a global supply chain of marine products.
2. Give greater importance to cost, quality, R&D, and marketing.
3. Venture into and tap pioneering business fields.
4. Effectively use earth and marine resources in a sustainable manner, and be environmentally-friendly.
5. Behave with integrity as a company and as an individual.

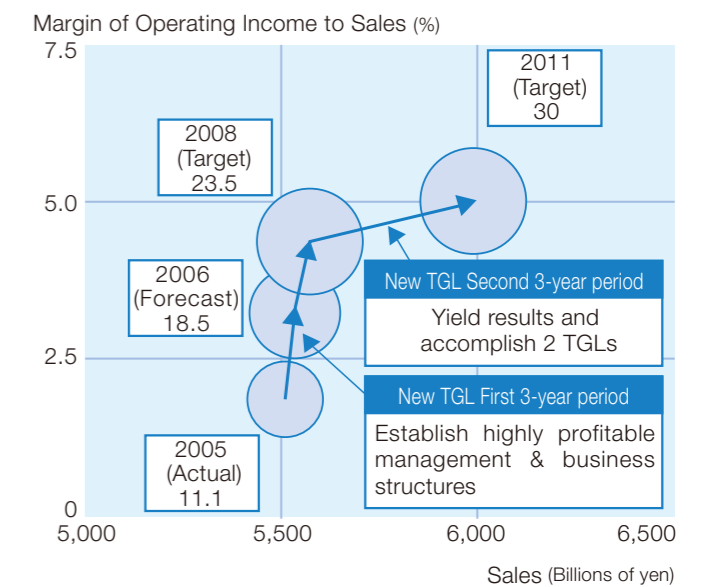
Image of Group's Business Structure : 3 Basic Strategies



Business Targets under New TGL Plan (First 3-year period and Second 3-year period)

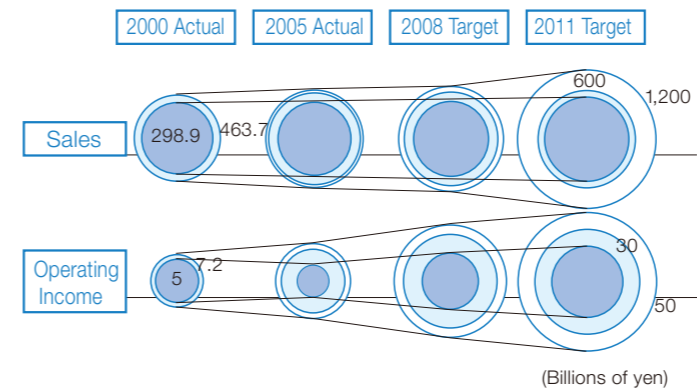
	2005 (Actual)	2006 (Forecast)	2008 (Target)	2011 (Target)
Sales (Billions of yen)	539.6	545	555	600
Operating Income (Billions of yen)	11.1	18.5	23.5	30.0
Margin(%)	2.1	3.4	4.2	5.0

Targets of Operating Income (2006-2011)



Scale of Global Links' Business Activities

We will make Nissui Group stronger and bigger by generating synergies and leverages among Global Links companies.



※Global Links is a network of companies which share the same vision and work together to create value through win-win relationships. Nissui does not necessarily have a controlling interest in these companies. Companies such as Sealord Group (New Zealand), J.P.Klausen (Denmark), Alaska Ocean Seafoods (U.S.) are the members of Global Links.



Yellowtail Aquaculture, Kurose Suisan



Nissui Group is headquartered in Japan, which is home to its mainstay Marine Products and Foods businesses. Japan is an important market that accounts for 85% of Nissui's consolidated net sales. Since its inception, Nissui has been a stable supplier of marine products and an operator of various processed foods and CVS-oriented vendor businesses, Fine Chemicals/Fine Food businesses, General Distribution businesses, etc. We have also launched an aquaculture business in Japan through the establishment of Kurose Suisan Co., Ltd., and gained access to abundant marine resources in waters close to Japan in FY2006. We will adapt to global trends in marine products through these activities, with the aim of turning our businesses into more sophisticated enterprises with higher profitability.

Marine Products

Frozen Prepared Foods

for household use

for food service use

Dry Grocery Foods

Fine Chemicals / Fine Foods

Fish Sausage & Ham / Surimi Products

Nippon Suisan, the Parent company		*Consolidated subsidiary ** Company applied in equity method	
[Fishery]		[Wholesale/Trading]	
Kyowa Suisan** (Join in FY2006)	Japanese inshore round haul net fishery	Hohsui* (Listed on Tokyo Stock Exchange 1st)	Marine product trading
		YTC*	Marine product trading
		Kurahashi**	Marine product wholesale & trading
[Aquaculture]		[Wholesale/Distribution]	
Kurose Suisan*	Yellowtail	Tobu Reizo Shokuhin* (*1)	Frozen foods storing
Natakani Suisan* (Join in FY2006)	Tuna	Seibu Reizo Shokuhin* (*1)	Frozen foods storing
		Carry Net*	Transportation
[Foods]		[Fine Chemicals & Other]	
Nippon Cookery*	CVS-oriented vendor business	Nissui Pharmaceutical* (Listed on Tokyo Stock Exchange 1st)	Medical products production and sale
Mogami Foods*	Frozen prepared foods production	Kyowa Technos*	Functionality oils and fats refinement
Hachikan**	Frozen prepared & dry grocery foods production		

(*1) The reorganization of the frozen foods storing business including Tobu Reizo Shokuhin, Seibu Reizo Shokuhin and the division of Nissui has a set date in April, 2007.



Fishing work in the Bering Sea



[Fishery]	
Unisea*	Fillet & Surimi
BSP*	Crab
AOS**	Fillet & Surimi
PPS***	Fillet & Surimi
[Foods]	
Gorton's*	Frozen prepared foods for household use
King & Prince*	Frozen prepared foods for commercial use
[Wholesale / Trading]	
F.W. Bryce* (Join in FY2006)	Marine products trading
*Consolidated subsidiary ** Company applied in equity method ***Affiliate or partner	

The U.S. is a leading country with marine resources in the world and occupies an important position as one of the major global fish markets. Unisea, a NISSUI Group member, has served the role of a base for the procurement, processing, and production of resources since the 1970s. In the latter half of the 1990s, as global demand for marine resources increased and the U.S. market was expected to grow larger, NISSUI began producing and selling pre-cooked and frozen seafood. With Gorton's joining these activities in 2001 and K&P in 2005, NISSUI's integrated Supply Chain from procurement to processing and marketing was greatly strengthened. As a result, the NISSUI Group has grown to become one of the top ten producers in the U.S. seafood industry. This Supply Chain is now the mainstay business system of the Group's True Global Links through linkage to the resources and markets in South America, Asia, and Europe. It will continue to play a major part in the future.



North America



Salmon / Trout processing plant, Salmenes Antartica



[Fishery]	
EMDEPES*	Fillet & Surimi (in Chile)
PESPASA*	Fillet & Surimi (in Argentina)
PESANTAR*	Fillet & Surimi (in Argentina)
Friosur**	Fillet & Surimi (in Chile)
[Aquaculture]	
Salmenes Antartica*	Salmon / Trout (in Chile)
[Wholesale/ Trading]	
NAL*, NAL Peru*	Marine products trading
Nordsee** (Join in FY2006)	Marine products trading (in Brazil)
*Consolidated subsidiary ** Company applied in equity method	

South America

South America has leading marine resources in the world, and the NISSUI Group has been doing business in this region since the 1970s. The Group's member companies engaged in aquaculture and fishery there play an important part in procurement and production, thus making the most of the Group's basic function: "the ability to access resources." The important bases of NISSUI's Supply Chain include Salmenes Antartica in Chile, engaged in the salmon aquaculture business based on an established system of "integrated production management of the entire process from resources to final products," EMPEDES and FRIOSUR in Chile, engaged in fishery, PESPASA and PESANTAR in Argentina, which handle access to marine resources, and NAL Peru, which is responsible for the procurement of fish meal and fish oil. These South American companies have extended their markets not only to the Japanese market, but also to Europe and the U.S., and have become increasingly important as bases of the Global Links.



Products list of Salmenes Antartica



Market in Europe

In Europe, a large seafood market in the world, the demand for marine resources is steadily increasing due to mounting customer interest in health, food safety, and security in recent years as well as traditional dietary habits. Since it regards Europe as an important market equal to Japan and the U.S., the NISSUI Group operates Nordic Seafood and Europacifico as its marketing bases in order to maximize the global value of its marine resources. By expanding and evolving these marketing functions, the Group will establish its Supply Chain in Europe and make it a base equivalent to that in the U.S. for True Global Links.

Europe

[Wholesale / Trading]	
Europacifico **	Marine products trading
Nordic Seafood ***	Marine products trading
J.P.Klausen ***	Marine products trading

** Company applied in equity method ***Affiliate or partner



Fishing vessel REHUA of Sealord

Shandong Sanfod Nissui



Asia / Oceania

Countries in Asia and Oceania have shown remarkable growth. Marine products, farm products, and processed chicken products are important exports for them. In cooperation with its partners in these countries, the NISSUI Group is developing many bases for production and processing in these regions. The bases for access to resources include Sealord in New Zealand, which plays a central role in the Group's fishery segment, and Nissui Indonesia, which is engaged in shrimp culture. Among the Group companies serving as processing bases are NIGICO in Vietnam, Nissui Thailand, and Shandong Sanfod Nissui in China. These companies are responsible for important tasks in the production and processing functions of the Group's Global Supply Chain.

[Fishery]	
I.M.P. **	Shrimp trawl fishing(in Indonesia)
W.I.F. **	Shrimp trawl fishing(in Indonesia)
Sealord **	Fillet & Surimi etc. (in New Zealand)
[Foods]	
NIGICO *	Marine products production
Nissui Thailand*	Marine products production
Shandong Sanfod Nissui**	Marine products production
[Aquaculture]	
Nissui Indonesia*	Shrimp (in Indonesia)
Xiamen Nissui Longpeng Cultivation*	Eel (in China)
[Wholesale / Trading]	
Nissui (S'pore)*	Marine products trading

*Consolidated subsidiary ** Company applied in equity method

Nissui runs a business that uses resources taken from the natural environment, and we wish to continue into the future to try to use these resources to their fullest for the benefit of all the world's people. Therefore, as a corporate citizen, we wish to contribute to society through a collaboration with people, the sea and the earth.

Quality Assurance

Needless to say, assuring the quality and safety of commodities delivered to the customer is the most important matter for producers. NISSUI has established its own quality control standard equivalent to the HACCP, the quality control system adjusted to global standards, and is rigorously applying its standard to commodity production and quality control. In 2003, we laid down the Quality Assurance Code to encourage each of our employees to commit themselves to the delivery of safe and secure food with a higher degree of awareness. Then in 2006, we promptly took steps to comply with the positive list system, strengthened our global inspection systems, created a new control standard for farms and processing materials, and have prepared written guarantees of the standard for the raw materials of agrochemicals, animal drugs, and other products. This policy was also applied

to our overseas production bases where a production management and quality assurance system equivalent to that in Japan has been adopted. To apply this control standard correctly, in May 2001 we established the "Nissui Technical Academy," where we have been working on the development of human resources as the first step toward improving the entire Group's quality control.

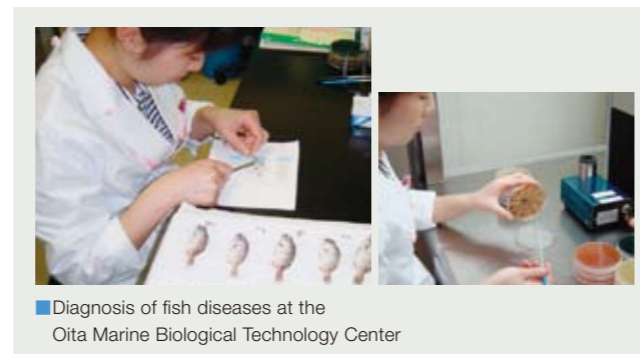


■ Quality Assurance Center in China

Research & Development

NISSUI's R&D activities are related to each of the stages from accessing resources to delivering value and support not merely in the area of technology area, but also in terms of quality, safety, and security. The outcome of these activities shows its effects on the fishery and food businesses, as well as the fine chemical and integrated aquaculture businesses, and is applied to actual production sites as the means to make the most of limited marine resources. The center of our research institutes is the Central Research Laboratory, originally the "Hayatomo Fishery Research Group" established in 1920, the first private research organization on fishery in Japan. The Laboratory engages in research covering many fields and serves as the base for all other research institutes of NIS-

SUI. Especially in the field of aquaculture, the Laboratory, in close cooperation with the Oita Marine Biological Technology Center, is focusing on the study of the culture of safe and good-quality fish, while giving due consideration to the environment.



■ Diagnosis of fish diseases at the Oita Marine Biological Technology Center

Environmental Measures

Since its foundation, NISSUI has been conducting business with the benefits of nature and has made it the basic principle of its Philosophy & Ethics to deal with the earth and the sea with gratitude. In order to clearly define this principle, we drew up the environmental Code in June 2003. We have raised the environment awareness of each of our employees and worked on environmental conservation starting from the areas closest to us. More specifically, we initiated activities for proposals regarding environmental impact and strived to reduce waste, water use, and CO₂ emissions. To promote these activities, we made efforts to obtain certification for ISO14001, an international standard. As a result, the 51 offices of the NISSUI Group have obtained ISO14001 certification as of June 2006. In line with our motto of "corporate activities using the limited

resources on the earth effectively," we will continue our efforts to hand down the global environment to next generation in a better condition.



■ As a step to reduce CO₂ emissions, we have installed city gas boilers in our Hachioji General Plant.

■ Employees of Esa Ichiban Co. take part in beach-cleaning activities.

Philosophy on the Environment

Since we gain benefits from nature in our business activities, we make it the basic principle of our Philosophy & Ethics to deal with the earth and the sea with gratitude. We will continue to work toward harmony and coexistence with the global environment in our global business, and help create a sustainable society.

Environmental Reports

NISSUI publishes an environmental report on its environmental conservation activities every year.

Public Relations (PR) Activities

From its long experience, NISSUI has learned how good foodstuff fish can be, and that fish offer many other high values. Based on this experience, NISSUI's PR activities are geared toward encouraging people to acquire a broader and deeper interest in marine resources and the ocean environment. In the "Umi to Sakana" Competition that we have cosponsored since 1982, we have exhibited the wonders of fish and the greatness of the sea that nurtures fish in an easy-to-understand way to elementary school children, their families, teachers, and others involved in education. We also pay much attention to community activities in areas other than fishery. For example, in New Zealand, a fishery country with which NISSUI has a close relationship, we have supported the "All Blacks," that nation's renown rugby team, and a national rugby team of students.



■ "Umi to Sakana" Competition:
Sponsors: Asahi Shimbun Publishing Co. and Asahi Gakusei Shimbunsha
Supporters: Ministry of Agriculture, Forestry and Fisheries, Ministry of Education, Culture, Sports, Science and Technology, Japan Agency for Marine-Earth Science and Technology and Fisheries Research Agency
Cooperator: Japan Association of Zoos and Aquariums

■ New Zealand's rugby team known as "All Blacks" attracts worldwide attention in the Rugby World Cup and on other occasions.

Executive Team



President & CEO
Naoya Kakizoe



Executive Senior Managing Director
Yasuhisa Sato



Managing Director
Katsunori Sasao



Managing Director
Masaaki Takahashi



Managing Director
Hiroshi Shibuya



Managing Director
Hiroshi Tanaka

Director
Ichiu Mitarai

Director
Mikio Satake

Director
Norio Hosomi

Director
Teruaki Kaneko

Director
Kunihiko Koike

Director
Kotaro Yoshikawa

Director
Seiji Manabe

Director
Susumu Kaneda

Director
Kenjiro Fujimoto

Director
Naoto Ihara

Standing Statutory Auditor
Shigehiro Suzuki

Standing Statutory Auditor
Kunihiko Tsuruta

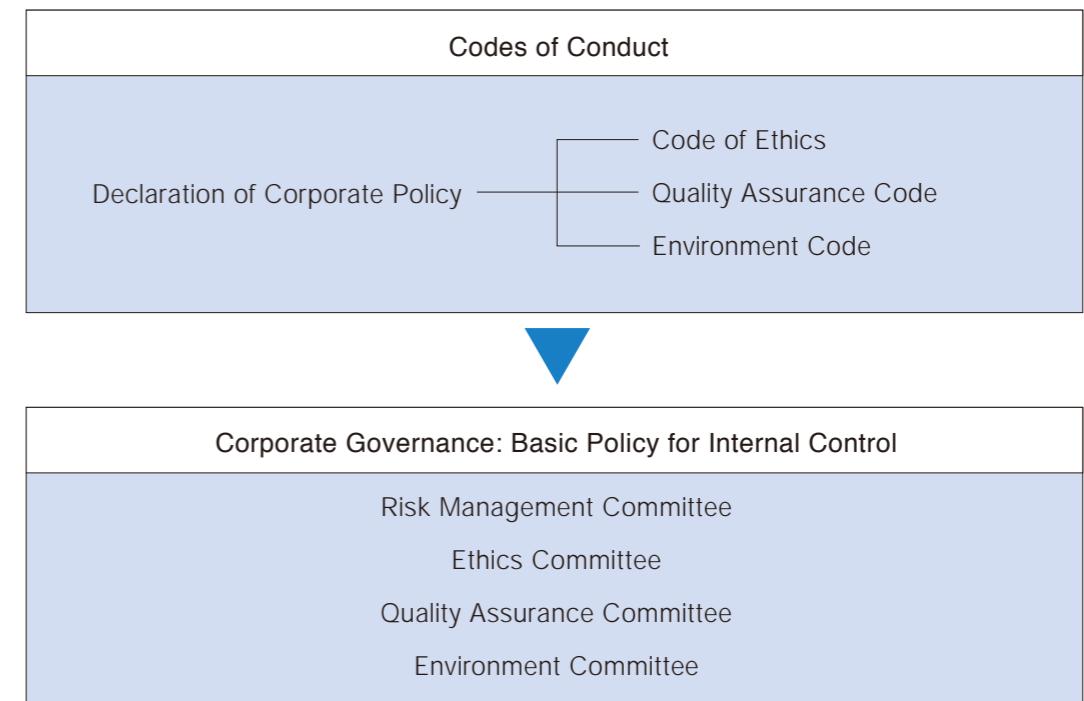
Statutory Auditor
Yoshio Ohsawa

Statutory Auditor
Kozo Toyama

(As of July 2006)

Corporate Codes

When pursuing economic rationality as a business, NISSUI bases its activities on the idea that it is a public organ and has put this idea in writing in the form of its Declaration of Corporate Policy and other codes. Based on these codes, we decide on a policy for corporate governance and develop a mechanism for implementing this policy. NISSUI will increase the transparency and sociality of management by using these codes and the corporate governance mechanism with the goal of becoming a more trusted and respected company.



(1) Fundamental Philosophy of Corporate Governance

The Directors, who are entrusted by shareowners to manage the Company, endeavor to enhance the functions of the Board of Directors, the business execution organization of the Company, and ensure efficient decision-making as well as transparency of management information.

The Auditors enhance up and reinforce the functions to audit the Directors' performance of duties, ensuring the independence of their status.

Based on one of our fundamental management policies, "To behave with integrity as a company as well as an individual," the Company develops and sustains a healthy corporate culture through the thorough activities of the Risk Management Committee and Ethics Committee.

(2) Measures Related to Corporate Governance

1. Corporate framework

Our company has adopted the system of auditors.

<Board of Directors and Its Meetings>

In principle, the Board of Directors meets at least once a month to decide important matters and supervise the status of Directors' performances. And a management meeting is held at least once a month with all domestic Directors in order to discuss the important matters of corporate management.

In respect with the execution of duties, the President controls the whole Group and respective Directors take administrative responsibility for the individual division and operation in charge.

<Board of Auditors and Its Meetings>

The Board of Auditors is comprised of four auditors including three external auditors (as of the end of current consolidated accounting fiscal year) and the Auditors supervise Directors' performance of duties.

2. Development status of internal control system and risk management framework

A) Framework to ensure that business execution by Directors and employees conforms to laws and regulations as well as articles of incorporation.

(a) The persons who are involved in management take the lead in adhering to the Declaration of Corporate Policy as well as the Code of Ethics, Quality Assurance Code and Environment Code which have been set forth in line with our business philosophy, and ensure conformity through monthly meetings where all responsible administrators are called, informal meetings with department chiefs and management discussions with employees.

(b) To ensure business activities adhere to the laws and company rules, the Ethics Committee, an organization which includes external attorneys and is directly controlled by the President, plans and manages programs

seeking for thorough compliance through enhancement of staff education and training and makes final decisions on compliance with various business issues. An officer responsible for risk management reports the detailed activities of the Committee to the Board of Directors.

(c) To deal with doubtful matters on compliance in the Group, the Company establishes an internal reporting system which allows each administrator to directly inform the Ethics Committee of such matters. The liaison contacts are set both inside and outside the Company, which even receives information from external sources such as business partners. The Company keeps the information secret and does not treat the informing party disadvantageously.

B) Framework to store and manage information related to duty execution of the Directors

(a) Minutes of general shareholders' meetings and the Board of Directors meetings, minutes of meetings of various committees whose members include the Directors as well as group decision forms (ringisho) and performance reports prepared in accordance with company rules (hereinafter referred to as Documents) are properly stored and managed in accordance with the laws and regulations of the Company such as basic principles of information security.

(b) The Directors and Auditors may examine such Documents at any time.

C) Other framework to regulate risk management against losses

(a) The Risk Management Committee, an organization directly controlled by the President, strives to establish, maintain and improve a risk management system of the Group based on the regulations of risk management. An officer responsible for risk management notifies the Board of Directors of the activities of the Committee on

a regular basis.

(b) Respective supervisor assures appropriate risk management for individual operation in charge. In regard to risks with extreme importance such as on compliance, environment, quality of products and finance, each divi-

sion defines rules and guidelines on risk management, provides staff training and prepares and distributes manuals on behalf of the Group.

(3) Status of Internal Audits, Audits by Auditors and Accounting Audi

I. Internal Audit

The Audit Office, which is directly controlled by the President, has been established as a division of internal auditing (consisting of four members). The Office conducts internal audits of the Group based on the annual plan, and reports the results of audits to Directors, Auditors and administrators responsible for organization under audit.

II. Audits by Auditors

Auditors conduct audits in conformity with the laws, regulations, articles of incorporation and guidelines on internal control set forth by the Board of Auditors in order to ensure effectiveness of audits.

And Auditors regularly receive the report of the audit plan and the audit result from the independent auditor, and partially observe audits of the independent auditor. In

addition, information and opinions are exchanged if necessary between the division of internal auditing.

III. Audit of Accounts

The Company has signed an audit contract with Ernst & Young ShinNihon. In this fiscal year, three certified public accountants of the firm, Ms. Masako OHINATA, Mr. Eiji ITO and Ms. Michiko CHIBA are engaged in the procedures of accounting audits with seven other certified public accountants and six assistant accountants.

Note: The number of years of continuous auditing service is not indicated above since all the three certified public accountants have worked for the Company not more than seven years.

(4) Relationships between External Directors and External Auditors

I. External Directors

The Company does not assign external Directors.

II. External Auditors

Of the three external Auditors (as of the end of current consolidated accounting fiscal year), one is a former Director of the Company. The other two are a former

director of a financial institution with which the Company has dealings and an attorney. The Company does not have any personal, financial and/or business relationships nor other interests with the external Auditors.

(5) Remuneration for Officers

I. Remuneration paid to the Directors and Auditors

Directors 16 members 288 million yen

Auditors 5 members 54 million yen

Note: The maximum amounts of remuneration are:

Directors → 70 million yen/month (excluding the amount listed in II)

Auditors → 10 million yen/month

II. Payment to Directors who also have status as employees (salaries as employees)

56 million yen (including bonuses)

III. Bonuses paid to Directors due to profit distribution

Directors 16 members 80 million yen

IV. Retirement benefits paid to Officers in accordance with the resolution of general shareholders' meeting in the current fiscal term

Auditors 2 members 16 million yen

(6) Remuneration for Audit

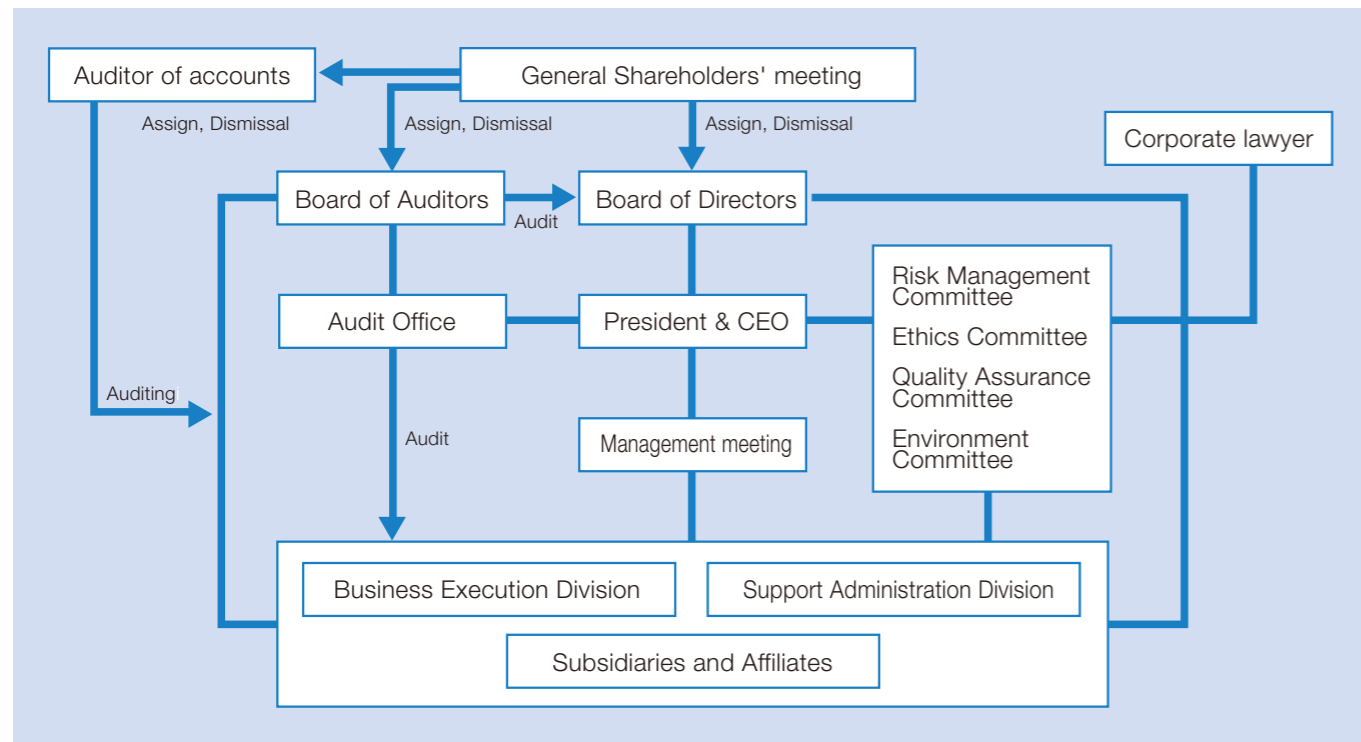
The following remunerations are paid to Ernst & Young ShinNihon, the auditing firm of the Company:

Section 1 of Article 2 of the Certified Public Accountant Law 39 million yen

I. Amount of remuneration based on duties as specified in

II. Amount of other remuneration other than I. —

[Reference: Diagram]



Basic Policies for Internal Control System

Pursuant to paragraph 6 of Article 362 (4) of the Japanese Corporate Law (and the Enforcement Regulations of the Corporate Law), the basic policies for the system to properly ensure the appropriateness of the Company's operations (internal control system) shall be as follows.

I. System to ensure the compliance of duties performed by Directors and employees with laws, regulations and the Articles of Incorporation and the appropriateness of other operations of the joint-stock company

1. System to ensure the compliance of duties performed by Directors and employees with laws, regulations and the Articles of Incorporation

(Article 100 (1)-4 of the Enforcement Regulations of the Corporate Law)

(1) Individuals engaged in management shall lead the way by setting an example with respect to the Declaration of Corporate Policy, Code of Ethics, Quality Assurance Code and Environmental Code which have been established on

the basis of the Company's management philosophy, and shall make sure they are thoroughly understood and strictly enforced through meetings with section chiefs, management meetings with employees, etc.

(2) In order to ensure that business activities comply with laws, regulations, internal rules, etc., the Ethics Committee (an organization which consists of an outside lawyer and directly reports to the President) shall plan and steer the strict enforcement of compliance by enhancing employee education/training, and make final decisions on various operational issues relating to compliance. The risk management officer shall report the nature of such activities to the Board of Directors.

(3) A whistle-blowing system shall be established to enable officers and employees of the Nissui Group to directly report acts, etc. within the Nissui Group that are suspicious in terms of compliance to the Ethics Committee. A liaison desk shall be set up both inside and outside the Company, and shall accept reports from outside the Com-

pany as well, including those from clients. The Company shall keep the reports confidential, and shall not treat the whistleblower unfavorably.

2. System for storage and administration of information relating to duties performed by Directors

(Article 100 (1)-1 of the Enforcement Regulations of the Corporate Law)

(1) Minutes of the General Meeting of Shareholders, minutes of the meetings of the Board of Directors, minutes of meetings of various committees chaired by Directors, and approval forms (ringi-sho), execution reports, etc. produced in accordance with internal rules (hereinafter referred to as "documents, etc.") shall be properly stored and managed in accordance with laws and regulations as well as internal rules such as the Basic Information Security Policies.

(2) Directors and Auditors may peruse the documents, etc. at any time.

3. Rules and other systems for management of risk of loss

(Article 100 (1)-2 of the Enforcement Regulations of the Corporate Law)

(1) The Risk Management Committee—an organization under the direct control of the President—shall strive to build, maintain and improve the risk management system of the Nissui Group based on the risk management rules. The risk management officer shall periodically report the Risk Management Committee's activities to the Board of Directors.

(2) The respective heads of business divisions shall execute risk management properly in relation to their operations. For high-priority risks such as those relating to compliance, environment, quality and financial affairs, the organization in charge of such risks shall establish rules and guidelines, conduct training, produce and distribute manuals, etc. for risk management on behalf of the Nissui Group.

4. System to ensure the efficient performance of duties by Directors

(Article 100 (1)-3 of the Enforcement Regulations of the Corporate Law)

(1) In principle, a meeting of the Board of Directors shall be convened at least once a month. The Board of Directors shall determine the management framework and matters under the control of the Representative Director and Directors in charge of other operations, make decisions on important matters, and oversee the Directors' execution of operations.

(2) For the execution of operations, the President shall govern the Nissui Group, and each Director shall assume executive responsibility over the divisions he/she has control over and/or is in charge of. A management confer-

ence attended by all Directors working in Japan shall be held at least once a month to discuss important matters concerning corporate management.

(3) The Board of Directors shall resolve medium-term management plans and the budget for each fiscal year. Each Director shall determine measures to be taken by the divisions under his/her control in concrete terms, as well as an efficient operation system including the delegation of authority, strictly carry out progress management to achieve goals, and periodically report the progress to the Board of Directors.

5. System to ensure the appropriateness of operations in the enterprise group consisting of the Company and its subsidiaries

(Article 100 (1)-5 of the Enforcement Regulations of the Corporate Law)

The Nissui Group shall set forth measures to ensure that its operations are executed in compliance with laws and regulations as well as the Articles of Incorporation, and build the system described below.

(1) A Group Management Conference attended by representatives of Group companies shall be held periodically (quarterly in Japan and semiannually overseas) and shall report and discuss important matters concerning the execution of operations. As a function to assist Directors, an officer shall be appointed in each field to enhance the management functions of the Nissui Group as a whole.

(2) While respecting the autonomy of management of Group companies, the Company shall prepare various rules for the management of Group companies and enhance governance within the Nissui Group.

(3) Group companies shall promote compliance activities by appointing a compliance officer and by establishing a compliance-promoting organization based on self-imposed internal rules, etc. such as the Code of Ethics. The Ethics Committee of the Company shall support such activities.

(4) In the case of overseas, each Director shall assume executive responsibility over businesses associated with the division he/she has control over and/or is in charge of. Especially in South America and North America, a Business Supervisor in South America and a Business Supervisor in North America shall be appointed, respectively.

(5) The internal audit division—an organization under the direct control of the President—shall conduct an internal audit on the Nissui Group based on an annual plan, report the audit results to the Directors, Auditors and the head of the audited organization, and periodically report the summary of the results to the Board of Directors.

II. System to ensure that Auditors' audit is conducted effectively

1. Employee-related matters in cases where an employee is appointed by an Auditor to serve as his/her assistant (Article 100 (3)-1 of the Enforcement Regulations of the Corporate Law)

Employees of the internal audit division, the Secretarial Office and other divisions shall assist the duties of an Auditor upon the Auditor's request.

2. Matters relating to independence of employees referred to in preceding paragraph from Directors (Article 100 (3)-2 of the Enforcement Regulations of the Corporate Law)

An employee who assists the duties of an Auditor as referred to in the preceding paragraph shall not be subject to instructions or orders from Directors, etc.

3. System for Directors and employees to report to Auditors and other systems to report to Auditors (Article 100 (3)-3 of the Enforcement Regulations of the Corporate Law)

(1) Directors and employees shall promptly pass on the prepared documents, etc. (referred to in I.2(1) above) to Auditors, and shall provide an explanation in a prompt and precise fashion when so requested.

(2) The internal audit division shall report Nissui Group's operational audit results to Auditors.

(3) Auditors shall examine the deliberations, resolutions and reports of the Board of Directors, and as necessary, enhance the system to interview and confirm with Directors about the status of execution of operations.

4. Other systems to ensure that Auditors' audit is conducted effectively (Article 100 (3)-4 of the Enforcement Regulations of the Corporate Law)

(1) Auditors shall conduct audits according to the implementation procedures relating to internal control established by the Board of Auditors for the purpose of ensuring the effectiveness of audits, and whenever necessary, discuss with Directors and enhance the effectiveness of audits.

(2) The Independent Auditor shall periodically report the audit plans and audit results to Auditors, and as necessary, Auditors shall exchange information and opinions with the internal audit division.

Financial Section

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I. Financial Results

1. Overview of Consolidated Results of the Year ended March 31, 2006

In the consolidated fiscal year under review, the Japanese economy experienced steady recovery on the back of improvements in corporate earnings and increases in private-sector capital investment. However, the economic outlook remains uncertain, partly due to the termination of the quantitative monetary easing policy by the Bank of Japan and the surge in crude oil prices. As for the world economy, the U.S. economy continued to expand, driven in part by the increase in capital investment, while the European economy also experienced gradual recovery, as shown in the increase in gross domestic product. BRICs (acronym of Brazil, Russia, India and China) continued to enjoy economic growth by taking advantage of their large populations and natural resources.

In the industries in which the Company and its subsidiaries and affiliates operate, the business environment was tough in that although seafood prices firmed in Japan until the end of last year, turnover stagnated from the beginning of this year, and the low-price trend of processed products among mass retailers, etc. continued amid the rise in the price of ingredients. In the United States and Europe, the price of white fish fillets, etc. was steady, helped by the growth in global consumption, whereas competition in the market of frozen foods, etc. continued in the United States.

Under these circumstances, the Company and its subsidiaries and affiliates collectively pressed forward with its medium-term management policy named the Toward Global Links (TGL) Plan. We globalized our production bases by further enhancing our manufacturing functions in "creating customer-oriented value from marine resources", a field in which we have built our strengths to the highest degree. We also made efforts to reinforce our quality assurance system to ensure the delivery of safe products that satisfy every one of our customers.

Consequently, our operating results for the consolidated fiscal year under review were: sales in the amount of 539,653 million yen, up 28,763 million yen (5.6%) year-on-year; operating income of 11,163 million yen, down 1,058 million yen (8.7%); and ordinary income of 11,888 million yen, down 727 million yen (5.8%), due to the fierce competition faced by the Foods business in Japan and North America.

As for extraordinary gains and losses, gains on the sale of property, plant and equipment and gains on the sale of investment securities, etc. resulted in extraordinary gains in the amount of 5,278 million yen, while losses on the disposal of property, plant and equipment and impairment losses, etc. resulted in extraordinary losses in the amount of 3,918 million yen. As a consequence, net income was 6.7 billion yen, up 561 million yen (9.1%) year-on-year.

1) Performance by Major Business Segment

(1) Marine Products Business

In the Marine Products business, we promoted vertically-integrated operations, which are based on a framework that completes all processes with the Group's functions, starting from resources and ending with products delivered to customers. As revenue generated from surimi and salmon/trout increased, sales increased 6,395 million yen year-on-year to 222,933 million yen, and operating income rose 1,475 million yen year-on-year to 4,129 million yen.

(2) Foods Business

Sales generated by our Foods business increased 22,252 million yen year-on-year to 278,933 million yen, thanks to the expansion of our chilled foods business, combined with the acquisition of a manufacturer of ready-to-eat frozen seafood products in North America. However, operating income decreased 2,958 million yen year-on-year to 5,979 million yen, due to the increase in the price of ingredients and the losses incurred upon the expansion of the chilled foods business, in addition to the impact of competition in the ready-to-eat frozen seafood products market in North America.

(3) General Distribution Business

Sales generated by our General Distribution business totaled 12,367 million yen, a year-on-year decrease of 462 million yen from the previous year, due to the impact of the liquidation of our marine transport operations at the end of last year. However, operating income amounted to 1,971 million yen, a year-on-year increase of 104 million yen, as a result of our efforts in running operations efficiently and cutting costs in our cold storage business.

(4) Pharmaceuticals business

Sales generated by our Pharmaceuticals business totaled 14,314 million yen, a year-on-year increase of 375 million yen, and operating income was 1,306 million yen, a year-on-year increase of 228 million yen, thanks to the expansion in sales driven by the enhanced marketing of health foods and the decrease in selling, general and administrative expenses.

2) Performance by Geographic Segment

(1) Japan

Domestic sales increased by 13,625 million yen year-on-year to 463,198 million yen, as the Marine Products business enjoyed the steady price of surimi and an increase in sales of salmon/trout, fish oil and fishmeal, while the Foods business experienced an increase in sales of chilled foods and fine foods, as well as ready-to-eat "Champon" noodles and poultry products. However, operating income fell 2,672 million yen year-on-year to 8,620 million yen, as the Marine

Products business was affected by delays in making the aquaculture operations turn cash-flow positive, and the Foods business suffered from an increase in the price of ingredients and incurred losses upon the expansion of the chilled foods business.

(2) North America

We operate Marine Products and Foods businesses in the United States. The Marine Products business enjoyed positive price trends in surimi and roe products (Note 1), while the Foods business increased sales in both household- and business-purpose foods, combined with the acquisition of a manufacturer of ready-to-eat frozen seafood products (Note 2). As a result, sales generated in North America totaled 63,714 million yen, a year-on-year increase of 12,886 million yen and operating income was 3,671 million yen, a year-on-year increase of 658 million yen.

(Note 1) Pollock roe

(Note 2) King & Prince Seafood Corporation

Address: 1 King & Prince Boulevard, Brunswick, Georgia, U.S.A.

II. Financial Position

Cash flows from operating activities resulted in a net inflow of 16,798 million yen, down 5,939 million yen year-on-year. This was primarily attributable to income before income taxes in the amount of 13,248 million yen (up 2,145 million yen year-on-year), depreciation and amortization of 13,439 million yen (up 1,611 million yen), the increase in accounts receivable-trade and inventories to 2.6 billion yen (up 4,158 million yen) due to the increase in sales, etc., payment of income taxes of 2,784 million yen (up 112 million yen), and the gain on sale of investment securities of 4,323 million yen (up 3,409 million yen).

Cash flows from investing activities resulted in a net outflow of 30,201 million yen (up 14,862 million yen year-on-year), largely due to outlays for the acquisition of a manufacturer of ready-to-eat frozen seafood products in the United States in

(3) South America

We are engaged in the Marine Products business in Argentina and Chile. Sales totaled 4,417 million yen, a year-on-year increase of 1,830 million yen, and operating income amounted to 1,742 million yen, a year-on-year increase of 1,413 million yen, as the fishing division and aquaculture operations both enjoyed steady price trends in products targeted at Europe and Japan, and the sales network was reorganized in Europe, our key market.

(4) Other

We are engaged in the Marine Products and Foods businesses in Asia and Europe. Sales increased 420 million yen year-on-year to 8,322 million yen, as sales of frozen fish increased in Asia, which offset the impact of the reorganization of our European networks within the Group. However, we incurred an operating loss of 488 million yen, a year-on-year decrease of 388 million yen, partly due to the losses incurred by aquaculture operations in Asia.

the amount of 16,825 million yen, and outlays for the acquisition of property, plant and equipment in the amount of 14,138 million yen (down 906 million yen) associated with the acquisition of aquaculture facilities in Chile by the Marine Products business, and the construction of a new chilled foods factory in Yachiyo City, Chiba Prefecture and the investment aimed at increasing the capacity of food processing plants by the Foods business.

Cash flows from financing activities resulted in a net inflow of 14,792 million yen (up 21,632 million yen year-on-year), partly due to borrowings.

As a result, the closing balance of cash and cash equivalents was 11,601 million yen, up 2,016 million yen year-on-year.

	March 2003	March 2004	March 2005	March 2006
Ratio of Shareholders' equity (%)	22.0	25.0	26.7	27.5
Ratio of shareholders' equity on a market value basis (%)	22.2	22.0	30.3	38.6
Number of years until debt redemption	25.0	7.8	6.5	10.0
Interest coverage ratio	1.7	6.1	8.8	5.0

(Notes)

Ratio of Shareholders' equity = Shareholders' equity / Total assets

Ratio of Shareholders' equity on a market value basis = Market capitalization of stock / Total assets

Number of years until debt redemption = Interest-bearing liabilities / Operating cash flows

Interest coverage ratio = Operating cash flows / Interest payments

1. Each index was calculated on the basis of consolidated financial data.

2. The market capitalization of stock was calculated by multiplying the closing stock price at the end of the year by the number of issued shares at the end of the year (minus treasury stock).

3. Operating cash flows are based on cash flows from operating activities referred to in the Consolidated Statements of Cash Flows. Interest-bearing liabilities refer to all liabilities declared in the Consolidated Balance Sheet for which interest is paid. Interest payments are based on the amount of interest paid referred to in the Consolidated Statements of Cash Flows.

Nippon Suisan Kaisha, Ltd. and Consolidated Subsidiaries

Consolidated Balance Sheets

	(Millions of yen)		(Thousands of U.S. dollars) (Note 2)
	March 31 2006	2005	March 31 2006
Assets			
Current assets:			
Cash and bank deposits (Notes 3 and 13)	¥12,015	¥9,125	\$102,281
Marketable securities (Note 7)	30	588	255
Notes and accounts receivable:			
Trade (Note 3)	64,174	60,986	546,301
Unconsolidated subsidiaries and affiliates	1,082	617	9,210
Less allowance for doubtful receivables	(1,490)	(1,639)	(12,684)
	63,766	59,963	542,827
Inventories:			
Merchandise and finished products (Note 3)	40,510	37,496	344,854
Work in process and other	21,614	18,200	183,995
	62,125	55,697	528,858
Fishing operations in progress	550	504	4,682
Deferred taxes (Note 9)	4,755	2,176	40,478
Other current assets	13,422	13,338	114,258
Total current assets	156,665	141,396	1,333,659
Investments and long-term advances:			
Investments in and advances to unconsolidated subsidiaries and affiliates	26,410	23,010	224,823
Investments in other securities (Notes 3 and 7)	60,236	45,388	512,777
Other long-term advances	9,903	10,091	84,302
Deferred taxes (Note 9)	1,900	6,104	16,174
Less allowance for doubtful accounts	(2,493)	(2,711)	(21,222)
Total investments and long-term advances	95,958	81,884	816,872
Intangible assets:			
Goodwill	18,624	7,293	158,542
Software	5,796	7,235	49,340
Other intangible assets	14,134	7,794	120,320
Total intangible assets	38,555	22,323	328,211
Property, plant and equipment, at cost (Note 3 and 16):			
Land	17,697	18,751	150,651
Buildings and structures	97,165	87,014	827,147
Vessels	6,434	5,304	54,771
Machinery and equipment	83,433	78,005	710,249
Construction in progress	2,145	1,101	18,259
Other	8,124	7,275	69,158
	215,000	197,454	1,830,254
Less accumulated depreciation	(121,360)	(111,538)	(1,033,114)
Property, plant and equipment, net	93,640	85,915	797,139
Total assets	¥384,819	¥331,519	\$3,275,891

	(Millions of yen)		(Thousands of U.S. dollars) (Note 2)
	March 31 2006	2005	March 31 2006
Liabilities and shareholders' equity			
Current liabilities:			
Short-term bank loans (Note 3)	¥82,136	¥70,054	\$699,208
Current portion of long-term debt (Note 3)	21,696	10,316	184,693
Notes and accounts payable:			
Trade	28,732	29,127	244,590
Unconsolidated subsidiaries and affiliates	1,805	1,532	15,365
	30,537	30,659	259,955
Accrued income taxes	1,569	1,289	13,356
Accrued taxes other than income taxes	786	965	6,691
Accrued expenses and other current liabilities	28,510	24,858	242,700
Total current liabilities	165,237	138,143	1,406,631
Long-term liabilities:			
Long-term debt (Note 3)	64,638	67,447	550,251
Accrued retirement benefits (Note 4)	17,880	17,925	152,209
Other long-term liabilities	15,205	5,101	129,437
Total long-term liabilities	97,723	90,474	831,897
Minority interests	15,994	14,396	136,153
Contingent liabilities (Note 6)			
Shareholders' equity (Notes 11 and 17):			
Common stock:			
Authorized – 1,000,000,000 shares			
Issued – 277,210,277 shares	23,729	23,729	202,000
Capital surplus	14,152	14,151	120,473
Retained earnings	43,208	38,623	367,821
Unrealized gains on securities	18,149	10,668	154,499
Translation adjustments	6,804	1,478	57,921
Less:			
Treasury common stock, at cost:			
number of shares 675,312 in 2006 and 601,940 in 2005	(180)	(145)	(1,532)
Total shareholders' equity	105,863	88,505	901,191
Total liabilities and shareholders' equity	¥384,819	¥331,519	\$3,275,891

See notes to consolidated financial statements.

Nippon Suisan Kaisha, Ltd. and Consolidated Subsidiaries
Consolidated Statements of Income and Retained Earnings

	(Millions of yen)		(Thousands of U.S. dollars) (Note 2)
	Year ended March 31,		
	2006	2005	2006
Net sales	¥539,653	¥510,889	\$4,593,964
Cost of sales	432,924	406,968	3,685,400
Gross profit	106,729	103,921	908,563
Selling, general and administrative expenses (Note 10)	95,566	91,699	813,535
Operating income	11,163	12,221	95,028
Other income (expenses):			
Interest expense	(3,354)	(2,770)	(28,551)
Interest and dividend income	1,370	1,147	11,662
Equity in earnings of unconsolidated subsidiaries and affiliates	2,046	2,059	17,417
Other, net (Notes 15 and 16)	2,022	(1,556)	17,212
	2,085	(1,119)	17,749
Income before income taxes and minority interests	13,248	11,102	112,777
Income taxes (Note 9):			
Current	2,732	2,214	23,257
Deferred	3,151	2,128	26,823
Income before minority interests	7,363	6,759	62,679
Minority interests	663	620	5,643
Net income	6,700	6,138	57,035
Retained earnings:			
Beginning of the year	38,623	33,548	328,790
Adjustment for initial inclusion of subsidiaries and affiliates in consolidation	1	475	8
Cash dividends paid	(1,936)	(1,383)	(16,480)
Bonuses to directors	(180)	(155)	(1,532)
End of the year	¥43,208	¥38,623	\$367,821

See notes to consolidated financial statements.

Nippon Suisan Kaisha, Ltd. and Consolidated Subsidiaries
Consolidated Statements of Cash Flows

	(Millions of yen)		(Thousands of U.S. dollars) (Note 2)
	Year ended March 31,		
	2006	2005	2006
Cash flows from operating activities			
Income before income taxes and minority interests	¥13,248	¥11,102	\$112,777
Depreciation and amortization	13,439	11,828	114,403
Loss on impairment of fixed assets	1,387	-	11,807
(Decrease) increase in allowance for doubtful accounts	(453)	558	(3,856)
Decrease in accrued severance indemnities	(222)	(118)	(1,889)
Interest and dividend income	(1,370)	(1,147)	(11,662)
Interest expense	3,354	2,770	28,551
Equity in earnings of unconsolidated subsidiaries and affiliates	(2,046)	(2,059)	(17,417)
Gain on sale of property, plant and equipment	(791)	(411)	(6,733)
Loss on disposal of property, plant and equipment	1,064	1,567	9,057
Gain on sale of investment securities	(4,323)	(913)	(36,800)
Loss on revaluation of marketable and investment securities	23	53	195
(Increase) decrease in notes and accounts receivable	(592)	904	(5,039)
(Increase) decrease in inventories	(2,007)	653	(17,085)
(Decrease) increase in notes and accounts payable	(772)	781	(6,571)
Increase in accrued expenses	1,860	477	15,883
Bonuses paid to directors	(199)	(172)	(1,694)
Other	(31)	973	(263)
Subtotal	21,567	26,848	183,595
Interest and dividend received	1,372	1,133	11,679
Interest paid	(3,356)	(2,570)	(28,568)
Income taxes paid	(2,784)	(2,672)	(23,699)
Net cash provided by operating activities	16,798	22,738	142,998
Cash flows from investing activities			
Increase in time deposits	(232)	(112)	(1,974)
Decrease (increase) in marketable securities	566	(91)	4,818
Purchases of property, plant and equipment	(14,138)	(15,044)	(120,354)
Proceeds from sales of property, plant and equipment	497	1,309	4,230
Purchases of intangible assets	(2,309)	(1,320)	(19,656)
Purchases of investment securities	(5,867)	(1,074)	(49,944)
Proceeds from sales of investment securities	7,681	2,492	65,386
Acquisition of subsidiaries	(16,825)	-	(143,228)
Increase in short-term advances	(263)	(1,335)	(2,238)
Other	689	(160)	5,865
Net cash used in investing activities	(30,201)	(15,338)	(257,095)
Cash flows from financing activities			
Increase in short-term bank loans	10,699	3,573	91,078
Proceeds from long-term debt	17,086	7,897	145,449
Repayment or redemption of long-term debt	(10,765)	(16,699)	(91,640)
Dividends paid	(1,935)	(1,356)	(16,472)
Dividends paid to minority interests shareholders	(259)	(209)	(2,204)
Purchases of common stock	(33)	(45)	(280)
Net cash provided by (used in) financing activities	14,792	(6,839)	125,921
Effect of exchange rate changes	626	23	5,329
Net increase in cash and cash equivalents	2,016	582	17,161
Cash and cash equivalents at beginning of the year	9,585	7,331	81,595
Adjustment in cash and cash equivalents resulting from inclusion of certain subsidiaries in consolidation	-	1,671	-
Cash and cash equivalents at end of the year	¥11,601	¥9,585	\$98,757

See notes to consolidated financial statements.

Nippon Suisan Kaisha, Ltd. and Consolidated Subsidiaries

Notes to Consolidated Financial Statements

1. Summary of Significant Accounting Policies

(a) Basis of presentation

The accompanying consolidated financial statements of Nippon Suisan Kaisha, Ltd. (the "Company") and consolidated 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.

In addition, the notes to the consolidated financial statements include information which is not required under accounting principles generally accepted in Japan, but is presented herein as additional information.

As permitted, amounts of less than one million yen have been omitted. As a result, the totals shown in the accompanying consolidated financial statements both in yen and the U.S. dollar do not necessarily agree with the sum of the individual amounts.

(b) Principles of consolidation and accounting for investments in unconsolidated subsidiaries and affiliates

The accompanying consolidated financial statements include the accounts of the Company and 61 consolidated subsidiaries controlled directly or indirectly by the Company. In addition, 11 out of 13 unconsolidated subsidiaries and 23 out of 27 affili-

ates over which the Company exercises significant influence in terms of their operating and financial policies have been included in the consolidated financial statements by the equity method of accounting. All significant inter-company balances and transactions have been eliminated in consolidation.

Certain subsidiaries are consolidated on the basis of the fiscal period ending on December 31 or January 31, which differs from that of the Company; however, the necessary adjustments have been made if the effect of the difference is material.

The differences between the cost and the equity at the dates of acquisition in the underlying net assets of the consolidated subsidiaries and companies accounted for by the equity method of accounting, are amortized, as a rule, over a period of twenty years or less. The accounting for impairment of goodwill also is applied in the cases of the acquisition abroad.

Investments in unconsolidated subsidiaries and affiliates other than those which are accounted for by the equity method are principally stated at cost. Where there has been a permanent impairment in the value of such investments, the Company has written down the investments to reflect such impairment.

1. Summary of Significant Accounting Policies (continued)

(c) Foreign currency translation

The accounts of foreign consolidated subsidiaries, except for the components of shareholders' equity, are translated into yen at the rates of exchange in effect at the balance sheet date. The components of shareholders' equity are translated at their historical exchange rates. Translation differences arising from the translation of the financial statements of the foreign consolidated subsidiaries are presented as translation adjustments, which are presented as a component of shareholders' equity and minority interests in consolidated subsidiaries.

Monetary assets and liabilities denominated in foreign currencies of the Company and its domestic consolidated subsidiaries are translated into yen at the current foreign exchange rates except for those hedged by forward foreign exchange contracts, which are translated at the contracted rates.

All revenues and expenses are translated at the current foreign exchange rates.

Gains and losses arising from exchange differences are credited or charged to income as incurred.

(d) Cash equivalents

All highly liquid investments, generally with the 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 value attributable to changes in interest rates, are considered cash equivalents.

(e) Securities

In accordance with the accounting standard for financial instruments which the Company complies, securities are classified as (i) trading securities, (ii) held-to-maturity debt securities, and (iii) other securities. Under the standard, trading securities are carried at fair value and held-to-maturity securities are carried at amortized cost. Marketable securities classified as other securities are carried at fair value with changes in unrealized holding gain or loss, net of the applicable income taxes, included directly in shareholders' equity. Securities classified as other securities without market prices are carried at cost. Cost of securities sold is determined by the moving average method.

(f) Inventories

Inventories are stated principally at the lower of cost or market, using the moving average method.

1. Summary of Significant Accounting Policies (continued)

(g) Property, plant and equipment

Depreciation of property, plant and equipment of the Company and domestic consolidated subsidiaries is computed principally by the declining-balance method over the estimated useful lives of the respective assets. However, depreciation of buildings acquired on and after April 1, 1998 is computed by the straight-line method. Depreciation of property, plant and equipment of the foreign consolidated subsidiaries is computed principally by the straight-line method. Significant renewals and betterment are capitalized at cost. Maintenance and repairs are charged to income as incurred.

(h) Leases

Non-cancelable leases are primarily accounted for as operating leases (regardless of whether such leases is classified as operating or finance leases), except that lease agreements which stipulate the transfer of ownership of the leased assets to the lessee are accounted for as finance leases.

(i) Retirement benefits

In accordance with the accounting standard for retirement benefits which the Company complies, the accrued retirement benefits for employees have been provided mainly the calculated amount based on the retirement benefit obligation and the fair val-

ue of the pension plan assets as of March 31, 2006. The amount was adjusted for unrecognized actuarial gain or loss and unrecognized past service cost. 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 following year in which the gain or loss is recognized primarily by the straight-line method over periods of 6 years which are shorter than the average remaining years of service of the eligible employees.

Past service cost is being amortized as incurred by the straight-line method over periods of 6 years which are shorter than the average remaining years of service of the eligible employees.

(j) Income taxes

Deferred tax assets and liabilities are determined based on the differences between the financial reporting and the tax-basis calculation, and are measured with the enacted tax rates and laws which will be in effect when the differences are expected to reverse.

(k) Research and development costs

Research and development costs are charged to income as incurred.

1. Summary of Significant Accounting Policies (continued)

(l) Derivative financial instruments

The Company and certain consolidated subsidiaries have entered into various derivative transactions in order to manage certain risks arising from adverse fluctuations in foreign exchange rates and interest rates. In accordance with the accounting standard for financial instruments to which the Company complies, derivative financial instruments are carried at fair value with changes in unrealized gain or loss charged or credited to income, except for those which meet the criteria for deferral hedge accounting under which unrealized gain or loss is deferred as an asset or a liability. Receivables and payables hedged by qualified forward foreign exchange contracts are accounted for by the allocation method, which is utilized to hedge against risk arising from fluctuations in foreign exchange rates.

(m) Goodwill and intangible assets of the subsidiaries in the U.S.

In 2001, the Financial Accounting Standards Board (FASB) issued SFAS No. 142, "Goodwill and Other Intangible Assets." SFAS No. 142 requires goodwill and intangible assets with indefinite useful lives are no longer amortized, but instead tested for impairment at least annually in accordance with the provisions of this statement. The subsidiaries in the U.S. adopted this statement in 2001.

(n) Net income per share

Basic net income per share is computed based on the net income available for distribution to shareholders of common stock and the weighted average number of shares of common stock outstanding during each year.

(o) Impairment of fixed assets

The Company and its domestic subsidiaries have complied with the accounting standard for impairment of fixed assets, which is stated in "Opinion Concerning Establishment of Accounting Standard for Impairment of Fixed Assets" (Business Accounting Council, August 9, 2002) and "Implementation Guidance on Accounting for Impairment of Fixed Assets" (Accounting Standard Implementation Guidance No.6, ASBJ, October 31, 2003) effective in April 1 2005.

As a result of the adoption, operating income and ordinary income increased by ¥15 million, and income before taxes and minority interests decreased by ¥1,371 million. The accumulated amount of impairment has been deducted directly from the respective assets, in accordance with the revised Regulation of Consolidated Financial Statements.

2. U. S. Dollar Amounts

The translation of yen amounts into U.S. dollar amounts is included solely for convenience and has been made, as a matter of arithmetic computation,

at ¥117.47 = U.S.\$1.00, the approximate rate of exchange in effect on March 31, 2006.

3. Short-Term Bank Loans and Long-Term Debt

Short-term bank loans are unsecured and generally represent 365-day notes. The weighted average interest rates of the short-term bank loans outstand-

ing at March 31, 2006 and 2005 were 2.13% and 0.91%, respectively.

Long-term debt at March 31, 2006 and 2005 is summarized as follows:

	(Millions of yen)		(Thousands of U.S. dollars)
	2006	2005	2006
Loans from banks and other financial institutions at interest rates in the range of 0.36 % to 6.36% in 2006:			
With collateral	¥41,065	¥41,401	\$349,578
Without collateral	45,269	36,363	385,366
	86,334	77,764	734,945
Less current portion	(21,696)	(10,316)	(184,693)
	¥64,638	¥67,447	\$550,251

The annual maturity of long-term debt subsequent to March 31, 2006 is summarized as follows:

Years ending March 31,	(Millions of yen)	(Thousands of U.S. dollars)
2007	¥21,696	\$184,693
2008	19,555	166,468
2009	10,182	86,677
2010	13,843	117,842
2011 and thereafter	21,056	179,245
	¥86,334	\$734,945

Assets pledged as collateral for long-term debt and certain other current liabilities at March 31, 2006 were as follows:

	(Millions of yen)	(Thousands of U.S. dollars)
Deposit, trade receivables and inventories	¥4,077	\$34,706
Investments in other securities	33,178	282,438
Property, plant and equipment, at net book value	28,954	246,479
	¥66,210	\$563,633

4. Retirement Benefits

The Company and its domestic consolidated subsidiaries have defined benefit pension plans, i.e., tax-qualified pension plans and lump-sum payment plans, covering substantially all employees who are entitled to lump-sum or annuity payments, the amounts of which are determined by reference to

their basic rates of pay, length of service, and the conditions under which termination occurs. Certain foreign consolidated subsidiaries have defined benefit and contribution plans.

The following table sets forth the funded and accrued status of the plans, and the amounts recognized in the consolidated balance sheet as of March 31, 2006 for the Company's and the consolidated subsidiaries' defined benefit pension plans:

	(Millions of yen)	(Thousands of U.S. dollars)
Retirement benefit obligation	¥(47,372)	\$(403,268)
Plan assets at fair value	35,163	299,336
Unfunded retirement benefit obligation	(12,208)	(103,924)
Unrecognized actuarial loss	(3,863)	(32,884)
Unrecognized past service cost	(1,656)	(14,097)
Net retirement benefit obligation	(17,728)	(150,915)
Prepaid pension cost	151	1,285
Accrued retirement benefits	¥(17,880)	\$(152,209)

The components of retirement benefit expenses for the year ended March 31, 2006 are outlined as follows:

	(Millions of yen)	(Thousands of U.S. dollars)
Service cost	¥1,737	\$14,786
Interest cost	1,299	11,058
Expected return on plan assets	(964)	(8,206)
Amortization of actuarial loss	901	7,670
Amortization of past service cost	(545)	(4,639)
Total retirement benefit expenses	¥2,428	\$20,669

The assumptions used in accounting for the above plans were as follows:

Discount rates	Mainly 2.5%
Expected rates of return on plan assets	Mainly 2.5%
Amortization period of actuarial gain or loss	Mainly 6 years
Amortization period of past service cost	Mainly 6 years

5. Leases

The following pro-forma amounts represent the acquisition costs, accumulated depreciation and net book value of the leased property as of March 31, 2006, which would have been reflected in the balance sheet 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)
Acquisition costs:		
Machinery and equipment	¥1,303	\$11,092
Other	2,091	17,800
Total	¥3,395	\$28,900
Accumulated depreciation:		
Machinery and equipment	¥893	\$7,601
Other	1,154	9,823
Total	¥2,047	\$17,425
Accumulated impairment loss:		
Other	¥7	\$59
Total	¥7	\$59
Net book value :		
Machinery and equipment	¥410	\$3,490
Other	930	7,916
Total	¥1,340	\$11,407

Lease payments relating to the finance leases accounted for as operating leases in the accompanying consolidated financial statements amounted to ¥832 million (\$7,082 thousand) for the year ended March 31, 2006.

Future rental expenses under the finance leases outstanding at March 31, 2006 are summarized as follows:

Years ending March 31,	(Millions of yen)	(Thousands of U.S. dollars)
2007	¥587	\$4,997
2008 and thereafter	785	6,682

6. Contingent Liabilities

At March 31, 2006, the Company and its consolidated subsidiaries had the following contingent liabilities:

	(Millions of yen)	(Thousands of U.S. dollars)
As guarantors of indebtedness of unconsolidated subsidiaries, affiliates and other companies	¥4,437	\$37,771

7. Securities

Information regarding marketable securities classified as other securities as of March 31, 2006 is as follows:

Marketable other securities	(Millions of yen)			(Thousands of U.S. dollars)		
	Acquisition Cost	Carrying value	Unrealized gain (loss)	Acquisition Cost	Carrying value	Unrealized gain (loss)
Securities whose carrying value exceeds their acquisition cost :						
Stock	¥15,887	¥46,605	¥30,718	\$135,243	\$396,739	\$261,496
Corporate bonds	100	101	1	851	859	8
Other debt securities	694	711	16	5,907	6,052	136
Other	2,809	2,898	88	23,912	24,670	749
Subtotal	19,491	50,316	30,824	165,923	428,330	262,398
Securities whose acquisition cost exceeds their carrying value:						
Stock	¥143	¥123	¥(20)	1,217	1,047	(107)
Other debt securities	1,300	1,202	(97)	11,066	10,232	(825)
Other	1,313	1,283	(30)	11,177	10,921	(255)
Subtotal	2,757	2,609	(147)	23,469	22,209	(1,251)
Total	¥22,248	¥52,925	¥30,676	\$189,393	\$450,540	\$261,139

Sales of securities classified as other securities amounted to ¥8,294 million (\$70,605 thousand) with the aggregate gain of ¥4,330 million (\$36,860 thousand) and with the aggregate loss of ¥5 million (\$42 thousand) for the year ended March 31, 2006.

The redemption schedule for securities with maturity dates classified as other securities and held-to-maturity debt securities as of March 31, 2006 is summarized as follows:

	(Millions of yen)			
	Due in one year or less	Due after one year through five years	Due after five years through ten years	Due after ten years
Corporate bonds	¥30	¥101	-	-
Other debt securities	-	789	¥286	¥531
Others	-	3,306	504	-
Total	¥30	¥4,196	¥791	¥531

	(Thousands of U.S. dollars)			
	Due in one year or less	Due after one year through five years	Due after five years through ten years	Due after ten years
Corporate bonds	\$255	\$859	-	-
Other debt securities	-	6,716	\$2,434	\$4,520
Others	-	28,143	4,290	-
Total	\$255	\$35,719	\$6,733	\$4,520

8. Derivatives

The Company and its consolidated subsidiaries utilize forward foreign exchange contracts to hedge their exposure to foreign exchange fluctuations in the valuation of operating receivables and payables relating to their import and export transactions in the normal course of business. In addition, they utilize interest rate swap contracts to minimize the interest expense on loans. The volume of derivative transactions is, in principle, within the balance of the underlying operating receivables and payables. The Company and its subsidiaries are exposed to the risk of credit loss in the event of nonperformance by the counterparties to such derivative transactions; however, they do not anticipate non-performance by any of these counterparties, as all of whom are leading financial institutions.

The derivatives are controlled by the respective internal rules, which establish basic policies, authorization procedures, transaction limits, and so forth. The status of the derivative positions is monitored and reported to the Board of Directors of the Company and to those of its subsidiaries on a regular basis. The Company and its consolidated subsidiaries have no contract or notional amount and the market value of derivatives positions open at March 31, 2006.

9. Income Taxes

Reconciliations of the statutory tax rate to the effective tax rate for the year ended March 31, 2006, are presented as follows:

	2006
Statutory tax rate	39.54%
Permanently non-deductible expenses	2.66
Permanently non-taxable dividends received and other	(4.12)
Local tax on per capita	0.76
Valuation allowance recognized	7.84
Tax-rate differences of overseas subsidiaries	(4.87)
Other, net	2.61
Effective tax rates	44.42%

The tax effects of significant temporary differences and loss carryforwards which resulted in deferred tax assets and liabilities at March 31, 2006 and 2005 were as follows:

	(Millions of yen)		(Thousands of U.S. dollars)
	2006	2005	2006
Deferred tax assets			
Accrued retirement benefits	¥7,008	¥6,954	\$59,657
Tax loss carry-forwards	3,407	6,986	29,003
Valuation of securities	1,406	1,919	11,969
Allowance for doubtful receivables	1,370	3,955	11,662
Depreciation	424	178	3,609
Valuation of inventories	260	216	2,213
Accrued enterprise tax	162	155	1,379
Other	4,056	3,048	34,527
Less: valuation allowance	(2,855)	(5,651)	(24,304)
Subtotal	15,242	17,764	129,752
Deferred tax liabilities			
Valuation on securities	(12,133)	(7,183)	(103,285)
Accelerated depreciation	(4,674)	-	(39,788)
Other	(2,445)	(2,299)	(20,813)
Subtotal	(19,253)	(9,483)	(163,897)
Net deferred tax assets / (liabilities)	¥(4,010)	¥8,281	\$(34,136)

10. Research and Development Costs

Research and development costs included in general and administrative expenses for the year ended March 31, 2006 and 2005 totaled ¥3,083 million (\$26,244 thousand) and ¥2,916 million, respectively.

11. 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 additional paid-in capital account equals 25% of the common stock account.

12. Amounts Per Share

The amounts per share of net income and net assets, as presented below, are based on the average number of outstanding shares of common stock of the Company during each year and the number of outstanding shares of common stock at each balance sheet date, respectively:

	(yen)		(U.S. dollars)
	Year ended or as of March 31, 2006	2005	2006
Net income	¥23.60	¥21.50	\$0.20
Net assets	382.20	319.28	3.25

13. Supplementary Cash Flow Information

The following table represents a reconciliation of cash and cash equivalents at March 31, 2006:

	(Millions of yen)	(Thousands of U.S. dollars)
Cash and bank deposits	¥12,015	\$102,281
Time deposits with a maturity of more than three months	(664)	(5,652)
Loan which is included in the other current assets	250	2,128
Cash and cash equivalents	¥11,601	\$98,757

14. Segment Information

The financial information by business and geographical segments of the Company and its consolidated subsidiaries is summarized as follows:

Business Segments

For the year ended or as of March 31, 2006 (Millions of yen)

	Marine products	Foods	General distribution	Pharmaceutical	Others	Total	Intercompany eliminations	Consolidated
Operating revenues	¥222,933	¥278,933	¥12,367	¥14,314	¥11,104	¥539,653	-	¥539,653
Intra-group sales and transfers	9,567	8,691	10,550	120	4,393	33,323	¥(33,323)	-
Total	232,501	287,624	22,917	14,435	15,498	572,977	(33,323)	539,653
Operating expenses	228,372	281,645	20,945	13,129	15,338	559,430	(30,939)	528,490
Operating income	4,129	5,979	1,971	1,306	160	13,546	(2,383)	11,163
Identifiable assets	136,466	170,139	22,632	20,756	9,946	359,942	24,877	384,819
Depreciation and amortization	3,755	7,562	1,565	510	44	13,439	-	13,439
Impairment losses	113	283	47	-	748	1,193	194	1,387
Capital expenditures	6,305	9,932	659	248	39	17,186	-	17,186

For the year ended or as of March 31, 2006 (Thousands of U.S. dollars)

	Marine products	Foods	General distribution	Pharmaceutical	Others	Total	Intercompany eliminations	Consolidated
Operating revenues	\$1,897,786	\$2,374,504	\$105,277	\$121,852	\$94,526	\$4,593,964	-	\$4,593,964
Intra-group sales and transfers	81,442	73,984	89,810	1,021	37,396	283,672	\$(283,672)	-
Total	1,979,237	2,448,488	195,088	122,882	131,931	4,877,645	(283,672)	4,593,964
Operating expenses	1,944,087	2,397,590	178,300	111,764	130,569	4,762,322	(263,377)	4,498,935
Operating income	35,149	50,898	16,778	11,117	1,362	115,314	(20,286)	95,028
Identifiable assets	1,161,709	1,448,361	192,661	176,921	84,668	3,064,118	211,773	3,275,891
Depreciation and amortization	31,965	64,373	13,322	4,341	374	114,403	-	114,403
Impairment losses	961	2,409	400	-	6,367	10,155	1,651	11,807
Capital expenditures	53,673	84,549	5,609	2,111	331	146,301	-	146,301

For the year ended or as of March 31, 2005 (Millions of yen)

	Marine products	Foods	General distribution	Pharmaceutical	Others	Total	Intercompany eliminations	Consolidated
Operating revenues	¥216,537	¥256,680	¥12,829	¥13,938	¥10,903	¥510,889	-	¥510,889
Intra-group sales and transfers	9,684	7,115	10,513	131	3,422	30,866	¥(30,866)	-
Total	226,222	263,795	23,342	14,070	14,325	541,756	(30,866)	510,889
Operating expenses	223,568	254,857	21,476	12,992	14,326	527,221	(28,553)	498,668
Operating income	2,653	8,938	1,866	1,077	(0)	14,535	(2,313)	12,221
Identifiable assets	120,621	137,956	24,468	20,664	8,243	311,954	19,564	331,519
Depreciation and amortization	3,387	6,263	1,549	585	43	11,828	-	11,828
Capital expenditures	4,497	10,940	531	354	50	16,374	-	16,374

14. Segment Information (continued)

Geographical Segments

For the year ended or as of March 31, 2006 (Millions of yen)

	Japan	North America	South America	Oceania	Other countries	Total	Eliminations	Consolidated
Sales to third parties	¥463,198	¥63,714	¥4,417	-	¥8,322	¥539,653	-	¥539,653
Inter-area sales and transfers	3,724	7,904	15,491	-	5,108	32,229	¥(32,229)	-
Total	466,923	71,619	19,909	-	13,430	571,882	(32,229)	539,653
Operating expenses	458,302	67,948	18,166	-	13,918	558,336	(29,845)	528,490
Operating income (loss)	8,620	3,671	1,742	-	(488)	13,546	(2,383)	11,163
Assets	258,742	72,143	21,574	¥0	7,481	359,942	24,877	384,819

For the year ended or as of March 31, 2006 (Thousands of U.S. dollars)

	Japan	North America	South America	Oceania	Other countries	Total	Eliminations	Consolidated
Sales to third parties	\$3,943,117	\$542,385	\$37,601	-	\$70,843	\$4,593,964	-	\$4,593,964
Inter-area sales and transfers	31,701	67,285	131,871	-	43,483	274,359	\$(274,359)	-
Total	3,974,827	609,679	169,481	-	114,327	4,868,323	(274,359)	4,593,964
Operating expenses	3,901,438	578,428	154,643	-	118,481	4,753,009	(254,064)	4,498,935
Operating income (loss)	73,380	31,250	14,829	-	(4,154)	115,314	(20,286)	95,028
Assets	2,202,621	614,139	183,655	\$0	63,684	3,064,118	211,773	3,275,891

For the year ended or as of March 31, 2005 (Millions of yen)

	Japan	North America	South America	Oceania	Other countries	Total	Eliminations	Consolidated
Sales to third parties	¥449,572	¥50,828	¥2,586	-	¥7,902	¥510,889	-	¥510,889
Inter-area sales and transfers	3,498	7,150	11,884	-	6,078	28,612	¥(28,612)	-
Total	453,071	57,979	14,471	-	13,981	539,502	(28,612)	510,889
Operating expenses	441,778	54,965	14,142	-	14,080	524,966	(26,298)	498,668
Operating income (loss)	11,293	3,013	328	-	(99)	14,535	(2,313)	12,221
Assets	250,301	41,859	15,569	¥8	4,215	311,954	19,564	331,519

Notes for Segment information

The amount unallocated to each segment for the year ended March 31, 2006 of ¥2,383 million (\$20,286 thousand) is mainly composed of the expenses concerning research and development, quality assurance and environmental coordination of the Company.

The Company holds assets for common use amounted ¥24,877 million (\$211,773 thousand) as of March 31, 2006. The primary contents are the long-term investments (investment securities) and the assets which are utilized for administrative purpose.

14. Segment Information (continued)

Overseas Sales

The sales amount of the Company and its subsidiaries, which was realized in the countries or areas outside Japan for the year ended March 31, 2006 and 2005, were as follows:

	(Millions of yen)			(Thousands of U.S. dollars)		
	North America	Other area	Total	North America	Other area	Total
Overseas sales	¥58,774	¥23,541	¥82,316	\$500,331	\$200,400	\$700,740
Total consolidated sales			539,653			4,593,964
Ratio of overseas total sales (%)	10.9%	4.4%	15.3%			

	(Millions of yen)		
	North America	Other area	Total
Overseas sales	¥46,499	¥20,316	¥66,816
Total consolidated sales			510,889
Ratio of overseas total sales (%)	9.1%	4.0%	13.1%

The countries or areas specified above indicate the United States of America and Canada in North America section and South America, Europe and Asia in the Other area section.

15. Other income

Details of other income, other, net, on the statements of income is as shown below:

	(Millions of yen)		(Thousands of U.S. dollars)
	Year ended or as of March 31, 2006	2005	2006
Other income (expenses):			
Loss on disposal of property, plant and equipment (net)	¥(273)	¥(1,156)	\$(2,323)
Loss on impairment of fixed assets	(1,387)	-	(11,807)
Loss on revaluation of investment securities	(23)	(53)	(195)
Gain on sale of marketable and investment securities (net)	4,317	913	36,749
Additional allowance for the voluntary retirees	(35)	(269)	(297)
Provision reserve for doubtful receivable	(103)	(1,018)	(876)
Other, net	(474)	27	(4,035)
	¥2,022	¥(1,556)	\$17,212

16. Loss on impairment of fixed assets

The Company and its domestic subsidiaries recognized impairment losses of fixed assets in the year ended March 31, 2006, as follows:

Use	Type of Assets	(Millions of yen)	(Thousands of U.S. dollars)
		2006	2006
Idle property	Buildings and land	¥1,058	\$9,006
Business property	Buildings, land and others	328	2,792
Total		¥1,387	\$11,807

The Company and its domestic subsidiaries classify the business property into business units and the idle property into an individual unit of the property. In the case of certain property which is lessened its value due to lowering profitability or continuous decline in land prices, the carrying amount has been reduced by the recoverable value.

The recoverable value is measured with (1) their net

realizable value based on amounts mainly determined by valuation made in accordance with real estate appraisal standards or (2) the present value of the expected cash flows from the on-going utilization and subsequent disposition of the assets discounted at 4.6% per annum.

17. Subsequent Event

The following appropriations of retained earnings, which have not been reflected in the accompanying consolidated financial statements for the year ended March 31, 2006, were approved at the general meeting of the Company's shareholders held on June 28, 2006:

	(Millions of yen)	(Thousands of U.S. dollars)
Cash dividends (¥3.50 = \$0.0298 per share)	¥967	\$8,231
Bonuses to directors	80	681

Report of Independent Auditors

The Board of Directors
Nippon Suisan Kaisha, Ltd.

We have audited the accompanying consolidated balance sheets of Nippon Suisan Kaisha, Ltd. and consolidated subsidiaries as of March 31, 2006 and 2005, and the related consolidated statements of income and retained earnings 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 Nippon Suisan Kaisha, Ltd. and consolidated subsidiaries at March 31, 2006 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.

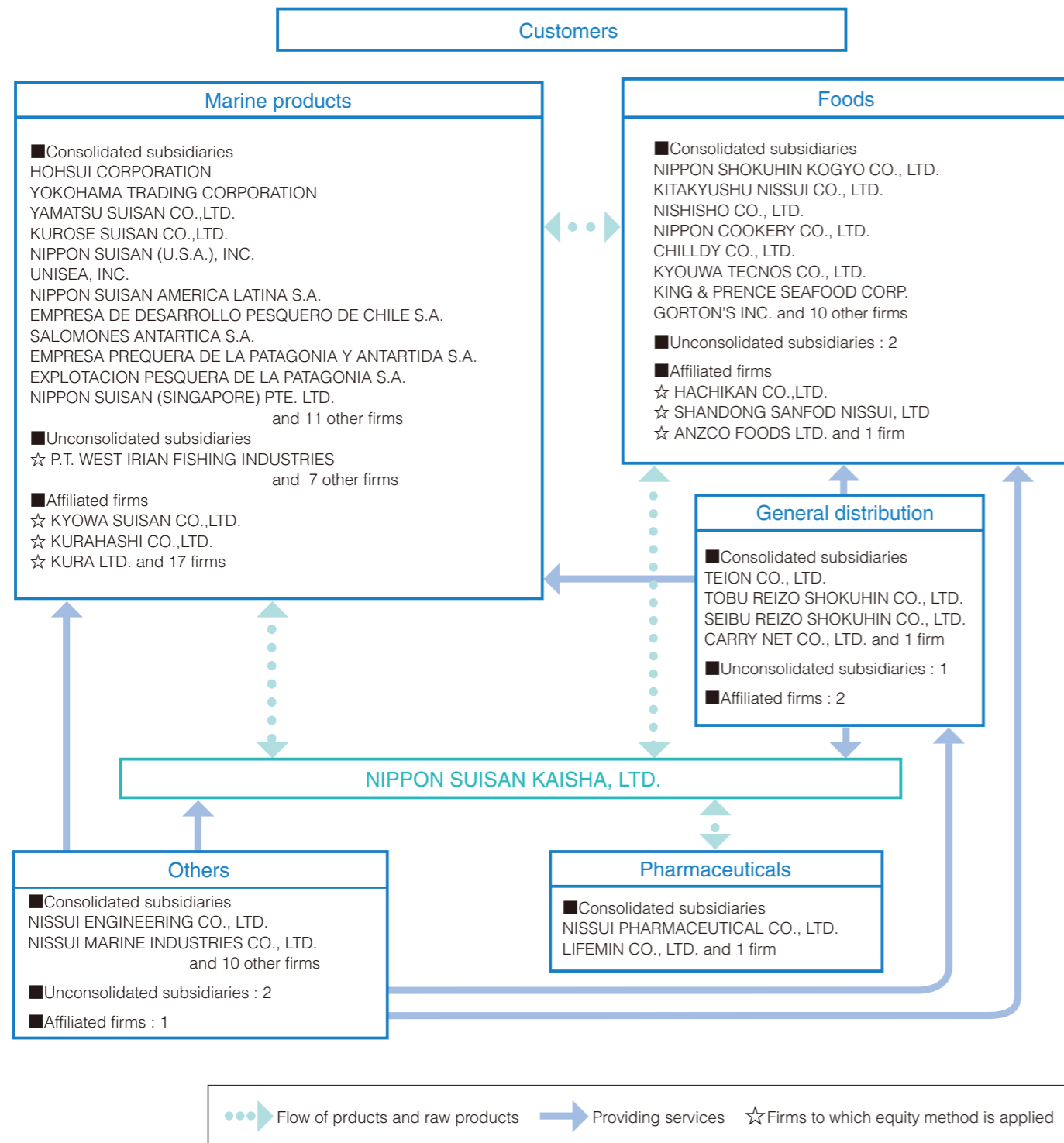
As described in Note 1.(o) to the accompanying consolidated financial statement, effective from April 1, 2005, Nippon Suisan Kaisha, Ltd. and its consolidated domestic subsidiaries adopted the new accounting standard for impairment of fixed assets.

The U.S. dollar amounts in the accompanying consolidated financial statements with respect to the year ended March 31, 2006 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 2 to the consolidated financial statements.

Ernst & Young Shin Nihon

June 28, 2006

Group Firms



(As of September, 2006)

Name	Address	Main business	Rate of voting right holders (%)
● Consolidated subsidiary			
HOHSUI CORPORATION	Chuo-ku, Tokyo	Marine products	63.2
NISSUI PHARMACEUTICAL CO., LTD.	Taito-ku, Tokyo	Pharmaceuticals	60.6
NISSUI SHIPPING CORPORATION	Chuo-ku, Tokyo	General distribution	100.0
TEION CO., LTD.	Hakodate-shi, Hokkaido	General distribution	100.0
TOBU REIZO SHOKUJIN CO., LTD.	Hachioji-shi, Tokyo	General distribution	100.0
SEIBU REIZO SHOKUJIN CO., LTD.	Fukuoka-shi, Fukuoka	General distribution	100.0
CARRY NET CO., LTD.	Nagoya-shi, Aichi	General distribution	100.0
NIPPO SHOKUJIN KOGYO CO., LTD.	Kumamoto-shi, Kumamoto	Foods	99.9
NIPPON COOKERY CO., LTD.	Atsugi-shi, Kanagawa	Foods	100.0
CHILLDY CO., LTD.	Hachioji-shi, Tokyo	Foods	100.0
NISHISHO CO., LTD.	Fukuoka-shi, Fukuoka	Foods	100.0
KYOWA TECNOS CO., LTD.	Sanbu-gun, Chiba	Foods	80.0
KITAKYUSHU NISSUI CO., LTD.	Kita-Kyushu-shi, Fukuoka	Foods	100.0
YOKOHAMA TRADING CORPORATION	Yokohama-shi, Kanagawa	Marine products	91.0
YAMATSU SUISAN CO., LTD.	Niigata-shi, Niigata	Marine products	50.0
KUROSE SUISAN CO., LTD.	Kushima-shi, Miyazaki	Marine products	100.0
NISSUI ENGINEERING CO., LTD.	Chiyoda-ku, Tokyo	Others	100.0
NISSUI MARINE INDUSTRIES CO., LTD.	Kita-Kyushu-shi, Fukuoka	Others	100.0
NIPPON SUISAN (U.S.A.), INC.	Redmond, U.S.A.	Marine products	100.0
UNISEA, INC.	Redmond, U.S.A.	Marine products	100.0
EMDEPES	Santiago, Chile	Marine products	55.0
SALOMONES ANTARTICA S.A.	Dalcahue, Chile	Marine products	100.0
N.A.L.	Santiago, Chile	Marine products	100.0
PESPASA	Buenos Aires, Argentina	Marine products	100.0
PESANTAR	Ushuaia, Argentina	Marine products	100.0
GORTON'S INC.	Massachusetts, U.S.A.	Foods	100.0
K&P	Georgia, U.S.A	Foods	100.0
35 other firms			
● Firms to which equity method is applied			
KYOWA SUISAN CO., LTD.	Sakaiminato-shi, Tottori	Marine Products	35.0
KURAHASHI CO., LTD.	Fykuyama-shi, Hiroshima	Marine Products	36.0
HACHIKAN CO., LTD.	Hachinohe-shi, Aomori	Foods	40.0
KURA LTD.	Wellington, New Zealand	Marine products	50.0
SHANDONG SANFOD NISSUI, LTD.	Shandong, China	Foods	40.0
29 other firms			

Company Overview

Nippon Suisan Kaisha, Ltd.

Nippon Bldg., 2-6-2, Otemachi, Chiyoda-ku, Tokyo 100-8686 Japan

Founded 1911

Established 1943

Capital 23,729 million yen

Number of Shares Authorized 1,000,000,000

Number of Shares Issued 277,210,277

Number of Shareholders 40,562

Number of Employees 1,174 (Non-consolidated) 8,298 (Consolidated)

Fiscal Year From April 1 to March 31

Stock Exchange Listings Tokyo and Osaka (common stock)

General Shareholders' Meeting in June

Record Date

(1) Annual Meeting & Dividends on March 31

(2) Interim Dividends on September 30

Minimum Trading Unit 100 shares

Transfer Agent for Common Stock The Chuo Mitsui Trust and Banking Company,
Limited 3-33-1 Shiba, Minato-ku, Tokyo, Japan

(As of March 31, 2006)

Contact

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<http://www.nissui.co.jp/english/ir/index.html>

Earning Releases, briefing materials, financial data, and the press releases, etc.
are available on the web-site.

Cautionary Notes

This annual report contains forward-looking statements regarding Nissui's business projections such as plans, outlook, strategies and results for the future. All forward-looking statements are based on judgments derived from the information available to the Group at the time of publication.

Please be advised that the actual business performance may differ from these business projections due to various factors. Significant factors which may affect the actual business performance include but are not limited to the economic climate surrounding the business sectors in which Nissui and its subsidiaries and affiliates operate, market trends, foreign exchange rates (notably the exchange rate between the U.S. dollar and Japanese yen) and the Japanese stock market.