

**Consolidated Financial Statements**

**Nippon Suisan Kaisha, Ltd.**

*Years ended March 31, 2001 and 2000  
with Report of Independent Certified Public Accountants*

The Board of Directors  
Nippon Suisan Kaisha, Ltd.

We have audited the consolidated balance sheets of Nippon Suisan Kaisha, Ltd. and consolidated subsidiaries as of March 31, 2001 and 2000, and the related consolidated statements of income and retained earnings, and cash flows for the years then ended, all expressed in yen. Our audits were made in accordance with auditing standards, procedures and practices generally accepted and applied in Japan and, accordingly, included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

In our opinion, the accompanying consolidated financial statements, expressed in yen, present fairly the consolidated financial position of Nippon Suisan Kaisha, Ltd. and consolidated subsidiaries at March 31, 2001 and 2000, and the consolidated results of their operations and their cash flows for the years then ended in conformity with accounting principles and practices generally accepted in Japan applied on a consistent basis.

As described in Note 1, Nippon Suisan Kaisha, Ltd. and consolidated subsidiaries have adopted new accounting standards for consolidation and tax-effect accounting effective the year ended March 31, 2000, and for employees' retirement benefits, financial instruments and foreign currency translation in the preparation of their consolidated financial statements effective the year ended March 31, 2001.

The U.S. dollar amounts in the accompanying consolidated financial statements with respect to the year ended March 31, 2001 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.

*Century Ota Showa & Co.*

June 28, 2001

*See Note 1 which explains the basis of preparation of the consolidated financial statements of Nippon Suisan Kaisha, Ltd. and consolidated subsidiaries under Japanese accounting principles and practices.*

Nippon Suisan Kaisha, Ltd. and Consolidated Subsidiaries

Consolidated Balance Sheets

	March 31,		
	2001	2000	2001
	<i>(Millions of yen)</i>		<i>(Thousands of U.S. dollars)</i> <i>(Note 2)</i>
<b>Assets</b>			
Current assets:			
Cash and bank deposits <i>(Notes 3 and 12)</i>	¥ 22,472	¥ 29,589	\$ 181,372
Marketable securities <i>(Notes 3 and 7)</i>	7,794	16,282	62,905
Notes and accounts receivable:			
Trade <i>(Note 3)</i>	59,556	53,189	480,677
Unconsolidated subsidiaries and affiliates	538	837	4,342
Less allowance for doubtful accounts	(2,472)	(1,486)	(19,951)
	<u>57,623</u>	<u>52,540</u>	<u>465,076</u>
Inventories:			
Merchandise and finished products <i>(Note 3)</i>	40,757	36,871	328,950
Work in process and other	14,407	12,554	116,279
	<u>55,164</u>	<u>49,425</u>	<u>445,230</u>
Fishing operations in progress	585	470	4,721
Deferred taxes <i>(Note 9)</i>	1,176	1,614	9,491
Other current assets	12,909	10,857	104,188
Total current assets	<u>157,726</u>	<u>160,780</u>	<u>1,273,010</u>
Investments and long-term advances:			
Investments in and advances to unconsolidated subsidiaries and affiliates	15,522	6,005	125,278
Investments in other securities <i>(Notes 3 and 7)</i>	48,904	27,508	394,705
Other long-term advances	10,666	10,931	86,085
Deferred taxes <i>(Note 9)</i>	1,296	3,092	10,460
Less allowance for doubtful accounts	(2,180)	(3,941)	(17,594)
Goodwill	166	182	1,339
Total investments and long-term advances	<u>74,376</u>	<u>43,778</u>	<u>600,290</u>
Property, plant and equipment, at cost <i>(Note 3)</i> :			
Land	19,660	19,587	158,676
Buildings and structures	84,197	82,590	679,556
Vessels	15,568	13,845	125,649
Machinery and equipment	65,444	61,724	528,200
Construction in progress	545	576	4,398
Other	5,568	5,287	44,939
	<u>190,984</u>	<u>183,611</u>	<u>1,541,436</u>
Less accumulated depreciation	(108,374)	(101,005)	(874,689)
Property, plant and equipment, net	<u>82,609</u>	<u>82,606</u>	<u>666,739</u>
Translation adjustments	—	6,814	—
Total assets	<u>¥ 314,712</u>	<u>¥ 293,980</u>	<u>\$ 2,540,048</u>

	<b>March 31,</b>		
	<b>2001</b>	<b>2000</b>	<b>2001</b>
	<i>(Millions of yen)</i>		<i>(Thousands of U.S. dollars)</i> <i>(Note 2)</i>
<b>Liabilities and shareholders' equity</b>			
Current liabilities:			
Short-term bank loans <i>(Note 3)</i>	¥ 70,955	¥ 61,141	\$ 572,679
Current portion of long-term debt <i>(Note 3)</i>	12,101	14,553	97,667
Notes and accounts payable:			
Trade	32,266	28,574	260,419
Unconsolidated subsidiaries and affiliates	327	701	2,639
	<u>32,593</u>	<u>29,275</u>	<u>263,058</u>
Accrued income taxes	1,736	4,155	14,011
Accrued taxes other than income taxes	794	425	6,408
Accrued expenses and other current liabilities	24,446	20,653	197,304
Total current liabilities	<u>142,627</u>	<u>130,205</u>	<u>1,151,146</u>
Long-term liabilities:			
Long-term debt <i>(Note 3)</i>	62,082	58,149	501,065
Accrued retirement benefits <i>(Note 4)</i>	11,250	9,728	90,799
Other long-term liabilities	3,330	2,755	26,876
Total long-term liabilities	<u>76,663</u>	<u>70,634</u>	<u>618,748</u>
Minority interests	12,611	11,935	101,783
Contingent liabilities <i>(Note 6)</i>			
Shareholders' equity:			
Common stock, ¥50 par value:			
Authorized - 380,000,000 shares			
Issued - 277,210,277 shares	23,729	23,729	191,517
Additional paid-in capital	14,149	14,149	114,196
Retained earnings	41,113	43,326	331,824
Net unrealized holding gain on securities	7,745	-	62,510
Less:			
Translation adjustments	(3,928)	-	(31,702)
Treasury common stock, at cost:			
4,618 shares in 2001; 1,518 shares in 2000	(0)	(0)	(0)
Total shareholders' equity	<u>82,809</u>	<u>81,205</u>	<u>668,353</u>
Total liabilities and shareholders' equity	<u>¥314,712</u>	<u>¥293,980</u>	<u>\$2,540,048</u>

*The accompanying notes are an integral part of these consolidated financial statements.*

Nippon Suisan Kaisha, Ltd. and Consolidated Subsidiaries

Consolidated Statements of Income and Retained Earnings

	<b>Year ended March 31,</b>		
	<b>2001</b>	<b>2000</b>	<b>2001</b>
	<i>(Millions of yen)</i>		<i>(Thousands of U.S. dollars)</i> <i>(Note 2)</i>
Net sales	¥463,747	¥472,297	\$3,742,913
Cost of sales	378,280	386,207	3,053,107
Gross profit	85,467	86,090	689,806
Selling, general and administrative expenses <i>(Note 10)</i>	78,276	76,802	631,767
Operating income	7,190	9,287	58,030
Other income (expenses):			
Interest expense	(3,356)	(3,581)	(27,086)
Interest and dividend income	2,023	1,517	16,327
Amortization of past service cost with respect to pension plans	–	(44)	–
Amortization of transition differences arising from initial adoption of new accounting standard for retirement benefits	(3,258)	–	(26,295)
Equity in earnings of unconsolidated subsidiaries and affiliates	304	231	2,453
Other, net	996	3,466	8,038
	<u>(3,290)</u>	<u>1,588</u>	<u>(26,553)</u>
Income before income taxes and minority interests	3,899	10,876	31,468
Income taxes <i>(Note 9)</i>	275	5,136	2,219
Income before minority interests	3,624	5,739	29,249
Minority interests	539	675	4,350
Net income	<u>3,085</u>	<u>5,064</u>	<u>24,899</u>
Retained earnings:			
Beginning of year	43,326	35,005	349,685
Cumulative effect of initial adoption of tax-effect accounting	–	4,333	–
Adjustment at beginning of year for initial inclusion of subsidiaries in consolidation	–	229	–
Adjustment for initial inclusion of affiliates accounted for by equity method	–	(80)	–
Retirement of treasury stock	(3,420)	(230)	(27,602)
Cash dividends paid	(1,738)	(891)	(14,027)
Bonuses to directors	(139)	(104)	(1,121)
End of year	<u>¥ 41,113</u>	<u>¥ 43,326</u>	<u>\$ 331,824</u>

*The accompanying notes are an integral part of these consolidated financial statements.*



Nippon Suisan Kaisha, Ltd. and Consolidated Subsidiaries

Consolidated Statements of Cash Flows

	Year ended March 31,		
	2001	2000	2001
	<i>(Millions of yen)</i>		<i>(Thousands of U.S. dollars)</i> <i>(Note 2)</i>
<b>Cash flows from operating activities</b>			
Income before income taxes and minority interests	¥ 3,899	¥ 10,876	\$ 31,468
Depreciation and amortization	8,767	8,436	70,758
Provision for allowance for doubtful accounts	(876)	625	(7,070)
Accrued retirement benefits, net of payments	1,521	(466)	12,276
Interest and dividend income	(2,023)	(1,517)	(16,327)
Interest expense	3,353	3,581	27,062
Equity in earnings of unconsolidated subsidiaries and affiliates	(304)	(231)	(2,453)
Gain on sale of marketable securities	(120)	(240)	(968)
Gain on sale of property, plant and equipment	(1,884)	(1,234)	(15,205)
Loss on disposal of property, plant and equipment	1,550	985	12,510
Gain on sale of investment securities	(1,559)	(6,091)	(12,582)
Loss on revaluation of marketable and investment securities	500	531	4,035
(Increase) decrease in notes and accounts receivable	(5,631)	8,424	(45,447)
(Increase) decrease in inventories	(4,900)	1,267	(39,548)
Increase (decrease) in notes and accounts payable	3,179	(3,213)	25,657
Increase in accrued expenses	3,433	2,406	27,707
Bonuses paid to directors	(153)	(122)	(1,234)
Other	3,222	1,942	26,004
Subtotal	11,974	25,959	96,642
Interest and dividends received	1,637	1,531	13,212
Interest paid	(3,350)	(3,609)	(27,037)
Income taxes paid	(5,847)	(2,865)	(47,191)
Net cash provided by operating activities	4,413	21,016	35,617
<b>Cash flows from investing activities</b>			
Decrease (increase) in time deposits	388	(643)	3,131
Decrease in marketable securities	1,671	1,032	13,486
Purchases of property, plant and equipment	(8,655)	(10,284)	(69,854)
Proceeds from sale of property, plant and equipment	2,245	3,376	18,119
Purchases of investment securities	(14,859)	(1,768)	(119,927)
Proceeds from sale of investment securities	5,805	13,177	46,852
Increase in short-term advances	(647)	(884)	(5,221)
Other	(51)	(139)	(411)
Net cash (used in) provided by investing activities	(14,101)	3,865	(113,809)
<b>Cash flows from financing activities</b>			
Increase (decrease) in short-term bank loans	10,328	(14,040)	83,357
Proceeds from long-term debt	15,790	13,990	127,441
Repayment or redemption of long-term debt	(15,673)	(16,366)	(126,497)
Dividends paid	(1,738)	(891)	(14,027)
Dividends paid to minority interests	(193)	(86)	(1,557)
Retirement of common stock	(3,420)	(230)	(27,602)
Net cash provided by (used in) financing activities	5,092	(17,624)	41,097
Effect of exchange rate changes on cash and cash equivalents	478	(866)	3,857
Net (decrease) increase in cash and cash equivalents	(4,116)	6,391	(33,220)
Cash and cash equivalents at beginning of year	31,367	22,362	253,163
Adjustments to cash and cash equivalents resulting from inclusion or exclusion of subsidiaries in consolidation	(76)	2,612	(613)
Cash and cash equivalents at end of year	¥ 27,174	¥ 31,367	\$ 219,322

The accompanying notes are an integral part of these consolidated financial statements.

# Nippon Suisan Kaisha, Ltd. and Consolidated Subsidiaries

## Notes to Consolidated Financial Statements

March 31, 2001

### 1. Summary of Significant Accounting Policies

#### (a) Basis of presentation

Nippon Suisan Kaisha, Ltd. (the "Company") and its domestic consolidated subsidiaries maintain their accounting records and prepare their financial statements in accordance with accounting principles and practices generally accepted and applied in Japan and its foreign subsidiaries maintain their books of account in conformity with those of their countries of domicile.

The accompanying financial statements have been compiled from the consolidated financial statements as required by the Securities and Exchange Law of Japan, and in conformity with accounting principles and practices generally accepted in Japan, which may differ in certain material respects from accounting principles and practices generally accepted in countries and jurisdictions other than 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 financial statements both in yen and U.S. dollars do not necessarily agree with the sum of the individual amounts.

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

Until the year ended March 31, 1999, the consolidated financial statements included the accounts of the Company and its significant subsidiaries (owned 50% and more) and investments in significant affiliates (owned 20% to 50%) were accounted for by the equity method.

In accordance with the revised accounting standards for consolidation, the accompanying consolidated financial statements include the accounts of the Company and 45 consolidated subsidiaries controlled directly or indirectly by the Company. In addition, 24 of 35 unconsolidated subsidiaries and 9 of 26 affiliates over which the Company exercises significant influence in terms of their operating and financial policies have been included in the consolidated financial statements on an equity basis. All significant intercompany balances and transactions have been eliminated in consolidation.

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

## 1. Summary of Significant Accounting Policies (continued)

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

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

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.

### (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.

Effective the year ended March 31, 2001, translation adjustments, which had been recorded under assets in the consolidated balance sheets until the year ended March 31, 2000, have been presented as a component of shareholders' equity and minority interests in consolidated subsidiaries in conformity with the revised standard for foreign currency translation.

Monetary assets and liabilities denominated in foreign currencies of the Company and its domestic consolidated subsidiaries are translated into yen at the current 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 rates.

Gains and losses arising from exchange differences are credited or charged to income in the year in which they are incurred.

The revised accounting standard for foreign currency translation has been applied effective the year ended March 31, 2001. The effect of the adoption of this revised standard on the consolidated financial statements was immaterial.

### (d) Cash equivalents

All highly liquid investments, generally with a maturity of three months or less when purchased, which are readily convertible into known amounts of cash and are so near maturity that they represent only an insignificant risk of any change in value attributable to changes in interest rates, are considered cash equivalents.

## 1. Summary of Significant Accounting Policies (continued)

### (e) Securities

Until the year ended March 31, 2000, marketable securities had been principally stated at the lower of cost or market, cost being determined by the moving average method. Securities other than marketable securities are carried at cost determined by the average method.

A new accounting standard for financial instruments, which became effective April 1, 2000, requires that securities be classified as trading securities, held-to-maturity debt securities, and other securities. Under the new 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.

The effect of the adoption of this new standard for financial instruments was to increase income before income taxes and minority interests by ¥258 million (\$2,082 thousand) for the year ended March 31, 2001.

As of April 1, 2000, the Company and its consolidated subsidiaries assessed their intent to hold their securities and classified their securities as "held-to-maturity debt securities" or "other securities" and accounted for the securities at March 31, 2001 in accordance with the new standard referred to above. Held-to-maturity debt securities and debt securities classified as other securities with maturities of less than one year have been presented as marketable securities in current assets and other securities have been presented as investments in other securities in investments and long-term advances. As a result, marketable securities of ¥9,875 million (\$79,701 thousand), which had been included in marketable securities, were reclassified to investments in other securities as of April 1, 2000.

### (f) Inventories

Inventories are stated principally at the lower of cost or market, cost being determined by the average method.

### (g) Property, plant and equipment

Depreciation of property, plant and equipment of the Company and the 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 betterments are capitalized at cost. Maintenance and repairs are charged to income.

## 1. Summary of Significant Accounting Policies (continued)

### (h) Leases

Noncancelable leases are primarily accounted for as operating leases (regardless of whether such leases are 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

Until the year ended March 31, 2000, accrued severance indemnities were stated at 100% for sea-based employees and 50% for shore-based employees of the respective amounts which would be required to be paid if employees of the Company and certain of its domestic consolidated subsidiaries covered by the severance indemnity plans voluntarily terminated their employment at the balance sheet date, less the amounts expected to be covered by the pension plans.

In accordance with a new accounting standard for retirement benefits which became effective April 1, 2000, accrued retirement benefits for employees at March 31, 2001 have been provided mainly at an amount calculated based on the retirement benefit obligation and the fair value of the pension plan assets as of March 31, 2001, as adjusted for unrecognized net retirement benefit obligation at transition, 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. The net retirement benefit obligation at transition is being amortized principally over a period of 3 years by the straight-line method except that Nissui Pharmaceutical Co., Ltd., a consolidated subsidiary, amortized fully its portion of this obligation at transition for the year ended March 31, 2001.

Actuarial gain and loss are amortized in the year following the 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 which are shorter than the average remaining years of service of the eligible employees.

The effect of the adoption of the new standard for retirement benefit was to decrease income before income taxes and minority interests by ¥2,810 million (\$22,679 thousand) for the year ended March 31, 2001.

## **1. Summary of Significant Accounting Policies (continued)**

### **(j) Income taxes**

Deferred tax assets and liabilities are determined based on the differences between financial reporting and the tax bases of the assets and liabilities and are measured using the enacted tax rates and laws which will be in effect when the differences are expected to reverse.

Effective the year ended March 31, 2000, the Company and consolidated subsidiaries adopted tax-effect accounting for income taxes in accordance with a new accounting standard. This standard requires the recognition of income taxes by the liability method. The cumulative effect of this change was reported as "Cumulative effect of initial adoption of tax-effect accounting" in the consolidated statements of income and retained earnings.

The effect of the adoption of this standard for income taxes was to increase total assets by ¥4,707 million (¥1,614 million as current assets and ¥3,092 million as investments and long-term advances) as of March 31, 2000. In addition, net income decreased by ¥54 million for the year ended March 31, 2000 and retained earnings decreased as of March 31, 2000 by ¥4,278 million compared with the amounts which would have been recorded under the method applied in the previous year.

### **(k) Research and development costs**

Research and development costs are charged to income as incurred.

### **(l) Derivatives**

The Company and certain consolidated subsidiaries have entered into various derivative transactions in order to manage certain risks arising from adverse fluctuations in foreign currency exchange rates and interest rates. In accordance with a new accounting standard for financial instruments which became effective April 1, 2000, derivative financial instruments are carried at fair value with changes in unrealized gain or loss charged or credited to operations, 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.

## **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  $¥123.90 = \text{U.S.}\$1.00$ , the approximate rate of exchange in effect on March 31, 2001.

### 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 on short-term bank loans outstanding at March 31, 2001 and 2000 were 1.7% and 1.8 % respectively.

Long-term debt at March 31, 2001 and 2000 is summarized as follows:

	<u>2001</u>	<u>2000</u>	<u>2001</u>
	<i>(Millions of yen)</i>		<i>(Thousands of U.S. dollars)</i>
Loans from banks and other financial institutions at interest rates ranging from 1.0% to 8.1%:			
With collateral	¥ 63,373	¥ 63,114	\$511,485
Without collateral	10,809	9,589	87,239
	<u>74,183</u>	<u>72,703</u>	<u>598,732</u>
Less current portion	(12,101)	(14,553)	(97,667)
	<u>¥ 62,082</u>	<u>¥ 58,149</u>	<u>\$501,065</u>

The annual maturities of long-term debt subsequent to March 31, 2001 are summarized as follows:

<u>Years ending March 31,</u>	<i>(Millions of yen)</i>	<i>(Thousands of U.S. dollars)</i>
2002	¥12,101	\$ 97,667
2003	10,247	82,703
2004	13,259	107,013
2005	11,586	93,510
2006 and thereafter	26,988	217,820
	<u>¥74,183</u>	<u>\$598,732</u>

Assets pledged as collateral for long-term debt and certain other current liabilities at March 31, 2001 were as follows:

	<i>(Millions of yen)</i>	<i>(Thousands of U.S. dollars)</i>
Time deposits and short-term investments	¥ 335	\$ 2,703
Trade receivables and inventories	7,265	58,635
Marketable securities and investments in other securities	30,791	248,514
Property, plant and equipment, at net book value	34,060	274,899
	<u>¥72,452</u>	<u>\$584,761</u>

#### 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.

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, 2001 for the Company's and the consolidated subsidiaries' defined benefit pension plans:

	<i>(Millions of yen)</i>	<i>(Thousands of U.S. dollars)</i>
Retirement benefit obligation	¥(39,621)	\$(319,782)
Plan assets at fair value	20,795	167,836
Unfunded retirement benefit obligation	(18,825)	(151,937)
Unrecognized net retirement benefit obligation at transition	6,207	50,096
Unrecognized actuarial loss	1,367	11,033
Unrecognized past service cost	-	-
Net retirement benefit obligation	(11,250)	(90,799)
Prepaid pension cost	-	-
Accrued retirement benefits	¥(11,250)	\$ (90,799)

The components of retirement benefit expenses for the year ended March 31, 2001 are outlined as follows:

	<i>(Millions of yen)</i>	<i>(Thousands of U.S. dollars)</i>
Service cost	¥2,041	\$16,472
Interest cost	1,045	8,434
Expected return on plan assets	(720)	(5,811)
Amortization of net retirement benefit obligation at transition	3,258	26,295
Amortization of actuarial loss	-	-
Amortization of past service cost	-	-
Total retirement benefit expenses	¥5,625	\$45,399

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

Discount rate	3.5%
Expected rates of return on plan assets	3.5% ~ 4.5%
Amortization period of actuarial gain or loss	6 years
Amortization period of past service cost	-
Amortization period of net retirement benefit obligation at transition	3 years (principally)

## 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, 2001, 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:

	<i>(Millions of yen)</i>	<i>(Thousands of U.S. dollars)</i>
Acquisition costs:		
Machinery and equipment	¥1,203	\$ 9,709
Other	3,550	28,652
Total	<u>¥4,753</u>	<u>\$38,361</u>
Accumulated depreciation:		
Machinery and equipment	¥ 699	\$ 5,641
Other	2,476	19,983
Total	<u>¥3,176</u>	<u>\$25,633</u>
Net book value :		
Machinery and equipment	¥ 503	\$ 4,059
Other	1,073	8,660
Total	<u>¥1,577</u>	<u>\$12,728</u>

Lease payments relating to finance leases accounted for as operating leases in the accompanying consolidated financial statements amounted to ¥1,298 million (\$10,476 thousand) for the year ended March 31, 2001.

Future rental expenses under finance leases outstanding at March 31, 2001 are summarized as follows:

<u>Years ending March 31,</u>	<i>(Millions of yen)</i>	<i>(Thousands of U.S. dollars)</i>
2002	¥680	\$5,488
2003 and thereafter	946	7,635

## 6. Contingent Liabilities

At March 31, 2001, the Company and its consolidated subsidiaries had the following contingent liabilities:

	<i>(Millions of yen)</i>	<i>(Thousands of U.S. dollars)</i>
As endorsers of trade notes discounted with banks	¥171	\$1,380
As guarantors of indebtedness of unconsolidated subsidiaries, affiliates and other companies	878	7,086

## 7. Securities

Information regarding marketable securities classified as held-to-maturity debt securities and other securities as of March 31, 2001 is as follows:

### Marketable held-to-maturity debt securities

	<u>Carrying value</u>	<u>Estimated fair value</u>	<u>Unrealized gain (loss)</u>	<u>Carrying value</u>	<u>Estimated fair value</u>	<u>Unrealized gain (loss)</u>
	<i>(Millions of yen)</i>			<i>(Millions of U.S. dollars)</i>		
Securities whose fair value exceeds their carrying value:						
Government bonds	¥381	¥390	¥8	\$3,075	\$3,147	\$64
Corporate bonds	100	101	1	807	815	8
Other	120	120	0	968	968	0
Total	<u>¥602</u>	<u>¥612</u>	<u>¥9</u>	<u>\$4,858</u>	<u>\$4,939</u>	<u>\$72</u>

### Marketable other securities

	<u>Acquisition cost</u>	<u>Carrying value</u>	<u>Unrealized gain (loss)</u>	<u>Acquisition cost</u>	<u>Carrying value</u>	<u>Unrealized gain (loss)</u>
	<i>(Millions of yen)</i>			<i>(Millions of U.S. dollars)</i>		
Securities whose carrying value exceeds their acquisition cost:						
Stock	¥23,882	¥37,209	¥13,326	\$192,752	\$300,314	\$107,554
Debt securities	5,103	5,274	171	41,186	42,566	1,380
Other	270	276	5	2,179	2,227	40
Subtotal	<u>¥29,256</u>	<u>¥42,761</u>	<u>¥13,504</u>	<u>\$236,125</u>	<u>\$345,125</u>	<u>\$108,991</u>
Securities whose acquisition cost exceeds their carrying value:						
Stock	¥ 1,424	¥ 1,191	¥ (233)	\$ 11,493	\$ 9,612	\$ (1,880)
Debt securities	1,243	1,213	(29)	10,032	9,790	(234)
Other	108	85	(22)	871	686	(177)
Subtotal	<u>¥ 2,777</u>	<u>¥ 2,491</u>	<u>¥ (285)</u>	<u>\$ 22,413</u>	<u>\$ 20,104</u>	<u>\$ (2,300)</u>
Total	<u>¥32,034</u>	<u>¥45,253</u>	<u>¥13,219</u>	<u>\$258,547</u>	<u>\$365,238</u>	<u>\$106,690</u>

Sales of securities classified as other securities amounted to ¥7,781 million (\$62,800 thousand), with an aggregate gain of ¥1,700 million (\$13,720 thousand) and an aggregate loss of ¥111 million (\$895 thousand) for the year ended March 31, 2001.

The redemption schedule for securities with maturity dates, which were classified as other securities and held-to-maturity debt securities as of March 31, 2001, is summarized as follows:

	<u>Due in one year or less</u>	<u>Due after one year though five years</u>	<u>Due after five years though ten years</u>	<u>Due after ten years</u>
	<i>(Millions of yen)</i>			
Government bonds	¥ 0	¥ 381	¥ -	¥ -
Corporate bonds	1,309	3,521	81	-
Other debt securities	469	1,338	200	100
Other	50	234	25	-
Total	<u>¥1,829</u>	<u>¥5,475</u>	<u>¥307</u>	<u>¥100</u>

## 7. Securities (continued)

### Marketable other securities (continued)

	Due in one year or less	Due after one year though five years	Due after five years though ten years	Due after ten years
	<i>(Millions of U.S. dollars)</i>			
Government bonds	\$ –	\$ 3,075	\$ –	\$ –
Corporate bonds	10,564	28,418	653	–
Other debt securities	3,785	10,799	1,614	807
Other	403	1,888	201	–
<b>Total</b>	<b>\$14,761</b>	<b>\$44,188</b>	<b>\$2,477</b>	<b>\$807</b>

The carrying value and related fair value of current and noncurrent marketable securities at March 31, 2000 were as follows:

	Carrying value	Estimated fair value	Unrealized gain (loss)	Carrying value	Estimated fair value	Unrealized gain (loss)
	<i>(Millions of yen)</i>			<i>(Millions of U.S. dollars)</i>		
Current assets:						
Stock	¥ 4,411	¥ 7,099	¥ 2,687	\$ 41,554	\$ 66,877	\$ 25,313
Bonds	6,222	6,427	205	58,615	60,546	1,931
Other	378	387	9	3,560	3,645	84
Subtotal	¥11,011	¥13,914	¥ 2,902	\$103,730	\$131,078	\$ 27,338
Current assets:						
Stock	¥22,495	¥37,681	¥15,185	\$211,917	\$354,978	\$143,052
Bonds	0	0	–	0	0	–
Other	–	–	–	–	–	–
Subtotal	¥22,496	¥37,682	¥15,185	\$211,926	\$354,988	\$143,052
<b>Total</b>	<b>¥33,508</b>	<b>¥51,596</b>	<b>¥18,088</b>	<b>\$315,666</b>	<b>\$486,066</b>	<b>\$170,400</b>

## 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 nonperformance by any of these counterparties, all of whom are financial institutions with high credit ratings.

The derivatives are controlled by 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.

## 8. Derivatives (continued)

The contract or notional amount and the market value of the derivatives positions open at March 31, 2001 were as follows:

	<u>Contract or notional amount</u>	<u>Market value</u>	<u>Unrealized gain (loss)</u>	<u>Contract or notional amount</u>	<u>Market value</u>	<u>Unrealized gain (loss)</u>
	<i>(Millions of yen)</i>			<i>(Millions of U.S. dollars)</i>		
Over-the-counter:						
Interest-rate caps	¥300	¥0	¥0	\$2,421	\$ 0	\$ 0
Foreign currency swaps	616	4	4	4,971	32	32

## 9. Income Taxes

A reconciliation of the statutory tax rate to the effective tax rates at March 31, 2001 and 2000 is presented as follows:

	<u>2001</u>	<u>2000</u>
Statutory tax rate	40.87%	40.87%
Permanently nondeductible expenses	7.28	2.60
Permanently nontaxable dividends received and other	(7.80)	(2.53)
Valuation allowance recognized	(41.07)	-
Other, net	7.78	6.29
Effective tax rates	<u>7.06%</u>	<u>47.23%</u>

The tax effects of significant temporary differences and loss carryforwards which resulted in deferred tax assets and liabilities at March 31, 2001 and 2000 are summarized as follows:

	<u>2001</u>	<u>2000</u>	<u>2001</u>
	<i>(Millions of yen)</i>		<i>(Thousands of U.S. dollars)</i>
Tax loss carryforwards	¥ 3,925	¥ 4,151	\$ 31,678
Accrued severance indemnities	3,845	2,772	31,033
Allowance for doubtful receivables	4,062	1,709	32,784
Depreciation	881	1,104	7,110
Accrued enterprise tax	170	366	1,372
Valuation of inventories	207	261	1,670
Valuation of securities	2,055	101	16,585
Other	1,823	1,560	14,713
Less: Valuation allowance	<u>(6,825)</u>	<u>(4,881)</u>	<u>(55,084)</u>
Deferred tax assets	10,146	7,147	81,888
Deferred tax liabilities	<u>(7,673)</u>	<u>(2,440)</u>	<u>(61,928)</u>
Net deferred tax assets	<u>¥ 2,473</u>	<u>¥ 4,707</u>	<u>\$ 19,959</u>

## 10. Research and Development Costs

Research and development costs included in general and administrative expenses for the years ended March 31, 2001 and 2000 totaled ¥2,983 million (\$24,075 thousand) and ¥3,029 million, respectively.

## 11. Amounts Per Share

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

	<u>2001</u>	<u>2000</u>	<u>2001</u>
	<i>(Yen)</i>		<i>(U.S. dollars)</i>
Net income	¥ 11.00	¥ 17.04	\$0.08
Net assets	298.73	274.41	2.41

## 12. Supplementary Cash Flow Information

The following table represents a reconciliation of cash and cash equivalents at March 31, 2001 and 2000:

	<u>2001</u>	<u>2000</u>	<u>2001</u>
	<i>(Millions of yen)</i>		<i>(Thousands of U.S. dollars)</i>
Cash and bank deposits	¥22,472	¥ 29,589	\$181,372
Time deposits with a maturity of more than three months	(1,263)	(1,669)	(10,193)
Securities	-	16,282	-
Equity and debt securities with a maturity of less than three months	5,964	(12,835)	48,135
Cash and cash equivalents	<u>¥27,174</u>	<u>¥ 31,367</u>	<u>\$219,322</u>

### 13. Segment Information

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

#### *Business Segments*

	For the year ended March 31, 2001							
	Marine products	Foods	General distribution	Fine chemicals	Others	Total	Intercompany eliminations	Consolidated
	<i>(Millions of yen)</i>							
Operating revenues	¥207,095	¥211,073	¥26,084	¥13,678	¥5,816	¥463,747	–	¥463,747
Intra-group sales and transfers	12,301	10,668	41,588	25	4,760	69,344	¥(69,344)	–
Total	219,396	221,742	67,672	13,703	10,577	533,092	(69,344)	463,747
Operating expenses	219,326	216,782	66,936	12,356	10,500	525,902	(69,344)	456,557
Operating income	¥70	¥4,960	¥735	¥1,347	¥76	¥7,190	¥–	¥7,190
Identifiable assets	¥115,488	¥98,782	¥41,262	¥25,203	¥4,201	¥284,938	¥29,774	¥314,712
Depreciation and amortization	¥2,430	¥3,794	¥1,831	¥669	¥42	¥8,767	¥–	¥8,767
Capital expenditures	3,160	4,783	766	266	187	9,163	–	9,163

	For the year ended March 31, 2001							
	Marine products	Foods	General distribution	Fine chemicals	Others	Total	Intercompany eliminations	Consolidated
	<i>(Thousands of U.S. dollars)</i>							
Operating revenues	\$1,671,468	\$1,703,575	\$210,524	\$110,395	\$46,941	\$3,742,913	–	\$3,742,913
Intra-group sales and transfers	99,281	86,101	335,657	201	38,418	559,677	\$(559,677)	–
Total	1,770,750	1,789,685	546,182	110,597	85,367	4,302,598	(559,677)	3,742,913
Operating expenses	1,770,185	1,749,652	540,242	99,725	84,745	4,244,568	(559,677)	3,684,882
Operating income	\$564	\$40,032	\$5,932	\$10,871	\$613	\$58,030	\$–	\$58,030
Identifiable assets	\$932,106	\$797,271	\$333,026	\$203,414	\$33,906	\$2,299,741	\$240,306	\$2,540,048
Depreciation and amortization	\$19,612	\$30,621	\$14,778	\$5,399	\$338	\$70,758	\$–	\$70,758
Capital expenditures	25,504	38,603	6,182	2,146	1,509	73,954	–	73,954

	For the year ended March 31, 2000							
	Marine products	Foods	General distribution	Fine chemicals	Others	Total	Intercompany eliminations	Consolidated
	<i>(Millions of yen)</i>							
Operating revenues	¥235,238	¥191,563	¥26,024	¥13,747	¥5,724	¥472,297	–	¥472,297
Intra-group sales and transfers	10,577	6,892	43,734	36	8,938	70,179	¥(70,179)	–
Total	245,815	198,455	69,758	13,784	14,663	542,476	(70,179)	472,297
Operating expenses	241,241	195,629	69,543	12,486	14,288	533,189	(70,179)	463,010
Operating income	¥4,573	¥2,826	¥215	¥1,298	¥374	¥9,287	¥–	¥9,287
Identifiable assets	¥110,036	¥89,336	¥48,212	¥24,568	¥4,388	¥276,542	¥17,438	¥293,980
Depreciation and amortization	¥2,570	¥3,392	¥1,813	¥601	¥58	¥8,436	¥–	¥8,436
Capital expenditures	2,225	4,104	2,519	1,477	117	10,443	–	10,443

### 13. Segment Information (continued)

#### Geographical Segments

	For the year ended March 31, 2001							
	Japan	North America	South America	Oceania	Other countries	Total	Eliminations	Consolidated
	<i>(Millions of yen)</i>							
Sales to third parties	¥431,308	¥23,321	¥ 1,953	¥ 132	¥ 7,032	¥463,747	–	¥463,747
Interarea sales and transfers	5,058	10,609	11,106	737	9,413	36,924	¥ (36,924)	–
Total	436,366	33,930	13,059	869	16,445	500,672	(36,924)	463,747
Operating expenses	429,676	32,762	13,783	977	16,281	493,481	(36,924)	456,557
Operating income (loss)	¥ 6,690	¥ 1,168	¥ (724)	¥ (108)	¥ 163	¥ 7,190	¥ –	¥ 7,190
Assets	¥242,091	¥23,896	¥14,624	¥ 805	¥ 3,520	¥284,938	¥ 29,774	¥314,712

	For the year ended March 31, 2001							
	Japan	North America	South America	Oceania	Other countries	Total	Eliminations	Consolidated
	<i>(Thousands of U.S. dollars)</i>							
Sales to third parties	\$ 3,481,097	\$188,224	\$ 15,762	\$1,065	\$56,755	\$ 3,742,913	–	\$ 3,742,913
Interarea sales and transfers	40,823	85,625	89,636	5,948	75,972	298,014	\$(298,014)	–
Total	3,521,920	273,849	105,399	7,013	132,728	4,040,936	(298,014)	3,742,913
Operating expenses	3,467,925	264,422	111,242	7,885	131,404	3,982,897	(298,014)	3,684,882
Operating income (loss)	\$ 53,995	\$ 9,426	\$ (5,843)	\$ (871)	\$ 1,315	\$ 58,030	\$ –	\$ 58,030
Assets	\$ 1,953,922	\$192,865	\$118,030	\$6,497	\$28,410	\$ 2,299,741	\$ 240,306	\$ 2,540,048

	For the year ended March 31, 2000							
	Japan	North America	South America	Oceania	Other countries	Total	Eliminations	Consolidated
	<i>(Millions of yen)</i>							
Sales to third parties	¥443,298	¥22,648	¥ 2,055	¥ 124	¥ 4,170	¥472,297	–	¥472,297
Interarea sales and transfers	2,622	9,018	12,072	855	9,323	33,892	¥ (33,892)	–
Total	445,920	31,667	14,128	979	13,494	506,190	(33,892)	472,297
Operating expenses	438,772	29,638	13,925	1,154	13,410	496,902	(33,892)	463,010
Operating income (loss)	¥ 7,148	¥ 2,028	¥ 202	¥ (174)	¥ 83	¥ 9,287	¥ –	¥ 9,287
Assets	¥236,459	¥22,818	¥14,154	¥ 822	¥ 2,287	¥276,542	¥ 17,438	¥293,980

### 14. 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, 2001, were approved at a general meeting of the Company's shareholders held on June 28, 2001:

	<i>(Millions of yen)</i>	<i>(Thousands of U.S. dollars)</i>
Cash dividends (¥3.00 = \$0.024 per share)	¥831	\$6,707