

Consolidated Financial Statements

Nippon Suisan Kaisha, Ltd.

*Years ended March 31, 2003 and 2002
with Report of Independent Auditors*

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, 2003 and 2002, and the related consolidated statements of operations 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 independently express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards, procedures and practices generally accepted and applied in Japan. Those standards, procedures and practices 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, 2003 and 2002, 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.

The U.S. dollar amounts in the accompanying consolidated financial statements with respect to the year ended March 31, 2003 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.

Shin Nihon & Co.

June 27, 2003

See Note 1 to the consolidated financial statements 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,		
	2003	2002	2003
	<i>(Millions of yen)</i>		<i>(Thousands of U.S. dollars)</i> <i>(Note 2)</i>
Assets			
Current assets:			
Cash and bank deposits <i>(Note 13)</i>	¥ 14,311	¥ 23,607	\$ 119,059
Marketable securities <i>(Notes 3 and 7)</i>	853	4,501	7,096
Notes and accounts receivable:			
Trade <i>(Note 3)</i>	55,627	61,212	462,787
Unconsolidated subsidiaries and affiliates	455	914	3,785
Less allowance for doubtful receivables	(1,035)	(1,929)	(8,610)
	<u>55,047</u>	<u>60,197</u>	<u>457,961</u>
Inventories:			
Merchandise and finished products <i>(Note 3)</i>	43,287	40,364	360,124
Work in process and other	19,609	17,572	163,136
	<u>62,897</u>	<u>57,936</u>	<u>523,269</u>
Fishing operations in progress	526	2,822	4,376
Deferred taxes <i>(Note 9)</i>	4,117	2,312	34,251
Other current assets	11,098	11,832	92,329
Total current assets	<u>148,852</u>	<u>163,210</u>	<u>1,238,369</u>
Investments and long-term advances:			
Investments in and advances to unconsolidated subsidiaries and affiliates	19,752	17,759	164,326
Investments in other securities <i>(Notes 3 and 7)</i>	30,987	36,842	257,795
Other long-term advances	8,577	8,970	71,356
Deferred taxes <i>(Note 9)</i>	13,483	10,300	112,171
Less allowance for doubtful accounts	(1,302)	(1,790)	(10,831)
Total investments and long-term advances	<u>71,498</u>	<u>72,082</u>	<u>594,825</u>
Intangible assets:			
Goodwill	8,170	9,330	67,970
Other intangible assets	14,953	12,117	124,400
Total intangible assets	<u>23,124</u>	<u>21,448</u>	<u>192,379</u>
Property, plant and equipment, at cost <i>(Note 3)</i>:			
Land	17,652	17,848	146,855
Buildings and structures	87,185	87,677	725,332
Vessels	8,584	8,484	71,414
Machinery and equipment	72,429	71,446	602,570
Construction in progress	875	1,106	7,279
Other	6,099	5,919	50,740
	<u>192,826</u>	<u>192,482</u>	<u>1,604,209</u>
Less accumulated depreciation	(115,048)	(111,272)	(957,138)
Property, plant and equipment, net	<u>77,778</u>	<u>81,209</u>	<u>647,071</u>
Total assets	<u>¥ 321,254</u>	<u>¥ 337,951</u>	<u>\$2,672,662</u>

	March 31,		
	2003	2002	2003
	<i>(Millions of yen)</i>		<i>(Thousands of U.S. dollars)</i> <i>(Note 2)</i>
Liabilities and shareholders' equity			
Current liabilities:			
Short-term bank loans <i>(Note 3)</i>	¥ 65,088	¥ 81,672	\$ 541,497
Current portion of long-term debt <i>(Note 3)</i>	16,010	10,541	133,194
Notes and accounts payable:			
Trade	26,134	32,203	217,420
Unconsolidated subsidiaries and affiliates	734	492	6,106
	<u>26,868</u>	<u>32,695</u>	<u>223,527</u>
Accrued income taxes	1,240	954	10,316
Accrued taxes other than income taxes	615	1,053	5,116
Accrued expenses and other current liabilities	22,286	29,213	185,407
Total current liabilities	<u>132,109</u>	<u>156,129</u>	<u>1,099,076</u>
Long-term liabilities:			
Long-term debt <i>(Note 3)</i>	83,165	83,533	691,888
Accrued retirement benefits <i>(Note 4)</i>	17,747	12,968	147,645
Other long-term liabilities	3,850	3,836	32,029
Total long-term liabilities	<u>104,762</u>	<u>100,339</u>	<u>871,564</u>
Minority interests	13,614	12,963	113,261
Contingent liabilities <i>(Note 6)</i>			
Shareholders' equity <i>(Notes 10 and 16)</i> :			
Common stock:			
Authorized – 380,000,000 shares			
Issued – 277,210,277 shares	23,729	23,729	197,412
Capital surplus	14,149	14,149	117,712
Retained earnings	31,973	29,057	265,998
Unrealized gains on securities	1,630	2,482	13,560
Less:			
Translation adjustments	(632)	(879)	(5,257)
Treasury common stock, at cost:			
384,178 shares in 2003; 100,939 shares in 2002	(82)	(20)	(682)
Total shareholders' equity	<u>70,767</u>	<u>68,518</u>	<u>588,743</u>
Total liabilities and shareholders' equity	<u>¥321,254</u>	<u>¥337,951</u>	<u>\$2,672,662</u>

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

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

	Year ended March 31,		
	2003	2002	2003
	<i>(Millions of yen)</i>		<i>(Thousands of U.S. dollars)</i> <i>(Note 2)</i>
Net sales	¥499,810	¥482,953	\$4,158,153
Cost of sales	400,423	394,265	3,331,306
Gross profit	99,387	88,688	826,846
Selling, general and administrative expenses <i>(Note 11)</i>	84,214	82,669	700,615
Operating income	15,172	6,018	126,222
Other income (expenses):			
Interest expense	(3,809)	(3,525)	(31,688)
Interest and dividend income	1,166	1,132	9,700
Amortization of transition differences arising from initial adoption of new accounting standard for retirement benefits	(3,109)	(3,109)	(25,865)
Equity in earnings of unconsolidated subsidiaries and affiliates	1,870	806	15,557
Other, net <i>(Note 15)</i>	(6,719)	(15,417)	(55,898)
	(10,601)	(20,113)	(88,194)
Income (loss) before income taxes and minority interests	4,571	(14,094)	38,028
Income taxes <i>(Note 9)</i> :			
Current	2,919	2,115	24,284
Deferred	(4,361)	(6,383)	(36,281)
Income (loss) before minority interests	6,013	(9,826)	50,024
Minority interests	1,053	788	8,760
Net income (loss)	4,959	(10,614)	41,256
Retained earnings:			
Beginning of year	29,057	41,113	241,738
Adjustment for initial inclusion or exclusion of certain subsidiaries in consolidation	–	242	–
Cash dividends paid	(1,385)	(1,524)	(11,522)
Bonuses to directors	(106)	(158)	(881)
Exclusion of an affiliate of equity method basis	(552)	–	(4,592)
End of year	¥ 31,973	¥ 29,057	\$ 265,998

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,		
	2003	2002	2003
	<i>(Millions of yen)</i>		<i>(Thousands of U.S. dollars)</i> <i>(Note 2)</i>
Cash flows from operating activities			
Income (loss) before income taxes and minority interests	¥ 4,571	¥(14,094)	\$ 38,028
Depreciation and amortization	8,953	9,309	74,484
Increase in allowance for doubtful accounts	(1,226)	(45)	(10,199)
Increase in accrued severance indemnities	4,778	1,640	39,750
Interest and dividend income	(1,166)	(1,132)	(9,700)
Interest expense	3,809	3,525	31,688
Equity in earnings of unconsolidated subsidiaries and affiliates	(1,870)	(806)	(15,557)
Gain on sale of marketable securities	—	(101)	—
Gain on sale of property, plant and equipment	(238)	(178)	(1,980)
Loss on disposal of property, plant and equipment	609	1,016	5,066
Loss on revaluation of property, plant and equipment	—	3,284	—
Gain on sale of investment securities	(229)	(844)	(1,905)
Loss on revaluation of marketable and investment securities	5,015	5,142	41,722
Decrease (increase) in notes and accounts receivable	5,532	(1,325)	46,023
Increase in inventories	(6,285)	(1,878)	(52,287)
Decrease in notes and accounts payable	(5,478)	(189)	(45,574)
(Decrease) increase in accrued expenses	(5,424)	4,544	(45,124)
Bonuses paid to directors	(128)	(183)	(1,064)
Other	751	3,884	6,247
Subtotal	11,973	11,569	99,608
Interest and dividend received	982	1,218	8,169
Interest paid	(3,810)	(3,826)	(31,697)
Income taxes paid	(2,575)	(2,759)	(21,422)
Net cash provided by operating activities	6,570	6,201	54,658
Cash flows from investing activities			
Decrease in time deposits	348	237	2,895
Decrease in marketable securities	2,153	64	17,911
Purchases of property, plant and equipment	(6,479)	(13,468)	(53,901)
Proceeds from sale of property, plant and equipment	1,247	1,453	10,374
Purchases of intangible assets	(4,236)	(19,237)	(35,241)
Purchases of investment securities	(9,371)	(8,712)	(77,961)
Proceeds from sale of investment securities	7,662	4,787	63,743
Decrease (increase) in short-term advances	65	(394)	540
Other	268	(444)	2,229
Net cash used in investing activities	(8,342)	(35,715)	(69,400)
Cash flows from financing activities			
(Decrease) increase in short-term bank loans	(14,954)	9,728	(124,409)
Proceeds from long-term debt	19,806	31,409	164,775
Repayment or redemption of long-term debt	(12,636)	(11,403)	(105,124)
Dividends paid	(1,385)	(1,524)	(11,522)
Dividends paid to minority interests	(204)	(175)	(1,697)
Purchases of common stock	(61)	(19)	(507)
Net cash (used in) provided by financing activities	(9,437)	28,014	(78,510)
Effect of exchange rate changes	(310)	(107)	(2,579)
Net decrease in cash and cash equivalents	(11,519)	(1,606)	(95,831)
Cash and cash equivalents at beginning of year	25,250	27,174	210,066
Adjustments to cash and cash equivalents resulting from inclusion or exclusion of certain subsidiaries in consolidation	—	(316)	—
Cash and cash equivalents at end of year	¥ 13,731	¥ 25,250	\$ 114,234

The accompanying notes are an integral part of these 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

Nippon Suisan Kaisha, Ltd. (the “Company”) and its domestic consolidated subsidiaries maintain their accounting records and prepare their financial statements in accordance with the 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 filed with the Prime Minister 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

The accompanying consolidated financial statements include the accounts of the Company and 42 consolidated subsidiaries controlled directly or indirectly by the Company. In addition, 23 of 33 unconsolidated subsidiaries and 10 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 method of accounting. All significant inter-company balances and transactions have been eliminated in consolidation.

Certain subsidiaries are consolidated on the basis of a 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.

1. Summary of Significant Accounting Policies (continued)

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

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, 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 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.

(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.

(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.

1. Summary of Significant Accounting Policies (continued)

(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 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.

(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 value of the pension plan assets as of March 31, 2003. The amount was 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 by the straight-line method over a period of 3 years, except that Nissui Pharmaceutical Co. Ltd., a consolidated subsidiary, amortized fully its portion of the obligation at transition at once for the year ended March 31, 2001.

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.

1. Summary of Significant Accounting Policies (continued)

(k) Research and development costs

Research and development costs are charged to income as incurred.

(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, the Company complies, derivative financial instruments are carried at fair value with changes in unrealized gain or loss charged 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.

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

In June 2001, the Financial Accounting Standards Board (FASB) issued SFAS No. 141, "Business Combination," and SFAS No. 142, "Goodwill and Other Intangible Assets." SFAS No. 141 requires that the purchase method of accounting be used for business combinations completed after June 30, 2001. SFAS No. 142 will require goodwill and intangible assets with indefinite useful lives no longer be amortized, but instead tested for impairment at least annually in accordance with the provisions of this statement. SFAS No. 142 will also require recognized intangible assets be amortized over their respective estimated useful lives and reviewed for impairment in accordance with SFAS No. 144 "Accounting for the Impairment or Disposal of Long-Lived Assets."

SFAS No. 141 requires the subsidiaries in the U.S. to evaluate its existing intangible assets and goodwill that were acquired in a prior purchase business combination, and to make any necessary reclassification in order to conform with the new requirement for recognition apart from goodwill at the date of transition. Upon adoption of SFAS No. 142, the subsidiaries in the U.S. will be required to reassess the useful lives and residual values of all intangible assets acquired, and make any necessary amortization period adjustments by June 30, 2002.

In addition, SFAS No. 142 will require the subsidiaries in the U.S. to perform an assessment of whether there is an indication that goodwill is impaired as of April 1, 2002. Any impairment loss resulting from the adoption will be measured and recognized as the cumulative effect of a change in accounting principle in the first interim period. SFAS No. 141 did not have a material effect on the subsidiaries in the U.S. consolidated financial position or results of operations. SFAS No. 142 did not have a material impact on the consolidated financial position or results of operations.

(n) Net income per share

In accordance with a new accounting standard for earnings per share which became effective April 1, 2002, 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.

1. Summary of Significant Accounting Policies (continued)

(o) Treasury stock and reduction of legal reserves

Effective April 1, 2002, the Company adopted the new accounting standard for treasury stock and reduction of legal reserves. The effect of the adoption of this new standard was immaterial.

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 ¥120.20 = U.S.\$1.00, the approximate rate of exchange in effect on March 31, 2003.

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 outstanding at March 31, 2003 and 2002 were 1.09% and 1.58%, respectively.

Long-term debt at March 31, 2003 and 2002 is summarized as follows:

	<u>2003</u>	<u>2002</u>	<u>2003</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 0.61% to 6.60% in 2003:			
With collateral	¥ 60,095	¥ 70,394	\$ 499,958
Without collateral	39,081	23,680	325,133
	<u>99,176</u>	<u>94,075</u>	<u>825,091</u>
Less current portion	(16,010)	(10,541)	(133,194)
	<u>¥ 83,165</u>	<u>¥ 83,533</u>	<u>\$ 691,888</u>

The annual maturity of long-term debt subsequent to March 31, 2003 is summarized as follows:

<u>Years ending March 31,</u>	<u>(Millions of yen)</u>	<u>(Thousands of U.S. dollars)</u>
2004	¥16,010	\$133,194
2005	16,185	134,650
2006	9,961	82,870
2007	20,817	173,186
2008 and thereafter	36,201	301,173
	<u>¥99,176</u>	<u>\$825,091</u>

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

Assets pledged as collateral for long-term debt and certain other current liabilities at March 31, 2003 were as follows:

	<i>(Millions of yen)</i>	<i>(Thousands of U.S. dollars)</i>
Trade receivables and inventories	¥ 4,982	\$ 41,447
Marketable securities and investments in other securities	13,159	109,475
Property, plant and equipment, at net book value	33,955	282,487
	<u>¥52,097</u>	<u>\$433,419</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. 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, 2003 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	¥(47,123)	\$(392,038)
Plan assets at fair value	21,742	180,881
Unfunded retirement benefit obligation	(25,381)	(211,156)
Unrecognized net retirement benefit obligation at transition	-	-
Unrecognized actuarial loss	8,727	72,603
Unrecognized past service cost	(813)	(6,763)
Net retirement benefit obligation	(17,467)	(145,316)
Prepaid pension cost	280	2,329
Accrued retirement benefits	<u>¥(17,747)</u>	<u>\$(147,645)</u>

Retirement benefits calculation for offshore employees used to be made by a simplified method in the prior years. Effective the year ended March 31, 2003, they are calculated by on actuarial method.

4. Retirement Benefits (continued)

The components of retirement benefit expenses for the year ended March 31, 2003 are outlined as follows:

	<i>(Millions of yen)</i>	<i>(Thousands of U.S. dollars)</i>
Service cost	¥3,463	\$28,810
Interest cost	1,136	9,450
Expected return on plan assets	(714)	(5,940)
Amortization of net retirement benefit obligation at transition	3,109	25,865
Amortization of actuarial loss	1,021	8,494
Amortization of past service cost	(188)	(1,564)
Total retirement benefit expenses	<u>¥7,827</u>	<u>\$65,116</u>

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
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, 2003, 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	¥ 926	\$ 7,703
Other	2,787	23,186
Total	<u>¥3,714</u>	<u>\$30,898</u>
Accumulated depreciation:		
Machinery and equipment	¥ 605	\$ 5,033
Other	1,333	11,089
Total	<u>¥1,939</u>	<u>\$16,131</u>
Net book value :		
Machinery and equipment	¥ 321	\$ 2,670
Other	1,453	12,088
Total	<u>¥1,774</u>	<u>\$14,758</u>

5. Leases (continued)

Lease payments relating to the finance leases accounted for as operating leases in the accompanying consolidated financial statements amounted to ¥782 million (\$6,505 thousand) for the year ended March 31, 2003.

Future rental expenses under the finance leases outstanding at March 31, 2003 are summarized as follows:

<u>Years ending March 31,</u>	<u>(Millions of yen)</u>	<u>(Thousands of U.S. dollars)</u>
2004	¥ 672	\$5,590
2005 and thereafter	1,135	9,442

6. Contingent Liabilities

At March 31, 2003, the Company and its consolidated subsidiaries had the following contingent liabilities:

	<u>(Millions of yen)</u>	<u>(Thousands of U.S. dollars)</u>
As endorsers of trade notes discounted with banks	¥ 16	\$ 133
As guarantors of indebtedness of unconsolidated subsidiaries, affiliates and other companies	448	3,727

7. Securities

Information regarding marketable securities classified as held-to-maturity debt securities and other securities as of March 31, 2003 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	¥380	¥388	¥ 7	\$3,161	\$3,227	\$ 58
Other	38	59	21	316	490	174
Securities whose carrying value exceeds their fair value:						
Other	100	92	(7)	831	765	(58)
Total	<u>¥518</u>	<u>¥540</u>	<u>¥21</u>	<u>\$4,309</u>	<u>\$4,492</u>	<u>\$174</u>

7. Securities (continued)

Marketable other securities

	Acquisition cost	Carrying value	Unrealized gain (loss)	Acquisition cost	Carrying value	Unrealized gain (loss)
	<i>(Millions of yen)</i>			<i>(Millions of U.S. dollars)</i>		
Securities whose carrying value exceeds their acquisition cost :						
Stock	¥ 8,572	¥12,699	¥ 4,126	\$ 71,314	\$105,648	\$ 34,326
Debt securities	1,222	1,237	14	10,166	10,291	116
Other	36	36	—	299	299	—
Subtotal	9,831	13,973	4,141	81,788	116,247	34,450
Securities whose acquisition cost exceeds their carrying value:						
Stock	6,418	5,236	(1,182)	53,394	43,560	(9,833)
Debt securities	2,914	2,859	(54)	24,242	23,785	(449)
Other	2,302	2,265	(36)	19,151	18,843	(299)
Subtotal	11,635	10,362	(1,273)	96,797	86,206	(10,590)
Total	¥21,467	¥24,335	¥ 2,868	\$178,594	\$202,454	\$ 23,860

Sales of securities classified as other securities amounted to ¥9,329 million (\$77,612 thousand) with the aggregate gain of ¥375 million (\$3,119 thousand) and the aggregate loss of ¥170 million (\$1,414 thousand) for the year ended March 31, 2003.

The redemption schedule for securities with maturity dates classified as other securities and held-to-maturity debt securities as of March 31, 2003 is summarized as follows:

	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 yen)</i>			
Government bonds	¥ —	¥ 380	¥ —	¥ —
Corporate bonds	357	304	—	—
Other debt securities	801	1,211	300	198
Others	—	1,972	116	175
Total	¥1,159	¥3,869	¥416	¥374

	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	\$ —	\$ 3,161	\$ —	\$ —
Corporate bonds	2,970	2,529	—	—
Other debt securities	6,663	10,074	2,495	1,647
Others	—	16,405	965	1,455
Total	\$9,642	\$32,188	\$3,460	\$3,111

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, 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 contract or notional amount and the market value of derivatives positions open at March 31, 2003 were as follows:

	Contract or notional amount	Market value	Unrealized gain (loss)	Contract or notional amount	Market value	Unrealized gain (loss)
	<i>(Millions of yen)</i>			<i>(Millions of U.S. dollars)</i>		
Over-the-counter:						
Exchange contract	¥190	¥177	¥(12)	\$1,580	\$1,472	\$(99)
Foreign currency swap	616	1	1	5,124	8	8

9. Income Taxes

A reconciliation of the statutory tax rate to the effective tax rates at March 31, 2003 is presented as follows:

	2003
Statutory tax rate	40.87%
Permanently nondeductible expenses	7.73
Permanently nontaxable dividends received and other	(2.94)
Valuation allowance recognized	(97.24)
Influence by statutory tax rate change	9.57
Other, not	10.46
Effective tax rates	<u><u>(31.55)%</u></u>

Analysis of a reconciliation of the statutory tax rate to the effective tax rates at March 31, 2002 was not disclosed because there existed loss before income taxes.

9. Income Taxes (continued)

The tax effects of significant temporary differences and loss carryforwards which resulted in deferred tax assets and liabilities at March 31, 2003 and 2002 were as follows:

	<u>2003</u>	<u>2002</u>	<u>2003</u>
	<i>(Millions of yen)</i>		<i>(Thousands of U.S. dollars)</i>
Tax loss carryforwards	¥10,110	¥ 4,535	\$ 84,109
Accrued retirement benefits	6,493	4,637	54,018
Allowance for doubtful receivables	3,993	5,273	33,028
Depreciation	569	704	4,733
Accrued enterprise tax	79	58	657
Valuation of inventories	36	330	299
Valuation of securities	2,574	7,351	21,139
Other	3,043	4,082	25,316
Less: valuation allowance	(5,459)	(9,985)	(44,941)
Deferred tax assets	<u>21,441</u>	<u>16,990</u>	<u>178,377</u>
Deferred tax liabilities	<u>(3,840)</u>	<u>(4,377)</u>	<u>(31,946)</u>
Net deferred tax assets	<u>¥17,600</u>	<u>¥12,612</u>	<u>\$146,422</u>

Adjustment of deferred tax assets due to the change in tax rate.

Due to the change in local tax law during the year ended March 31, 2003, the effective tax rate used in the calculation of deferred tax assets and liabilities is reduced to 39.54% for the current fiscal year from 40.87% for the prior fiscal year. As a result, deferred tax assets, net of deferred tax liabilities, decreased by ¥401 million (\$3,336 thousand) as of March 31, 2003 and income taxes-deferred increased by ¥437 million (\$3,635 thousand) for the year ended March 31, 2003.

10. 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. The legal reserve amounted to ¥3,658 million and ¥3,570 million of March 31, 2002 and 2001, respectively.

The Code provides that neither additional paid-in capital nor the legal reserve is available for dividends, but both may be used to reduce or eliminate a deficit by resolution of the shareholders or may be transferred to common stock by resolution of the Board of Directors. On October 1, 2001, an amendment (the "Amendment") to the Code became effective. The Amendment provides that if the total amount of additional paid-in capital and the legal reserve exceeds 25% of the amount of common stock, the excess may be distributed to the shareholders either as a return of capital or as dividends subject to the approval of the shareholders. In addition, the Amendment eliminates the stated par value of the Company's outstanding shares, which resulted in all outstanding shares having no par value as of October 1, 2001. The Amendment also provides that all share issuances after September 30, 2001 will be of shares with no par value. Prior to the date on which the Amendment came into effect, the Company's shares had a par value of ¥50.

11. Research and Development Costs

Research and development costs included in general and administrative expenses for the year ended March 31, 2003 and 2002 totaled ¥3,267 million (\$27,179 thousand) and ¥3,152 million, respectively.

12. Amounts Per Share

The amounts per share of net income (loss) 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:

	Year ended March 31,		
	2003	2002	2003
	(Yen)		(U.S. dollars)
Net income (loss)	¥ 17.32	¥ (38.30)	\$0.14
Net assets	255.05	247.21	2.12

13. Supplementary Cash Flow Information

The following table represents a reconciliation of cash and cash equivalents at March 31, 2003:

	(Millions of yen)	(Thousands of U.S. dollars)
Cash and bank deposits	¥14,311	\$119,059
Time deposits with a maturity of more than three months	(632)	(5,257)
Loan which is included in the other current assets	52	432
Cash and cash equivalents	¥13,731	\$114,234

14. 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 or as of March 31, 2003								
	Marine products	Foods	General distribution	Pharmaceutical	Others	Total	Intercompany eliminations	Consolidated
<i>(Millions of yen)</i>								
Operating revenues	¥230,752	¥237,517	¥15,888	¥12,312	¥3,339	¥499,810	–	¥499,810
Intra-group sales and transfers	16,085	7,629	38,876	165	4,511	67,269	¥(67,269)	–
Total	246,838	245,146	54,765	12,477	7,851	567,079	(67,269)	499,810
Operating expenses	242,028	235,983	52,644	11,199	7,831	549,687	(65,049)	484,637
Operating income	¥ 4,809	¥ 9,163	¥ 2,121	¥ 1,277	¥ 19	¥ 17,392	¥ (2,219)	¥ 15,172
Identifiable assets	¥123,935	¥125,903	¥37,158	¥20,109	¥3,967	¥311,074	¥ 10,180	¥321,254
Depreciation and amortization	¥ 2,357	¥ 4,535	¥ 1,449	¥ 537	¥ 74	¥ 8,953	–	¥ 8,953
Capital expenditures	3,815	5,714	958	305	44	10,837	–	10,837

For the year ended or as of March 31, 2003								
	Marine products	Foods	General distribution	Pharmaceutical	Others	Total	Intercompany eliminations	Consolidated
<i>(Thousands of U.S. dollars)</i>								
Operating revenues	\$1,919,733	\$1,976,014	\$132,179	\$102,429	\$27,778	\$4,158,153	–	\$4,158,153
Intra-group sales and transfers	133,818	63,469	323,427	1,372	37,529	559,642	\$(559,642)	–
Total	2,053,560	2,039,484	455,615	103,801	65,316	4,717,795	(559,642)	4,158,153
Operating expenses	2,013,544	1,963,252	437,970	93,169	65,149	4,573,103	(541,173)	4,031,921
Operating income	\$ 40,008	\$ 76,231	\$ 17,645	\$ 10,623	\$ 158	\$ 144,692	\$ (18,460)	\$ 126,222
Identifiable assets	\$1,031,073	\$1,047,445	\$309,134	\$167,296	\$33,003	\$2,587,970	\$ 84,692	\$2,672,662
Depreciation and amortization	\$ 19,608	\$ 37,728	\$ 12,054	\$ 4,467	\$ 615	\$ 74,484	–	\$ 74,484
Capital expenditures	31,738	47,537	7,970	2,537	366	90,158	–	90,158

For the year ended or as of March 31, 2002								
	Marine products	Foods	General distribution	Pharmaceutical	Others	Total	Intercompany eliminations	Consolidated
<i>(Millions of yen)</i>								
Operating revenues	¥223,649	¥223,316	¥18,235	¥12,580	¥ 5,170	¥482,953	–	¥482,953
Intra-group sales and transfers	13,195	17,744	40,961	92	9,397	81,391	¥(81,391)	–
Total	236,845	241,060	59,196	12,673	14,568	564,344	(81,391)	482,953
Operating expenses	237,738	235,691	58,984	11,380	14,531	558,326	(81,391)	476,934
Operating income	¥ (893)	¥ 5,369	¥ 212	¥ 1,293	¥ 37	¥ 6,018	–	¥ 6,018
Identifiable assets	¥117,910	¥135,082	¥36,782	¥24,576	¥ 5,773	¥320,125	¥ 17,825	¥337,951
Depreciation and amortization	¥ 2,948	¥ 4,050	¥ 1,670	¥ 587	¥ 52	¥ 9,309	–	¥ 9,309
Capital expenditures	4,141	27,227	827	319	112	32,628	–	32,628

14. Segment Information (continued)

Geographical Segments

For the year ended or as of March 31, 2003								
	Japan	North America	South America	Oceania	Other countries	Total	Eliminations	Consolidated
<i>(Millions of yen)</i>								
Sales to third parties	¥434,300	¥53,757	¥ 1,280	¥ 19	¥10,453	¥499,810	–	¥499,810
Interarea sales and transfers	3,640	9,483	10,746	–	9,237	33,107	¥(33,107)	–
Total	437,940	63,241	12,026	19	19,690	532,918	(33,107)	499,810
Operating expenses	425,669	59,229	11,062	28	19,536	515,526	(30,888)	484,637
Operating income (loss)	¥ 12,271	¥ 4,011	¥ 964	¥ (9)	¥ 154	¥ 17,392	¥ (2,219)	¥ 15,172
Assets	¥247,941	¥46,630	¥12,662	¥263	¥ 3,576	¥311,074	¥ 10,180	¥321,254

For the year ended or as of March 31, 2003								
	Japan	North America	South America	Oceania	Other countries	Total	Eliminations	Consolidated
<i>(Thousands of U.S. dollars)</i>								
Sales to third parties	\$3,613,144	\$447,229	\$ 10,648	\$ 158	\$ 86,963	\$4,158,153	–	\$4,158,153
Interarea sales and transfers	30,282	78,893	89,400	–	76,846	275,432	\$(275,432)	–
Total	3,643,427	526,131	100,049	158	163,810	4,433,594	(275,432)	4,158,153
Operating expenses	3,541,339	492,753	92,029	232	162,529	4,288,901	(256,971)	4,031,921
Operating income (loss)	\$ 102,088	\$ 33,369	\$ 8,019	\$ (74)	\$ 1,281	\$ 144,692	\$ (18,460)	\$ 126,222
Assets	\$2,062,737	\$378,936	\$105,341	\$2,188	\$ 29,750	\$2,587,970	\$ 84,692	\$2,672,662

For the year ended or as of March 31, 2002								
	Japan	North America	South America	Oceania	Other countries	Total	Eliminations	Consolidated
<i>(Millions of yen)</i>								
Sales to third parties	¥434,448	¥36,961	¥ 1,359	¥ 139	¥10,044	¥482,953	–	¥482,953
Interarea sales and transfers	6,376	10,766	11,170	811	9,679	38,803	¥(38,803)	–
Total	440,824	47,727	12,529	951	19,724	521,757	(38,803)	482,953
Operating expenses	435,007	46,128	13,910	1,130	19,561	515,738	(38,803)	476,934
Operating income (loss)	¥ 5,817	¥ 1,599	¥ (1,381)	¥ (179)	¥ 162	¥ 6,018	–	¥ 6,018
Assets	¥249,223	¥54,105	¥12,041	¥ 482	¥ 4,273	¥320,125	¥ 17,825	¥337,951

* Note for Segment information

The Company set up the unallocatable operating expenses on the segment information from this financial year, even though all amount of that expenses had been fully allocated to each segment. In view of the start on the new management policy and the widespread public concerns to safety of food products, such expenses as research and development, quality warranty and the green-concerned activities should be regarded for our common purpose. Accordingly, those kinds of expenses are not allocated to a specific segment.

Due to the modification above, the unallocated expenses amount to ¥2,219 million, ¥762 million from Marine products, ¥1,338 million from Foods and ¥117 million from General distribution. The effect from this change on geographical segment information is reflected in Japan.

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, 2003 and 2002, were as following:

	For the year ended March 31, 2003			For the year ended March 31, 2002		
	North America	Other area	Total	North America	Other area	Total
	<i>(Millions of yen)</i>			<i>(Millions of U.S. dollars)</i>		
Overseas sales	¥50,177	¥19,637	¥ 69,815	\$417,445	\$163,369	\$ 580,823
Total consolidated sales			<u>¥499,810</u>			<u>\$4,158,153</u>
Ratio of overseas to total sales (%)	10.0%	3.9%	14.0%			
	<i>(Millions of yen)</i>			<i>(Millions of U.S. dollars)</i>		
Overseas sales	¥30,560	¥21,290	¥ 51,850			
Total consolidated sales			<u>¥482,953</u>			
Ratio of overseas to total sales (%)	6.3%	4.4%	10.7%			

The specific countries or areas above are; North America: the United States of America and Canada, Other area: South America, Europe and Asia.

15. Other Income, Other, Net

Detail of other income, other, net, on the statements of operations was as shown below:

	Year ended March 31,		
	2003	2002	2003
	<i>(Millions of yen)</i>		<i>(Thousands of U.S. dollars)</i>
Other income (expenses):			
Loss on disposal of property, plant and equipment (net)	¥ (371)	¥ (4,123)	\$ (3,086)
Loss on revaluation of investment securities	(5,016)	(5,142)	(41,730)
Gain on sale of marketable and investment securities (net)	211	946	1,755
Additional allowance for the voluntary retirees	(61)	(972)	(507)
Expenses for the restructuring of the shipping enterprise	–	(2,539)	–
Currency revaluation of Argentine Pesos	(760)	(3,019)	(6,322)
Other (net)	(722)	(568)	(6,006)
	<u>¥(6,719)</u>	<u>¥(15,417)</u>	<u>\$(55,898)</u>

16. 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, 2003, were approved at the general meeting of the Company's shareholders held on June 27, 2003:

	<i>(Millions of yen)</i>	<i>(Thousands of U.S. dollars)</i>
	<hr/>	<hr/>
Cash dividends (¥2.50 = \$0.0208 per share)	¥692	\$5,757
Bonuses to directors	50	415