

Consolidated Financial Statements

Nippon Suisan Kaisha, Ltd.

*Years ended March 31, 2004 and 2003
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, 2004 and 2003, 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, 2004 and 2003, 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.

The U.S. dollar amounts in the accompanying consolidated financial statements with respect to the year ended March 31, 2004 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.

Shin Nihon & Co.

June 29, 2004

Nippon Suisan Kaisha, Ltd. and Consolidated Subsidiaries

Consolidated Balance Sheets

	March 31,		
	2004	2003	2004
	<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>	¥ 6,997	¥ 14,311	\$ 66,203
Marketable securities <i>(Notes 3 and 7)</i>	405	853	3,831
Notes and accounts receivable:			
Trade <i>(Note 3)</i>	61,626	55,627	583,082
Unconsolidated subsidiaries and affiliates	332	455	3,141
Less allowance for doubtful receivables	(1,761)	(1,035)	(16,661)
	<u>60,198</u>	<u>55,047</u>	<u>569,571</u>
Inventories: <i>(Note 1-f)</i>			
Merchandise and finished products <i>(Note 3)</i>	38,592	43,287	365,143
Work in process and other	17,857	19,609	168,956
	<u>56,449</u>	<u>62,897</u>	<u>534,099</u>
Fishing operations in progress	398	526	3,765
Deferred taxes <i>(Note 9)</i>	2,727	4,117	25,801
Other current assets	11,325	11,098	107,152
Total current assets	<u>138,503</u>	<u>148,852</u>	<u>1,310,464</u>
Investments and long-term advances:			
Investments in and advances to unconsolidated subsidiaries and affiliates	21,472	19,752	203,160
Investments in other securities <i>(Notes 3 and 7)</i>	44,714	30,987	423,067
Other long-term advances	10,168	8,577	96,205
Deferred taxes <i>(Note 9)</i>	7,747	13,483	73,299
Less allowance for doubtful accounts	(2,027)	(1,302)	(19,178)
Total investments and long-term advances	<u>82,074</u>	<u>71,498</u>	<u>776,554</u>
Intangible assets:			
Goodwill	7,411	8,170	70,120
Software	7,968	1,801	75,390
Other intangible assets	8,094	13,152	76,582
Total intangible assets	<u>23,475</u>	<u>23,124</u>	<u>222,111</u>
Property, plant and equipment, at cost <i>(Note 3)</i>:			
Land	17,813	17,652	168,540
Buildings and structures	86,042	87,185	814,097
Vessels	5,604	8,584	53,022
Machinery and equipment	75,392	72,429	713,331
Construction in progress	880	875	8,326
Other	6,450	6,099	61,027
	<u>192,184</u>	<u>192,826</u>	<u>1,818,374</u>
Less accumulated depreciation	(110,013)	(115,048)	(1,040,902)
Property, plant and equipment, net	<u>82,171</u>	<u>77,778</u>	<u>777,471</u>
Total assets	<u>¥ 326,224</u>	<u>¥ 321,254</u>	<u>\$ 3,086,611</u>

	March 31,		
	2004	2003	2004
	<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>	¥ 65,951	¥ 65,088	\$ 624,004
Current portion of long-term debt <i>(Note 3)</i>	17,235	16,010	163,071
Notes and accounts payable:			
Trade	28,579	26,134	270,404
Unconsolidated subsidiaries and affiliates	934	734	8,837
	<u>29,514</u>	<u>26,868</u>	<u>279,250</u>
Accrued income taxes	1,551	1,240	14,674
Accrued taxes other than income taxes	740	615	7,001
Accrued expenses and other current liabilities	23,358	22,286	221,004
Total current liabilities	<u>138,352</u>	<u>132,109</u>	<u>1,309,035</u>
Long-term liabilities:			
Long-term debt <i>(Note 3)</i>	70,429	83,165	666,373
Accrued retirement benefits <i>(Note 4)</i>	17,847	17,747	168,861
Other long-term liabilities	3,984	3,850	37,695
Total long-term liabilities	<u>92,262</u>	<u>104,762</u>	<u>872,949</u>
Minority interests	14,018	13,614	132,633
Contingent liabilities <i>(Note 6)</i>			
Shareholders' equity <i>(Notes 11 and 16)</i> :			
Common stock:			
Authorized – 380,000,000 shares			
Issued – 277,210,277 shares	23,729	23,729	224,515
Capital surplus	14,149	14,149	133,872
Retained earnings	33,548	31,973	317,418
Unrealized gains on securities	9,582	1,630	90,661
Translation adjustments	680	(632)	6,433
Less:			
Treasury common stock, at cost:			
449,577 shares in 2004; 384,178 shares in 2003	(99)	(82)	(936)
Total shareholders' equity	<u>81,590</u>	<u>70,767</u>	<u>771,974</u>
Total liabilities and shareholders' equity	<u>¥326,224</u>	<u>¥321,254</u>	<u>\$3,086,611</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

	Year ended March 31,		
	2004	2003	2004
	<i>(Millions of yen)</i>		<i>(Thousands of U.S. dollars)</i> <i>(Note 2)</i>
Net sales	¥494,644	¥499,810	\$4,680,140
Cost of sales	397,630	400,423	3,762,229
Gross profit	97,014	99,387	917,910
Selling, general and administrative expenses <i>(Note 10)</i>	86,831	84,214	821,563
Operating income	10,183	15,172	96,347
Other income (expenses):			
Interest expense	(3,197)	(3,809)	(30,248)
Interest and dividend income	1,326	1,166	12,546
Amortization of transition differences arising from initial adoption of new accounting standard for retirement benefits	–	(3,109)	–
Equity in earnings of unconsolidated subsidiaries and affiliates	1,088	1,870	10,294
Other, net <i>(Note 15)</i>	(970)	(6,719)	(9,177)
	(1,753)	(10,601)	(16,586)
Income before income taxes and minority interests	8,429	4,571	79,752
Income taxes <i>(Note 9)</i> :			
Current	2,374	2,919	22,461
Deferred	2,341	(4,361)	22,149
Income before minority interests	3,713	6,013	35,131
Minority interests	596	1,053	5,639
Net income	3,117	4,959	29,491
Retained earnings:			
Beginning of the year	31,973	29,057	302,516
Cash dividends paid	(1,384)	(1,385)	(13,094)
Bonuses to directors	(158)	(106)	(1,494)
Exclusion of an affiliate of equity method basis	–	(552)	–
End of the year	¥ 33,548	¥ 31,973	\$ 317,418

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,		
	2004	2003	2004
	<i>(Millions of yen)</i>		<i>(Thousands of U.S. dollars)</i> <i>(Note 2)</i>
Cash flows from operating activities			
Income before income taxes and minority interests	¥ 8,429	¥ 4,571	\$ 79,752
Depreciation and amortization	10,449	8,953	98,864
Increase (decrease) in allowance for doubtful accounts	1,507	(1,226)	14,258
Increase in accrued severance indemnities	135	4,778	1,277
Interest and dividend income	(1,326)	(1,166)	(12,546)
Interest expense	3,197	3,809	30,248
Equity in earnings of unconsolidated subsidiaries and affiliates	(1,088)	(1,870)	(10,294)
Gain on sale of property, plant and equipment	(778)	(238)	(7,361)
Loss on disposal of property, plant and equipment	1,312	609	12,413
Gain on sale of investment securities	(1,683)	(229)	(15,923)
Loss on revaluation of marketable and investment securities	49	5,015	463
(Increase) decrease in notes and accounts receivable	(6,379)	5,532	(60,355)
Decrease (increase) in inventories	5,711	(6,285)	54,035
Increase (decrease) in notes and accounts payable	2,890	(5,478)	27,344
Increase (decrease) in accrued expenses	264	(5,424)	2,497
Bonuses paid to directors	(165)	(128)	(1,561)
Other	1,284	751	12,148
Subtotal	23,812	11,973	225,300
Interest and dividend received	1,286	982	12,167
Interest paid	(3,201)	(3,810)	(30,286)
Income taxes paid	(2,276)	(2,575)	(21,534)
Net cash provided by operating activities	19,621	6,570	185,646
Cash flows from investing activities			
Decrease in time deposits	220	348	2,081
Decrease in marketable securities	1,246	2,153	11,789
Purchases of property, plant and equipment	(15,453)	(6,479)	(146,210)
Proceeds from sales of property, plant and equipment	861	1,247	8,146
Purchases of intangible assets	(3,540)	(4,236)	(33,494)
Purchases of investment securities	(6,816)	(9,371)	(64,490)
Proceeds from sales of investment securities	7,362	7,662	69,656
(Increase) decrease in short-term advances	(147)	65	(1,390)
Other	109	268	1,031
Net cash used in investing activities	(16,157)	(8,342)	(152,871)
Cash flows from financing activities			
Increase (decrease) in short-term bank loans	998	(14,954)	9,442
Proceeds from long-term debt	7,140	19,806	67,556
Repayment or redemption of long-term debt	(16,458)	(12,636)	(155,719)
Dividends paid	(1,384)	(1,385)	(13,094)
Dividends paid to minority interests	(331)	(204)	(3,131)
Purchases of common stock	(16)	(61)	(151)
Net cash used in financing activities	(10,052)	(9,437)	(95,108)
Effect of exchange rate changes	188	(310)	1,778
Net decrease in cash and cash equivalents	(6,400)	(11,519)	(60,554)
Cash and cash equivalents at beginning of the year	13,731	25,250	129,917
Cash and cash equivalents at end of year	¥ 7,331	¥ 13,731	\$ 69,363

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

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 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 45 consolidated subsidiaries controlled directly or indirectly by the Company. In addition, 22 out of 33 unconsolidated subsidiaries and 10 out of 28 affiliates 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 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.

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 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 as 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, using the moving average method.

Conventionally, the Company stated its inventories of finished products, merchandise and raw materials at the lower of cost or market, using the gross average method of inventory valuation and its inventories of work in progress and stored goods at cost, using the gross average method. With the introduction of a new core business system, products, merchandise and raw materials are now stated at the lower cost or market, using the moving average method and its inventories of work in progress and stored goods are now stated at cost, using the moving average method. This change was implemented so as to allow for price fluctuations to be reflected on the inventory valuation on a timely manner and speed up the determination of the inventory amounts upon monthly and yearly book closing.

As the result, cost of sales increased by ¥403 million (\$3,813 thousand) compared to those by the conventional method, and operating income decreased by the same amount. Income before income taxes for the year decreased by ¥401 million (\$3,794 thousand).

(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, 2004. 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.

1. Summary of Significant Accounting Policies (continued)

(i) Retirement benefits (continued)

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.

(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 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.

(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."

1. Summary of Significant Accounting Policies (continued)

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

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

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) 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.

(p) Reclassification

Certain reclassifications have been made to the 2003 and 2002 financial information in the accompanying financial statements to conform with the 2004 presentation.

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 ¥105.69 = U.S.\$1.00, the approximate rate of exchange in effect on March 31, 2004.

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, 2004 and 2003 were 0.83% and 1.09%, respectively.

Long-term debt at March 31, 2004 and 2003 is summarized as follows:

	<u>2004</u>	<u>2003</u>	<u>2004</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 0.52% to 6.60% in 2004:			
With collateral	¥ 47,802	¥ 60,095	\$ 452,284
Without collateral	39,862	39,081	377,159
	<u>87,665</u>	<u>99,176</u>	<u>829,454</u>
Less current portion	(17,235)	(16,010)	(163,071)
	<u>¥ 70,429</u>	<u>¥ 83,165</u>	<u>\$ 666,373</u>

The annual maturity of long-term debt subsequent to March 31, 2004 is summarized as follows:

<u>Years ending March 31,</u>	<u>(Millions of yen)</u>	<u>(Thousands of U.S. dollars)</u>
2005	¥17,235	\$163,071
2006	9,966	94,294
2007	24,694	233,645
2008	15,308	144,838
2009 and thereafter	20,460	193,585
	<u>¥87,665</u>	<u>\$829,454</u>

Assets pledged as collateral for long-term debt and certain other current liabilities at March 31, 2004 were as follows:

	<u>(Millions of yen)</u>	<u>(Thousands of U.S. dollars)</u>
Trade receivables and inventories	¥ 3,919	\$ 37,080
Marketable securities and investments in other securities	28,025	265,162
Property, plant and equipment, at net book value	30,144	285,211
	<u>¥62,089</u>	<u>\$587,463</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, 2004 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	¥(47,183)	\$(446,428)
Plan assets at fair value	26,381	249,607
Unfunded retirement benefit obligation	(20,801)	(196,811)
Unrecognized actuarial loss	3,445	32,595
Unrecognized past service cost	(292)	(2,762)
Net retirement benefit obligation	(17,648)	(166,978)
Prepaid pension cost	199	1,882
Accrued retirement benefits	¥(17,847)	\$(168,861)

The components of retirement benefit expenses for the year ended March 31, 2004 are outlined as follows:

	<i>(Millions of yen)</i>	<i>(Thousands of U.S. dollars)</i>
Service cost	¥1,553	\$14,693
Interest cost	1,282	12,129
Expected return on plan assets	(710)	(6,717)
Amortization of actuarial loss	1,485	14,050
Amortization of past service cost	(176)	(1,665)
Total retirement benefit expenses	¥3,435	\$32,500

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, 2004, 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	¥1,595	\$15,091
Other	2,353	22,263
Total	<u>¥3,948</u>	<u>\$37,354</u>
Accumulated depreciation:		
Machinery and equipment	¥1,025	\$ 9,698
Other	1,148	10,861
Total	<u>¥2,174</u>	<u>\$20,569</u>
Net book value :		
Machinery and equipment	¥ 570	\$ 5,393
Other	1,204	11,391
Total	<u>¥1,774</u>	<u>\$16,784</u>

Lease payments relating to the finance leases accounted for as operating leases in the accompanying consolidated financial statements amounted to ¥924 million (\$8,742 thousand) for the year ended March 31, 2004.

Future rental expenses under the finance leases outstanding at March 31, 2004 are summarized as follows:

<u>Years ending March 31,</u>	<i>(Millions of yen)</i>	<i>(Thousands of U.S. dollars)</i>
2005	¥ 727	\$ 6,878
2006 and thereafter	1,094	10,351

6. Contingent Liabilities

At March 31, 2004, the Company and its consolidated subsidiaries had the following contingent liabilities:

	<i>(Millions of yen)</i>	<i>(Thousands of U.S. dollars)</i>
As guarantors of indebtedness of unconsolidated subsidiaries, affiliates and other companies	¥807	\$7,635

7. Securities

Information regarding marketable securities classified as other securities as of March 31, 2004 is as follows:

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	¥13,872	¥30,270	¥16,398	\$131,251	\$286,403	\$155,151
Debt securities	1,601	1,659	57	15,147	15,696	538
Other	2,546	2,600	53	24,089	24,600	501
Subtotal	<u>18,021</u>	<u>34,531</u>	<u>16,509</u>	<u>170,508</u>	<u>326,719</u>	<u>156,202</u>
Securities whose acquisition cost exceeds their carrying value:						
Stock	1,033	840	(192)	9,773	7,947	(1,816)
Debt securities	1,565	1,537	(26)	14,807	14,542	(245)
Other	1,115	1,078	(36)	10,549	10,199	(340)
Subtotal	<u>3,713</u>	<u>3,456</u>	<u>(256)</u>	<u>35,131</u>	<u>32,699</u>	<u>(2,422)</u>
Total	<u>¥21,735</u>	<u>¥37,987</u>	<u>¥16,252</u>	<u>\$205,648</u>	<u>\$359,419</u>	<u>\$153,770</u>

Sales of securities classified as held-to-maturity debt securities amounted to ¥527 million (\$4,986 thousand) with the aggregate gain of ¥12 million (\$113 thousand), and sales of securities classified as other securities amounted to ¥8,022 million (\$75,901 thousand) with the aggregate gain of ¥1,758 million (\$16,633 thousand) and the aggregate loss of ¥41 million (\$387 thousand), for the year ended March 31, 2004.

The redemption schedule for securities with maturity dates classified as other securities and held-to-maturity debt securities as of March 31, 2004 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>			
Corporate bonds	¥203	¥ 132	–	–
Other debt securities	501	994	¥100	¥484
Others	–	2,790	503	194
Total	<u>¥705</u>	<u>¥3,917</u>	<u>¥603</u>	<u>¥678</u>
	<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 U.S. dollars)</i>			
Corporate bonds	\$1,920	\$ 1,248	–	–
Other debt securities	4,740	9,404	\$ 946	\$4,579
Others	–	26,397	4,759	1,835
Total	<u>\$6,670</u>	<u>\$37,061</u>	<u>\$5,705</u>	<u>\$6,414</u>

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, 2004 were as follows:

	<u>Contract or notional amount</u>	<u>Market value</u>	<u>Unrealize d gain (loss)</u>	<u>Contract or notional amount</u>	<u>Market value</u>	<u>Unrealize d gain (loss)</u>
	<i>(Millions of yen)</i>			<i>(Millions of U.S. dollars)</i>		
Over-the-counter:						
Exchange contract	¥170	¥150	¥(19)	\$1,608	\$1,419	\$(179)

9. Income Taxes

Reconciliations of the statutory tax rate to the effective tax rates at March 31, 2004 and 2003 are presented as follows:

	<u>2004</u>	<u>2003</u>
Statutory tax rate	40.87%	40.87%
Permanently nondeductible expenses	8.70	7.73
Permanently nontaxable dividends received and other	(2.01)	(2.94)
Local tax on per capita	1.28	2.04
Valuation allowance recognized	10.50	2.04
Tax deductible, previously recognized valuation allowance	(10.30)	(97.24)
Effect from the change of statutory tax rate	–	9.57
Other, net	6.91	6.38
Effective tax rates	<u>55.95%</u>	<u>(31.55)%</u>

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, 2004 and 2003 were as follows:

	<u>2004</u>	<u>2003</u>	<u>2004</u>
	<i>(Millions of yen)</i>		<i>(Thousands of U.S. dollars)</i>
Tax loss carryforwards	¥ 8,010	¥ 10,110	\$ 75,787
Accrued retirement benefits	6,730	6,493	63,676
Allowance for doubtful receivables	4,479	3,993	42,378
Depreciation	281	569	2,658
Accrued enterprise tax	82	79	775
Valuation of inventories	222	36	2,100
Valuation of securities	1,853	2,574	17,532
Other	2,650	3,043	25,073
Less: valuation allowance	(4,976)	(5,459)	(47,081)
Deferred tax assets	19,330	21,441	182,893
Deferred tax liabilities	(8,854)	(3,840)	(83,773)
Net deferred tax assets	<u>¥ 10,475</u>	<u>¥ 17,600</u>	<u>\$ 99,110</u>

10. Research and Development Costs

Research and development costs included in general and administrative expenses for the year ended March 31, 2004 and 2003 totaled ¥3,062 million (\$28,971 thousand) and ¥3,267 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:

	<u>Year ended or as of March 31,</u>		
	<u>2004</u>	<u>2003</u>	<u>2004</u>
	<i>(Yen)</i>		<i>(U.S. dollars)</i>
Net income	¥ 10.66	¥ 17.32	\$0.10
Net assets	294.21	255.05	2.78

13. Supplementary Cash Flow Information

The following table represents a reconciliation of cash and cash equivalents at March 31, 2004:

	<i>(Millions of yen)</i>	<i>(Thousands of U.S. dollars)</i>
Cash and bank deposits	¥6,997	\$66,203
Time deposits with a maturity of more than three months	(412)	(3,898)
Loan which is included in the other current assets	745	7,048
Cash and cash equivalents	<u>¥7,331</u>	<u>\$69,363</u>

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, 2004							
	Marine products	Foods	General distribution	Pharma- ceutical	Others	Total	Intercompany eliminations	Consolidated
	<i>(Millions of yen)</i>							
Operating revenues	¥224,231	¥239,139	¥15,335	¥12,406	¥3,531	¥494,644	-	¥494,644
Intra-group sales and transfers	8,456	8,711	10,271	156	4,075	31,672	¥(31,672)	-
Total	232,688	247,851	25,607	12,563	7,606	526,317	(31,672)	494,644
Operating expenses	229,888	240,372	24,136	11,353	7,621	513,372	(28,911)	484,461
Operating income	¥ 2,800	¥ 7,479	¥ 1,470	¥ 1,209	¥ (14)	¥ 12,944	(2,761)	¥ 10,183
Identifiable assets	¥121,519	¥132,932	¥27,351	¥21,306	¥4,152	¥307,263	¥ 18,961	¥326,224
Depreciation and amortization	¥ 2,803	¥ 5,568	¥ 1,497	¥ 532	¥ 47	¥ 10,449	-	¥ 10,449
Capital expenditures	5,543	10,480	1,529	1,689	36	19,278	-	19,278

	For the year ended or as of March 31, 2004							
	Marine products	Foods	General distribution	Pharma- ceutical	Others	Total	Intercompany eliminations	Consolidated
	<i>(Thousands of U.S. dollars)</i>							
Operating revenues	\$2,121,591	\$2,262,645	\$145,094	\$117,381	\$33,409	\$4,680,140	-	\$4,680,140
Intra-group sales and transfers	80,007	82,420	97,180	1,476	38,556	299,668	\$(299,668)	-
Total	2,201,608	2,345,075	242,284	118,866	71,965	4,979,818	(299,668)	4,680,140
Operating expenses	2,175,115	2,274,311	228,365	107,417	72,107	4,857,337	(273,545)	4,583,792
Operating income	\$ 26,492	\$ 70,763	\$ 13,908	\$ 11,439	\$ (132)	\$ 122,471	\$ (26,123)	\$ 96,347
Identifiable assets	\$1,149,768	\$1,257,753	\$258,785	\$201,589	\$39,284	\$2,907,209	\$ 179,402	\$3,086,611
Depreciation and amortization	\$ 26,520	\$ 52,682	\$ 14,164	\$ 5,033	\$ 444	\$ 98,864	-	\$ 98,864
Capital expenditures	52,445	99,157	14,466	15,980	340	182,401	-	182,401

14. Segment Information (continued)

Business Segments (continued)

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

Geographical Segments

For the year ended or as of March 31, 2004								
	Japan	North America	South America	Oceania	Other countries	Total	Eliminations	Consolidated
<i>(Millions of yen)</i>								
Sales to third parties	¥436,488	¥46,839	¥ 1,417	–	¥ 9,899	¥494,644	–	¥494,644
Interarea sales and transfers	4,451	6,664	12,195	–	7,095	30,407	¥(30,407)	–
Total	440,939	53,504	13,613	–	16,995	525,052	(30,407)	494,644
Operating expenses	432,437	50,222	12,560	–	16,887	512,107	(27,646)	484,461
Operating income (loss)	¥ 8,502	¥ 3,281	¥ 1,052	–	¥ 108	¥ 12,944	¥ (2,761)	¥ 10,183
Assets	¥247,139	¥42,894	¥13,941	¥76	¥ 3,211	¥307,263	¥ 18,961	¥326,224

For the year ended or as of March 31, 2004								
	Japan	North America	South America	Oceania	Other countries	Total	Eliminations	Consolidated
<i>(Thousands of U.S. dollars)</i>								
Sales to third parties	\$4,129,889	\$443,173	\$ 13,407	–	\$ 93,660	\$4,680,140	–	\$4,680,140
Interarea sales and transfers	42,113	63,052	115,384	–	67,130	287,699	\$(287,699)	–
Total	4,172,003	506,235	128,801	–	160,800	4,967,849	(287,699)	4,680,140
Operating expenses	4,091,560	475,182	118,838	–	159,778	4,845,368	(261,576)	4,583,792
Operating income (loss)	\$ 80,442	\$ 31,043	\$ 9,953	–	\$ 1,021	\$ 122,471	\$ (26,123)	\$ 96,347
Assets	\$2,338,338	\$405,847	\$131,904	\$719	\$ 30,381	\$2,907,209	\$ 179,402	\$3,086,611

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

14. Segment Information (continued)

Geographical Segments (continued)

Note for Segment information

The Company previously assigned seafood ingredients that were sold by the Food Sales division to the Processing business as frozen seafood, and those that were sold by Seafood Sales division to the Fishery business as fresh/flash frozen foods. Starting with the current consolidated financial year, the volumes sold by the Food Sales division are assigned to the Fishery business.

The change was brought about as the Company strengthened its controls through supply chains, cutting across production, procurement and sales in accordance with the Company's TGL Plan, which is the medium-term management policy, starting with the current consolidated financial year. From this view point, seafood ingredients that are sold by the Food Sales division are now combined with fresh frozen foods that are sold by the Seafood Sales division to achieve integrated distribution and profit control. Conversely, the Processing business figures are lower by the same amounts. As a consequence, the Fishery business sales are higher by ¥11,639 million (\$110,123 thousand), operating expense by ¥11,171 million (\$105,695 thousand), operating income by ¥468 million (\$4,428 thousand) and assets by ¥2,352 million (\$22,253 thousand), compared with their equivalent figures under the previous segmentation.

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, 2004 and 2003, were as follows:

	For the year ended March 31, 2004					
	North America	Other area	Total	North America	Other area	Total
	<i>(Millions of yen)</i>			<i>(Thousands of U.S. dollars)</i>		
Overseas sales	¥44,629	¥18,850	¥ 63,479	\$422,263	\$178,351	\$ 600,615
Total consolidated sales			<u>¥494,644</u>			<u>\$4,680,140</u>
Ratio of overseas to total sales (%)	9.0%	3.8%	12.8%			
	For the year ended March 31, 2003					
	North America	Other area	Total			
	<i>(Millions of yen)</i>					
Overseas sales	¥50,177	¥19,637	¥ 69,815			
Total consolidated sales			<u>¥499,810</u>			
Ratio of overseas to total sales (%)	10.0%	3.9%	14.0%			

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, Other, Net

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

	Year ended March 31,		
	2004	2003	2004
	(Millions of yen)		(Thousands of U.S. dollars)
Other income (expenses):			
Loss on disposal of property, plant and equipment (net)	¥ (533)	¥ (371)	\$ (5,043)
Loss on revaluation of investment securities	(49)	(5,015)	(463)
Gain on sale of marketable and investment securities (net)	1,683	211	15,923
Additional allowance for the voluntary retirees	(79)	(61)	(747)
Provision reserve for doubtful receivable	(1,223)	(199)	(11,571)
Currency revaluation of Argentine Pesos	—	(760)	—
Other, net	(769)	(523)	(4,522)
	<u>¥ (970)</u>	<u>¥(6,719)</u>	<u>\$ (9,177)</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, 2004, were approved at the general meeting of the Company's shareholders held on June 29, 2004:

	(Millions of yen)	(Thousands of U.S. dollars)
Cash dividends (¥2.50 = \$0.0237 per share)	¥691	\$6,537
Bonuses to directors	50	473