

CONSOLIDATED BALANCE SHEETS

ITOHAM FOODS INC. and Consolidated Subsidiaries-March 31, 2006 and 2005

ASSETS	Millions of yen	
	2006	2005
Current assets:		
Cash and time deposits	¥ 14,467	¥ 24,299
Receivables:		
Trade notes and accounts	50,322	52,018
Other	97	149
Allowance for doubtful receivables	(356)	(418)
	<u>50,063</u>	<u>51,749</u>
Inventories	55,968	48,836
Deferred tax assets	623	1,773
Other current assets	<u>2,102</u>	<u>2,311</u>
Total current assets	<u>123,223</u>	<u>128,968</u>
Investments and non-current assets:		
Investment securities	34,661	26,718
Long-term receivables	2,835	2,574
Long-term deferred tax assets	2,130	549
Other	11,631	10,889
Allowance for doubtful receivables	<u>(1,646)</u>	<u>(1,142)</u>
	<u>49,611</u>	<u>39,588</u>
Property, plant and equipment:		
Land	21,196	22,022
Buildings and structures	26,004	26,434
Machinery and equipment	21,312	19,025
Breeding livestock	176	96
Construction in progress	<u>95</u>	<u>257</u>
	<u>68,783</u>	<u>67,834</u>
Intangible assets	<u>1,433</u>	<u>1,476</u>
	<u><u>243,050</u></u>	<u><u>237,866</u></u>

Note: This financial statements are unaudited. Final audited results may vary slightly from those listed.
For detailed information, please see Itoham's annual report scheduled for release in mid-August 2006.

LIABILITIES, MINORITY INTERESTS AND SHAREHOLDERS' EQUITY	Millions of yen	
	2006	2005
Current liabilities:		
Bank loans	¥ 8,943	¥ 9,198
Long-term debt due within one year	1,091	11,194
Trade notes and accounts payable	43,879	42,656
Income taxes payable	499	1,308
Deferred tax liabilities	8	45
Other	17,725	22,222
Total current liabilities	72,145	86,623
Long-term liabilities:		
Long-term debt due after one year	38,387	19,618
Employees' severance and retirement benefits	1,532	2,057
Directors' and statutory auditors' retirement benefits	894	802
Long-term deferred tax liabilities	8,229	2,267
Other long-term liabilities	52	180
Total long-term liabilities	49,094	24,924
Minority interests	663	475
Shareholders' equity:		
Common stock	22,415	22,415
Capital surplus	24,021	24,021
Retained earnings	65,473	75,511
Net unrealized holding gains on securities	9,047	5,149
Foreign currency translation adjustments	979	(474)
Treasury stock, at cost	(787)	(778)
Total shareholders' equity	121,148	125,844
	243,050	237,866

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CONSOLIDATED STATEMENTS OF OPERATIONS

ITOHAM FOODS INC. and Consolidated Subsidiaries- Years ended March 31, 2006 and 2005

	Millions of yen	
	2006	2005
Net sales	¥ 517,276	¥ 505,461
Cost and expenses:		
Cost of sales	420,571	402,429
Selling, general and administrative expenses	100,641	98,431
Operating income (loss)	(3,936)	4,601
Other income (expenses):		
Interest and dividend income	325	308
Interest expense	(916)	(919)
Gain on sale of marketable and investment securities, net	88	85
Loss on disposal of property, plant and equipment	(618)	(246)
Gain on transfer of substitutional portion of social welfare pension insurance scheme	679	-
Write-down of investment securities	(31)	(289)
Equity in earnings of associated companies	1,032	1,705
Insurance income	-	1,775
Provision for doubtful receivables	(22)	(230)
Impairment expense	(1,792)	-
Other, net	883	919
	(372)	3,108
Income (loss) before income taxes and minority interests	(4,308)	7,709
Provision for income taxes		
Current	1,151	1,034
Deferred	2,859	1,748
Minority interests	(53)	(55)
Net income (loss)	(8,371)	4,872

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Forecast of consolidated operating results for the years ending March 31, 2007

	Millions of yen	
	2007 interim	2007
Net sales	¥ 250,000	¥ 510,000
Operating loss	(2,100)	(200)
Net income (loss)	(1,550)	200
	Yen	
		2007
Net income per share		¥ 0.96

CONSOLIDATED STATEMENTS OF CASH FLOWS

ITOHAM FOODS INC. and Consolidated Subsidiaries- Years ended March 31, 2006 and 2005

	Millions of yen	
	2006	2005
Cash flows from operating activities:		
Income (loss) before income taxes and minority interests	¥ (4,308)	¥ 7,709
Adjustments to reconcile income (loss) before income taxes and minority interests to net cash provided by operating activities:		
Depreciation and amortization	7,166	6,363
Impairment expense	1,792	
Decrease in employees' severance and retirement benefits	(524)	(434)
Increase (decrease) in allowance for doubtful receivables	439	(448)
Interest and dividend income	(325)	(308)
Interest expense	916	919
Equity in earnings of associated companies	(1,032)	(1,705)
Write-down of investment securities	31	289
Loss (gain) on sale of property, plant and equipment	26	(799)
Loss on disposal of property, plant and equipment	394	913
Decrease (increase) in notes and accounts receivable	1,345	(1,856)
Increase in inventories	(6,517)	(6,485)
Increase in notes and accounts payable	1,187	4,517
Decrease in accrued consumption taxes	(22)	(420)
Insurance income	-	(1,775)
Other, net	(1,237)	(2,877)
	(669)	3,603
Interest and dividends received	690	496
Interest paid	(919)	(914)
Insurance received	-	2,115
Income taxes paid	(2,174)	(1,834)
Income taxes refunded	251	338
Net cash provided by (used in) operating activities	(2,821)	3,804
Cash flows from investing activities:		
Investments in time deposits	(120)	(209)
Proceeds from time deposits	205	329
Acquisitions of property, plant and equipment	(12,740)	(6,585)
Proceeds from sale of property, plant and equipment	573	2,013
Acquisitions of intangible assets	(337)	(376)
Payments for purchases of investment securities	(93)	(836)
Proceeds from sales of investment securities	194	810
Payments for purchases of consolidated subsidiary's stock	(331)	-
Disbursement of loans receivable	(1,825)	(1,552)
Collection of loans receivable	1,618	1,143
Other, net	23	(91)
Net cash used in investing activities	(12,833)	(5,354)
Cash flows from financing activities:		
Increase (decrease) in short-term bank loans, net	(1,269)	610
Proceeds from long-term debt	9,780	360
Repayments of long-term debt	(1,381)	(2,229)
Proceeds from bonds	10,100	-
Repayments of bonds	(10,010)	-
Proceeds upon receipt from minority shareholders of consolidated subsidiaries	135	-
Payments for purchase of treasury stock	(9)	(16)
Dividends paid	(1,668)	(1,668)
Dividends paid to minority shareholders of consolidated subsidiaries	(8)	(7)
Net cash provided by (used in) financing activities	5,670	(2,950)
Effect of exchange rate changes on cash and cash equivalents	228	(21)
Net decrease in cash and cash equivalents	(9,756)	(4,521)
Cash and cash equivalents at beginning of year	24,098	28,619
Cash and cash equivalents at end of year	¥ 14,342	¥ 24,098

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NON-CONSOLIDATED BALANCE SHEETS

ITOHAM FOODS INC. -March 31, 2006 and 2005

ASSETS	Millions of yen	
	2006	2005
Current assets:		
Cash and time deposits	¥ 8,111	¥ 16,593
Marketable securities	-	-
Receivables:		
Trade notes and accounts	49,654	52,921
Other	628	873
Allowance for doubtful receivables	(129)	(81)
	<u>50,153</u>	<u>53,713</u>
Inventories	37,509	30,305
Deferred tax assets	-	924
Other current assets	<u>2,013</u>	<u>1,337</u>
Total current assets	<u>97,786</u>	<u>102,872</u>
Investments and non-current assets:		
Investment securities	39,598	33,321
Long-term receivables	15,316	14,851
Other	14,259	12,366
Allowance for doubtful receivables	(7,366)	(4,848)
	<u>61,807</u>	<u>55,690</u>
Property, plant and equipment:		
Land	16,203	16,649
Buildings and structures	16,275	17,155
Machinery and equipment	<u>15,718</u>	<u>14,357</u>
	<u>48,196</u>	<u>48,161</u>
Intangible assets	<u>1,047</u>	<u>1,078</u>
	<u><u>208,836</u></u>	<u><u>207,801</u></u>

Note: This financial statements are unaudited.

LIABILITIES AND SHAREHOLDERS' EQUITY	Millions of yen	
	2006	2005
Current liabilities:		
Long-term debt due within one year	¥ 613	¥ 10,612
Trade notes and accounts payable	39,390	38,764
Income taxes payable	—	725
Other	11,206	15,288
Total current liabilities	51,209	65,389
Long-term liabilities:		
Long-term debt due after one year	36,649	17,862
Employees' severance and retirement benefits	57	196
Directors' and statutory auditors' retirement benefits	551	502
Long-term deferred tax liabilities	8,116	2,195
Other long-term liabilities	529	150
Total long-term liabilities	45,902	20,905
Shareholders' equity:		
Common stock	22,415	22,415
Capital surplus	24,020	24,020
Retained earnings	57,234	70,762
Net unrealized holding gains on securities	8,842	5,087
Treasury stock, at cost	(786)	(777)
Total shareholders' equity	111,725	121,507
	208,836	207,801

Note: This financial statements are unaudited.

NON-CONSOLIDATED STATEMENTS OF OPERATIONS

ITOHAM FOODS INC. - Years ended March 31, 2006 and 2005

	Millions of yen	
	2006	2005
Net sales	¥ 423,306	¥ 422,292
Cost and expenses:		
Cost of sales	382,863	376,371
Selling, general and administrative expenses	46,133	44,621
Operating income (loss)	(5,690)	1,300
Other income (expenses):		
Interest and dividend income	973	766
Interest expense	(399)	(460)
Gain on sale of marketable and investment securities, net	43	84
Gain (loss) on disposal of property, plant and equipment	(518)	99
Gain on transfer of substitutional portion of social welfare pension insurance scheme	465	-
Write-down of investment securities	(123)	(361)
Insurance income	-	1,775
Provision for doubtful receivables	(1,226)	(689)
Impairment expense	(784)	-
Other, net	(295)	970
	(1,864)	2,184
Income (loss) before income taxes	(7,554)	3,484
Provision for income taxes		
Current	81	142
Deferred	4,226	1,767
Net income (loss)	(11,861)	1,575

Note: This financial statements are unaudited.

Forecast of non-consolidated operating results for the years ending March 31, 2007

	Millions of yen	
	2007 interim	2007
Net sales	¥ 207,000	¥ 425,000
Operating loss	(2,200)	(1,900)
Net loss	(1,750)	(1,350)
	Yen	
		2007
Net loss per share		¥ (6.48)