

# CONSOLIDATED BALANCE SHEETS

ITOHAM FOODS INC. and Consolidated Subsidiaries-March 31, 2007 and 2006

ASSETS	Millions of yen	
	2007	2006
Current assets:		
Cash and time deposits	¥ 27,545	¥ 14,467
Marketable securities	300	-
Receivables:		
Trade notes and accounts	55,585	50,322
Other	103	97
Allowance for doubtful receivables	(601)	(356)
	<u>55,087</u>	<u>50,063</u>
Inventories	48,481	55,968
Deferred tax assets	527	623
Other current assets	<u>2,357</u>	<u>2,102</u>
Total current assets	<u>134,297</u>	<u>123,223</u>
Property, plant and equipment:		
Land	20,135	21,196
Buildings and structures	23,898	26,004
Machinery and equipment	18,369	21,312
Livestock	115	176
Construction in progress	<u>159</u>	<u>95</u>
	<u>62,676</u>	<u>68,783</u>
Intangible assets	1,196	1,433
Investments and other assets:		
Investments in securities	32,379	34,661
Long-term receivables	3,115	2,834
Deferred tax assets	1,045	2,130
Other	11,023	11,632
Allowance for doubtful receivables	(927)	(1,646)
	<u>46,635</u>	<u>49,611</u>
	<u>244,804</u>	<u>243,050</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 2007.

LIABILITIES AND NET ASSETS	Millions of yen	
	2007	2006
Current liabilities:		
Short-term borrowings	¥ 8,463	¥ 8,943
Long-term debt due within one year	11,136	1,091
Trade notes and accounts payable	48,032	43,879
Income taxes payable	858	499
Deferred tax liabilities	118	8
Other	20,729	17,725
Total current liabilities	89,336	72,145
Long-term liabilities:		
Long-term debt due after one year	27,669	38,387
Employees' severance and retirement benefits	1,099	1,532
Directors' and statutory auditors' retirement benefits	782	894
Deferred tax liabilities	7,054	8,229
Other long-term liabilities	289	52
Total long-term liabilities	36,893	49,094
Net assets:		
Owners' equity		
Common stock	22,415	-
Capital surplus	24,021	-
Retained earnings	63,253	-
Treasury stock, at cost	(795)	-
Total owners' equity	108,894	-
Valuation and translation adjustments		
Net unrealized holding gains on securities	7,599	-
Net unrealized holding gains on derivative instruments	165	-
Foreign currency translation adjustments	1,236	-
Total valuation and translation adjustments	9,000	-
Minority interests	681	-
Total net assets	118,575	-
Minority interests	-	663
Shareholders' equity:		
Common stock	-	22,415
Capital surplus	-	24,021
Retained earnings	-	65,473
Net unrealized holding gains on securities	-	9,047
Foreign currency translation adjustments	-	979
Treasury stock, at cost	-	(787)
Total shareholders' equity	-	121,148
	244,804	243,050

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# CONSOLIDATED STATEMENTS OF OPERATIONS

Itoham Foods Inc. and Consolidated Subsidiaries- Years ended March 31, 2007 and 2006

	Millions of yen	
	2007	2006
Net sales	¥ 504,349	¥ 517,275
Cost and expenses:		
Cost of sales	404,803	420,571
Selling, general and administrative expenses	<u>96,602</u>	<u>100,641</u>
Operating income (loss)	2,944	(3,937)
Other income (expenses):		
Interest and dividend income	419	325
Interest expense	(1,005)	(916)
Gain on sales of investments securities, net	5	45
Gain (loss) on disposals of property, plant and equipment	190	(618)
Gain on transfer of substitutional portion of social welfare pension insurance scheme	-	679
Write-down of investment securities	(57)	(31)
Equity in earnings of affiliates	399	1,032
Provision for doubtful receivables	(79)	(22)
Impairment losses on fixed assets	(362)	(1,792)
Restructuring expenses	(2,121)	-
Other, net	<u>616</u>	<u>927</u>
	<u>(1,995)</u>	<u>(371)</u>
Income (loss) before income taxes and minority interests	949	(4,308)
Provision for income taxes		
Current	1,274	1,151
Deferred	1,028	2,859
Minority interests	<u>(33)</u>	<u>(53)</u>
Net loss	<u><u>(1,386)</u></u>	<u><u>(8,371)</u></u>

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## Forecast of consolidated operating results for the years ending March 31, 2008

	Millions of yen	
	2008 interim	2008
Net sales	¥ 247,000	¥ 507,000
Operating income	1,700	4,000
Net income	1,500	3,200

  

	Yen	
	2008	
Net income per share	¥ 15.36	

# CONSOLIDATED STATEMENTS OF CASH FLOWS

ITOHAM FOODS INC. and Consolidated Subsidiaries- Years ended March 31, 2007 and 2006

	Millions of yen	
	2007	2006
Cash flows from operating activities:		
Income (loss) before income taxes and minority interests	¥ 949	¥ (4,308)
Adjustments to reconcile income (loss) before income taxes and minority interests to net cash provided by (used in) operating activities:		
Depreciation and amortization	6,728	7,166
Impairment losses on fixed assets	362	1,792
Restructuring expenses	1,946	-
Decrease in employees' severance and retirement benefits	(434)	(524)
Increase (decrease) in allowance for doubtful receivables	(473)	439
Interest and dividend income	(419)	(325)
Interest expense	1,005	916
Equity in earnings of affiliates	(399)	(1,032)
Write-down of investments in securities	57	31
Loss (gain) on sales of property, plant and equipment	(766)	26
Loss on disposals of property, plant and equipment	450	394
Decrease (increase) in notes and accounts receivable	(4,620)	1,345
Decrease (increase) in inventories	7,922	(6,517)
Increase in notes and accounts payable	4,124	1,187
Increase (decrease) in accrued consumption taxes	1,437	(22)
Other, net	1,392	(1,237)
	<u>19,261</u>	<u>(669)</u>
Interest and dividends received	720	690
Interest paid	(1,014)	(919)
Income taxes paid	(1,509)	(2,174)
Income taxes refunded	288	251
Net cash provided by (used in) operating activities	<u>17,746</u>	<u>(2,821)</u>
Cash flows from investing activities:		
Investments in time deposits	(251)	(120)
Proceeds from time deposits	120	205
Acquisitions of property, plant and equipment	(3,435)	(12,740)
Proceeds from sale of property, plant and equipment	1,982	573
Acquisitions of intangible assets	(192)	(337)
Payments for purchase of investment securities	(321)	(93)
Proceeds from sale of investment securities	30	194
Payment for purchase of investments in subsidiaries	-	(331)
Disbursement of loans receivable	(2,049)	(1,825)
Collection of loans receivable	1,721	1,618
Other, net	124	23
Net cash used in investing activities	<u>(2,271)</u>	<u>(12,833)</u>
Cash flows from financing activities:		
Decrease in short-term borrowings, net	(1,079)	(1,269)
Proceeds from long-term debt	457	9,780
Repayments of long-term debt	(1,124)	(1,381)
Proceeds from issuance of bonds	-	10,100
Redemption of bonds	(20)	(10,010)
Proceeds from minority shareholders of consolidated subsidiaries	-	135
Payments for purchase of treasury stock	(8)	(9)
Dividends paid	(834)	(1,668)
Dividends paid to minority shareholders of consolidated subsidiaries	(11)	(8)
Net cash provided by (used in) financing activities	<u>(2,619)</u>	<u>5,670</u>
Effect of exchange rate changes on cash and cash equivalents	90	228
Net increase (decrease) in cash and cash equivalents	<u>12,946</u>	<u>(9,756)</u>
Cash and cash equivalents at beginning of year	<u>14,342</u>	<u>24,098</u>
Cash and cash equivalents at end of year	<u>¥ 27,288</u>	<u>¥ 14,342</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 2007.

# NON-CONSOLIDATED BALANCE SHEETS

ITOHAM FOODS INC. - March 31, 2007 and 2006

ASSETS	Millions of yen	
	2007	2006
Current assets:		
Cash and time deposits	¥ 20,225	¥ 8,111
Marketable securities	300	-
Receivables:		
Trade notes and accounts	51,679	49,654
Other	355	628
Allowance for doubtful receivables	(263)	(129)
	<u>51,771</u>	<u>50,153</u>
Inventories	30,846	37,509
Other current assets	1,543	2,013
Total current assets	<u>104,685</u>	<u>97,786</u>
Property, plant and equipment:		
Land	15,384	16,203
Buildings and structures	14,902	16,275
Machinery and equipment	13,182	15,718
Construction in progress	147	-
	<u>43,615</u>	<u>48,196</u>
Intangible assets	896	1,047
Investments and other assets:		
Investments in securities	37,237	39,598
Long-term receivables	14,329	15,316
Other	14,746	14,259
Allowance for doubtful receivables	(7,417)	(7,366)
	<u>58,895</u>	<u>61,807</u>
	<u>208,091</u>	<u>208,836</u>

Note: This financial statements are unaudited.

LIABILITIES AND NET ASSETS	Millions of yen	
	2007	2006
Current liabilities:		
Long-term debt due within one year	¥ 10,613	¥ 613
Trade notes and accounts payable	44,279	39,390
Income taxes payable	1,453	-
Other	11,153	11,206
Total current liabilities	67,498	51,209
Long-term liabilities:		
Long-term debt due after one year	26,036	36,649
Directors' and statutory auditors' retirement benefits	420	551
Deferred tax liabilities	6,964	8,116
Other long-term liabilities	519	586
Total long-term liabilities	33,939	45,902
Net assets:		
Owners' equity		
Common stock	22,415	-
Capital surplus	24,021	-
Retained earnings	53,404	-
Treasury stock, at cost	(795)	-
Total owners' equity	99,045	-
Valuation and translation adjustments		
Net unrealized holding gains on securities	7,445	-
Foreign currency translation adjustments	164	-
Total valuation and translation adjustments	7,609	-
Total net assets	106,654	-
Shareholders' equity:		
Common stock	-	22,415
Capital surplus	-	24,020
Retained earnings	-	57,234
Net unrealized holding gains on securities	-	8,842
Treasury stock, at cost	-	(786)
Total shareholders' equity	-	111,725
	208,091	208,836

Note: This financial statements are unaudited.

# NON-CONSOLIDATED STATEMENTS OF OPERATIONS

ITOHAM FOODS INC. - Years ended March 31, 2007 and 2006

	Millions of yen	
	2007	2006
Net sales	¥ 409,714	¥ 423,306
Cost and expenses:		
Cost of sales	366,704	382,863
Selling, general and administrative expenses	42,832	46,133
Operating income (loss)	178	(5,690)
Other income (expenses):		
Interest and dividend income	1,007	973
Interest expense	(450)	(399)
Gain on sales of investments in securities, net	5	43
Loss on disposals of property, plant and equipment	(360)	(518)
Gain on transfer of substitutional portion of social welfare pension insurance scheme	-	465
Write-down of investment securities	(216)	(123)
Provision for doubtful receivables	(1,182)	(1,226)
Impairment losses on fixed assets	(291)	(784)
Restructuring expenses	(1,923)	-
Other, net	304	(295)
	(3,106)	(1,864)
Loss before income taxes	(2,928)	(7,554)
Provision for income taxes		
Current	220	81
Deferred	(152)	4,226
Net loss	(2,996)	(11,861)

Note: This financial statements are unaudited.

## Forecast of non-consolidated operating results for the years ending March 31, 2008

	Millions of yen	
	2008 interim	2008
Net sales	¥ 203,000	¥ 412,000
Operating income	200	1,000
Net income	100	1,000

  

	Yen	
	2008	
Net income per share	¥	4.80