

CONSOLIDATED BALANCE SHEETS

ITOHAM FOODS INC. and Consolidated Subsidiaries-fiscal 2007 interim (Sep 30, 2006), fiscal 2006 interim (Sep 30, 2005) and fiscal 2006 (Mar 31, 2006)

ASSETS	Millions of yen		
	2007 interim	2006 interim	2006
Current assets:			
Cash and time deposits	¥ 12,696	¥ 10,309	¥ 14,467
Marketable securities	300	-	-
Trade notes and accounts receivables	58,684	54,214	50,322
Inventories	52,837	60,488	55,968
Other current assets	3,882	6,914	2,822
Allowance for doubtful receivables	(293)	(425)	(356)
Total current assets	128,106	131,500	123,223
Property, plant and equipment:			
Land	20,875	21,454	21,196
Buildings and structures	24,893	26,180	26,004
Machinery	18,517	19,643	20,060
Other	1,489	1,889	1,523
	65,774	69,166	68,783
Intangible assets	1,242	1,393	1,433
Investments and other assets:			
Investments in securities	32,032	30,180	34,661
Other	16,296	14,160	16,596
Allowance for doubtful receivables	(1,143)	(410)	(1,646)
	47,185	43,930	49,611
	¥ 242,307	¥ 245,989	¥ 243,050

Note: This financial statements are unaudited.

LIABILITIES AND NET ASSETS	Millions of yen		
	2007 interim	2006 interim	2006
Current liabilities:			
Short-term borrowings	¥ 8,051	¥ 8,683	¥ 8,943
Commercial paper	-	9,000	-
Long-term debt due within one year	1,145	1,005	1,091
Trade notes and accounts payable	47,800	43,978	43,879
Income taxes payable	698	649	500
Other	18,902	20,951	17,732
Total current liabilities	76,596	84,266	72,145
Long-term liabilities:			
Long-term debt due after one year	38,210	29,643	38,387
Employees' severance and retirement benefits	1,349	1,543	1,532
Directors' and statutory auditors' retirement benefits	715	815	894
Other long-term liabilities	7,763	4,105	8,281
Total long-term liabilities	48,037	36,106	49,094
Net assets:			
Owners' equity			
Common stock	22,415	-	-
Capital surplus	24,020	-	-
Retained earnings	63,159	-	-
Treasury stock, at cost	(790)	-	-
Total owners' equity	108,804	-	-
Valuation and translation adjustments			
Net unrealized holding gains on securities	8,032	-	-
Net unrealized holding gains on derivative instruments	58	-	-
Foreign currency translation adjustments	108	-	-
Total valuation and translation adjustments	8,198	-	-
Minority interests	672	-	-
Total net assets	117,674	-	-
Minority interests	-	514	663
Shareholders' equity:			
Common stock	-	22,415	22,415
Capital surplus	-	24,021	24,021
Retained earnings	-	72,448	65,473
Net unrealized holding gains on securities	-	6,822	9,047
Foreign currency translation adjustments	-	179	979
Treasury stock, at cost	-	(782)	(787)
Total shareholders' equity	-	125,103	121,148
	¥ 242,307	¥ 245,989	¥ 243,050

Note: This financial statements are unaudited.

CONSOLIDATED STATEMENTS OF OPERATIONS

ITOHAM FOODS INC. and Consolidated Subsidiaries—fiscal 2007 interim (Apr 1, 2006–Sep 30, 2006), fiscal 2006 interim (Apr 1, 2005–Sep 30, 2005) and fiscal 2006 (Apr 1, 2005–Mar 31, 2006)

	Millions of yen		
	2007 interim	2006 interim	2006
Net sales	¥ 245,677	¥ 258,740	¥ 517,275
Cost and expenses:			
Cost of sales	197,900	210,776	420,571
Selling, general and administrative expenses	47,299	48,585	100,641
Operating income (loss)	478	(621)	(3,937)
Other income (expenses):			
Interest and dividend income	225	190	325
Interest expense	(483)	(449)	(916)
Loss on disposals of property, plant and equipment	(15)	(228)	(618)
Gain on transfer of substitutional portion of social welfare pension insurance scheme	–	679	679
Equity in earnings of affiliates	(166)	363	1,032
Impairment losses on fixed assets	–	(1,792)	(1,792)
Restructuring expenses	(1,122)	–	–
Other, net	424	553	919
	(1,137)	(684)	(371)
Loss before income taxes and minority interests	(659)	(1,305)	(4,308)
Provision for income taxes	790	43	4,010
Minority interests	(30)	(47)	(53)
Net loss	¥ (1,479)	¥ (1,395)	¥ (8,371)

Note: This financial statements are unaudited.

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

	Millions of yen	
	2007	
Net sales	¥	501,000
Operating income		1,000
Net loss		(1,900)
	Yen	
	2007	
Net loss per share	¥	(9.12)

Note: The above forecasts are based on management's assumptions and beliefs in light of the information available at the day of publication. We caution readers that actual results could differ materially from forecasts due to a number of factors outside the control of the Itoham Group.

CONSOLIDATED STATEMENTS OF CASH FLOWS

ITOHAM FOODS INC. and Consolidated Subsidiaries-fiscal 2007 interim (Apr 1, 2006-Sep 30, 2006), fiscal 2006 interim (Apr 1, 2005-Sep 30, 2005) and fiscal 2006 (Apr 1, 2005-Mar 31, 2006)

	Millions of yen		
	2007 interim	2006 interim	2006
Cash flows from operating activities:			
loss before income taxes and minority interests	¥ (659)	¥ (1,305)	¥ (4,308)
Adjustments to reconcile loss before income taxes and minority interests to net cash provided by (used in) operating activities:			
Depreciation and amortization	3,357	3,313	7,166
Impairment losses on fixed assets	-	1,792	1,792
Restructuring expenses	1,122	-	-
Decrease in employees' severance and retirement benefits	(184)	(514)	(524)
Increase (decrease) in allowance for doubtful receivables	(566)	(726)	439
Interest and dividend income	(225)	(190)	(325)
Interest expense	483	449	916
Equity in earnings of affiliates	166	(363)	(1,032)
Write-down of investments in securities	53	12	31
Loss (gain) on sales of property, plant and equipment	(123)	(31)	26
Loss on disposals of property, plant and equipment	114	136	394
Decrease (increase) in notes and accounts receivable	(8,636)	(1,980)	1,345
Increase (decrease) in inventories	3,043	(11,247)	(6,517)
Increase in notes and accounts payable	3,920	1,297	1,187
Increase (decrease) in accrued consumption taxes	766	135	(22)
Other, net	(380)	(2,187)	(1,237)
	<u>2,251</u>	<u>(11,409)</u>	<u>(669)</u>
Interest and dividends received	332	282	690
Interest paid	(485)	(479)	(919)
Income taxes paid	(974)	(1,489)	(2,174)
Income taxes refunded	226	251	251
Net cash provided by (used in) operating activities	<u>1,350</u>	<u>(12,844)</u>	<u>(2,821)</u>
Cash flows from investing activities:			
Investments in time deposits	(121)	(70)	(120)
Proceeds from time deposits	70	117	205
Acquisitions of property, plant and equipment	(2,047)	(6,937)	(12,740)
Proceeds from sale of property, plant and equipment	214	250	573
Acquisitions of intangible assets	(48)	(121)	(337)
Payments for purchase of investment securities	(235)	(48)	(93)
Proceeds from sale of investment securities	16	20	194
Payment for purchase of investments in subsidiaries	-	(293)	(331)
Disbursement of loans receivable	(1,074)	(888)	(1,825)
Collection of loans receivable	782	738	1,618
Other, net	1,046	316	23
Net cash used in investing activities	<u>(1,397)</u>	<u>(6,916)</u>	<u>(12,833)</u>
Cash flows from financing activities:			
Decrease in short-term borrowings, net	(777)	(1,289)	(1,269)
Proceeds from long-term debt	396	300	9,780
Repayments of long-term debt	(505)	(708)	(1,381)
Increase in commercial paper, net	-	9,000	-
Proceeds from issuance of bonds	-	10,100	10,100
Redemption of bonds	(10)	(10,000)	(10,010)
Proceeds from minority shareholders of consolidated subsidiaries	-	-	135
Payments for purchase of treasury stock	(4)	(5)	(9)
Dividends paid	(833)	(1,667)	(1,668)
Dividends paid to minority shareholders of consolidated subsidiaries	(11)	(8)	(8)
Net cash provided by (used in) financing activities	<u>(1,744)</u>	<u>5,723</u>	<u>5,670</u>
Effect of exchange rate changes on cash and cash equivalents	(31)	89	228
Net decrease in cash and cash equivalents	<u>(1,822)</u>	<u>(13,948)</u>	<u>(9,756)</u>
Cash and cash equivalents at beginning of year	14,342	24,098	24,098
Cash and cash equivalents at end of year	<u>¥ 12,520</u>	<u>¥ 10,150</u>	<u>¥ 14,342</u>

Note: This financial statements are unaudited.

NON-CONSOLIDATED BALANCE SHEETS

ITOHAM FOODS INC.-fiscal 2007 interim (Sep 30, 2006), fiscal 2006 interim (Sep 30, 2005) and fiscal 2006 (Mar 31, 2006)

ASSETS	Millions of yen		
	2007 interim	2006 interim	2006
Current assets:			
Cash and time deposits	¥ 5,836	¥ 3,955	¥ 8,111
Marketable securities	300	-	-
Receivables:			
Trade notes and accounts	57,984	55,719	49,654
Other	420	981	628
Allowance for doubtful receivables	(145)	(34)	(129)
	58,259	56,666	50,153
Inventories	36,019	41,368	37,509
Other current assets	2,534	5,153	2,013
Total current assets	102,948	107,142	97,786
Property, plant and equipment:			
Land	15,891	16,460	16,203
Buildings	14,528	15,631	15,259
Machinery	13,307	14,767	14,704
Other	1,957	2,082	2,030
	45,683	48,940	48,196
Intangible assets	895	978	1,047
Investments and other assets:			
Investments in securities	37,986	36,072	39,598
Long-term receivables	15,376	15,197	15,316
Other	14,692	12,960	14,259
Allowance for doubtful receivables	(8,287)	(5,153)	(7,366)
	59,767	59,076	61,807
	¥ 209,293	¥ 216,136	¥ 208,836

Note: This financial statements are unaudited.

LIABILITIES AND NET ASSETS	Millions of yen		
	2007 interim	2006 interim	2006
Current liabilities:			
Commercial paper	-	9,000	-
Long-term debt due within one year	613	613	613
Trade notes and accounts payable	43,427	40,323	39,390
Other	12,005	13,875	11,206
Total current liabilities	56,045	63,811	51,209
Long-term liabilities:			
Long-term debt due after one year	36,407	27,620	36,649
Employees' severance and retirement benefits	-	-	57
Directors' and statutory auditors' retirement benefits	398	526	551
Other long-term liabilities	8,153	3,962	8,645
Total long-term liabilities	44,958	32,108	45,902
Net assets:			
Owners' equity			
Common stock	22,415	-	-
Capital surplus	24,020	-	-
Retained earnings	54,705	-	-
Treasury stock, at cost	(790)	-	-
Total owners' equity	100,350	-	-
Valuation and translation adjustments			
Net unrealized holding gains on securities	7,887	-	-
Foreign currency translation adjustments	53	-	-
Total valuation and translation adjustments	7,940	-	-
Total net assets	108,290	-	-
Shareholders' equity:			
Common stock	-	22,415	22,415
Capital surplus	-	24,021	24,020
Retained earnings	-	67,859	57,234
Net unrealized holding gains on securities	-	6,704	8,842
Treasury stock, at cost	-	(782)	(786)
Total shareholders' equity	-	120,217	111,725
	<u>¥ 209,293</u>	<u>¥ 216,136</u>	<u>¥ 208,836</u>

Note: This financial statements are unaudited.

NON-CONSOLIDATED STATEMENTS OF OPERATIONS

ITOHAM FOODS INC.-fiscal 2007 interim (Apr 1, 2006-Sep 30, 2006), fiscal 2006 interim (Apr 1, 2005-Sep 30, 2005) and fiscal 2006 (Apr 1, 2005-Mar 31, 2006)

	Millions of yen		
	2007 interim	2006 interim	2006
Net sales	¥ 201,374	¥ 214,160	¥ 423,306
Cost and expenses:			
Cost of sales	180,100	193,071	382,863
Selling, general and administrative expenses	21,608	22,658	46,133
Operating loss	(334)	(1,569)	(5,690)
Other income	1,675	2,349	4,017
Other expenses	(2,870)	(2,838)	(5,881)
Loss before income taxes	(1,529)	(2,058)	(7,554)
Provision for income taxes			
Current	166	(823)	81
Deferred	-	-	4,226
Net loss	¥ (1,695)	¥ (1,235)	¥ (11,861)

Note: This financial statements are unaudited.

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

	Millions of yen
	2007
Net sales	¥ 407,500
Operating loss	(400)
Net loss	(1,500)
	Yen
	2007
Net loss per share	¥ (7.20)

Note: The above forecasts are based on management's assumptions and beliefs in light of the information available at the day of publication. We caution readers that actual results could differ materially from forecasts due to a number of factors outside the control of the Itoham Group.