

CONSOLIDATED BALANCE SHEETS

ITOHAM FOODS INC. and Consolidated Subsidiaries-fiscal 2006 interim (Sep 30, 2005), fiscal 2005 interim (Sep 30, 2004) and fiscal 2005 (Mar 31, 2005)

ASSETS	Millions of yen		
	2006 interim	2005 interim	2005
Current assets:			
Cash and time deposits	¥ 10,309	¥ 14,078	¥ 24,299
Trade notes and accounts receivables	54,214	53,972	52,018
Inventories	60,488	51,717	48,837
Other current assets	6,914	4,914	4,232
Allowance for doubtful receivables	(425)	(454)	(418)
Total current assets	<u>131,500</u>	<u>124,227</u>	<u>128,968</u>
Investments and non-current assets:			
Investment securities	30,180	24,686	26,718
Other	14,160	14,125	14,012
Allowance for doubtful receivables	(410)	(871)	(1,142)
	<u>43,930</u>	<u>37,940</u>	<u>39,588</u>
Property, plant and equipment:			
Land	21,454	21,107	22,022
Buildings and structures	26,180	26,198	26,434
Machinery	19,643	15,576	17,765
Other	1,889	1,680	1,613
	<u>69,166</u>	<u>64,561</u>	<u>67,834</u>
Intangible assets	1,393	1,438	1,476
	<u>¥ 245,989</u>	<u>¥ 228,166</u>	<u>¥ 237,866</u>

Note: This financial statements are unaudited.

LIABILITIES, MINORITY INTERESTS AND SHAREHOLDERS' EQUITY	Millions of yen		
	2006 interim	2005 interim	2005
Current liabilities:			
Bank loans	¥ 8,683	¥ 7,567	¥ 9,198
Commercial paper	9,000	-	-
Long-term debt due within one year	1,005	11,065	11,194
Trade notes and accounts payable	43,978	42,270	42,656
Income taxes payable	649	2,484	1,308
Other	20,951	17,891	22,267
Total current liabilities	<u>84,266</u>	<u>81,277</u>	<u>86,623</u>
Long-term liabilities:			
Long-term debt due after one year	29,643	20,339	19,618
Employees' severance and retirement benefits	1,543	2,289	2,057
Directors' and statutory auditors' retirement benefits	815	724	802
Other long-term liabilities	4,105	254	2,447
Total long-term liabilities	<u>36,106</u>	<u>23,606</u>	<u>24,924</u>
Minority interests	514	468	475
Shareholders' equity:			
Common stock	22,415	22,415	22,415
Capital surplus	24,021	24,021	24,021
Retained earnings	72,448	73,371	75,511
Net unrealized holding gains on securities	6,822	4,525	5,149
Foreign currency translation adjustments	179	(747)	(474)
Treasury stock, at cost	(782)	(770)	(778)
Total shareholders' equity	<u>125,103</u>	<u>122,815</u>	<u>125,844</u>
	<u>¥ 245,989</u>	<u>¥ 228,166</u>	<u>¥ 237,866</u>

Note: This financial statements are unaudited.

CONSOLIDATED STATEMENTS OF OPERATIONS

ITOHAM FOODS INC. and Consolidated Subsidiaries-fiscal 2006 interim (Apr 1, 2005-Sep 30, 2005), fiscal 2005 interim (Apr 1, 2004-Sep 30, 2004) and fiscal 2005 (Apr 1, 2004-Mar 31, 2005)

	Millions of yen		
	2006 interim	2005 interim	2005
Net sales	¥ 258,740	¥ 247,421	¥ 505,461
Cost and expenses:			
Cost of sales	210,776	196,772	402,429
Selling, general and administrative expenses	48,585	46,981	98,431
Operating income (loss)	(621)	3,668	4,601
Other income (expenses):			
Interest and dividend income	190	194	308
Interest expense	(449)	(455)	(919)
Gain on sale of marketable and investment securities	-	21	85
Gain (loss) on disposal of property, plant and equipment, net	(228)	371	(246)
Gain on transfer of substitutional portion of social welfare pension insurance scheme	679	-	-
Equity in earnings of associated companies	363	381	1,705
Insurance income	-	-	1,775
Impairment expense	(1,792)	-	-
Other, net	553	412	400
	(684)	924	3,108
Income (loss) before income taxes and minority interests	(1,305)	4,592	7,709
Provision for income taxes			
Current	43	1,811	1,034
Deferred	-	-	1,748
Minority interests	(47)	(49)	(55)
Net income (loss)	¥ (1,395)	¥ 2,732	¥ 4,872

Note: This financial statements are unaudited.

Forecast of consolidated operating results for the years ending March 31, 2006

	Millions of yen	
	2006	
Net sales	¥	530,000
Operating loss		(500)
Net loss		(900)
	Yen	
	2006	
Net loss per share	¥	(4.32)

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 2006 interim (Apr 1, 2005-Sep 30, 2005), fiscal 2005 interim (Apr 1, 2004-Sep 30, 2004) and fiscal 2005 (Apr 1, 2004-Mar 31, 2005)

	Millions of yen		
	2006 interim	2005 interim	2005
Cash flows from operating activities:			
Income (loss) before income taxes and minority interests	¥ (1,305)	¥ 4,592	¥ 7,709
Adjustments to reconcile income (loss) before income taxes and minority interests to net cash provided by (used in) operating activities:			
Depreciation and amortization	3,313	3,067	6,363
Impairment expense	1,792	-	-
Decrease in employees' severance and retirement benefits	(514)	(203)	(434)
Decrease in allowance for doubtful receivables	(726)	(684)	(448)
Interest and dividend income	(190)	(194)	(308)
Interest expense	449	455	919
Equity in earnings of associated companies	(363)	(381)	(1,705)
Write-down of investment securities	12	5	289
Gain on sale of property, plant and equipment, net	(31)	(505)	(799)
Loss on disposal of property, plant and equipment	136	106	913
Increase in notes and accounts receivable	(1,980)	(3,518)	(1,856)
Increase in inventories	(11,247)	(9,440)	(6,485)
Increase in notes and accounts payable	1,297	4,126	4,517
Increase (decrease) in accrued consumption taxes	135	(200)	(420)
Insurance income	-	-	(1,775)
Other, net	(2,187)	(4,713)	(2,877)
	<u>(11,409)</u>	<u>(7,487)</u>	<u>3,603</u>
Interest and dividends received	282	256	496
Interest paid	(479)	(446)	(914)
Insurance received	-	-	2,115
Income taxes paid	(1,489)	(1,357)	(1,834)
Income taxes refunded	251	300	338
Net cash provided by (used in) operating activities	<u>(12,844)</u>	<u>(8,734)</u>	<u>3,804</u>
Cash flows from investing activities:			
Investments in time deposits	(70)	(86)	(209)
Proceeds from time deposits	117	106	329
Acquisitions of property, plant and equipment	(6,937)	(2,527)	(6,585)
Proceeds from sale of property, plant and equipment	250	818	2,013
Acquisitions of intangible assets	(121)	(127)	(376)
Payments for purchases of investment securities	(48)	(571)	(836)
Proceeds from sales of investment securities	20	189	810
Payments for purchases of new consolidated subsidiary's stock	-	(20)	(20)
Payments for purchases of consolidated subsidiary's stock	(293)	-	-
Disbursement of loans receivable	(888)	(687)	(1,552)
Collection of loans receivable	738	376	1,143
Other, net	316	52	(71)
Net cash used in investing activities	<u>(6,916)</u>	<u>(2,477)</u>	<u>(5,354)</u>
Cash flows from financing activities:			
Increase (decrease) in short-term bank loans, net	(1,289)	(650)	610
Proceeds from long-term debt	300	260	360
Repayments of long-term debt	(708)	(1,553)	(2,229)
Increase in commercial paper, net	9,000	-	-
Proceeds from bonds	10,100	-	-
Repayments of bonds	(10,000)	-	-
Payments for purchase of treasury stock	(5)	(6)	(16)
Dividends paid	(1,667)	(1,667)	(1,668)
Dividends paid to minority shareholders of consolidated subsidiaries	(8)	(7)	(7)
Net cash provided by (used in) financing activities	<u>5,723</u>	<u>(3,623)</u>	<u>(2,950)</u>
Effect of exchange rate changes on cash and cash equivalents	89	(13)	(21)
Net decrease in cash and cash equivalents	<u>(13,948)</u>	<u>(14,847)</u>	<u>(4,521)</u>
Cash and cash equivalents at beginning of year	24,098	28,619	28,619
Cash and cash equivalents at end of year	<u>¥ 10,150</u>	<u>¥ 13,772</u>	<u>¥ 24,098</u>

Note: This financial statements are unaudited.

NON-CONSOLIDATED BALANCE SHEETS

ITOHAM FOODS INC.-fiscal 2006 interim (Sep 30, 2005), fiscal 2005 interim (Sep 30, 2004) and fiscal 2005 (Mar 31, 2005)

ASSETS	Millions of yen		
	2006 interim	2005 interim	2005
Current assets:			
Cash and time deposits	¥ 3,955	¥ 6,079	¥ 16,593
Receivables:			
Trade notes and accounts	55,719	54,704	52,921
Other	981	876	873
Allowance for doubtful receivables	(34)	(68)	(81)
	<u>56,666</u>	<u>55,512</u>	<u>53,713</u>
Inventories	41,368	35,965	30,305
Other current assets	5,153	3,259	2,261
Total current assets	<u>107,142</u>	<u>100,815</u>	<u>102,872</u>
Investments and non-current assets:			
Investment securities	36,072	32,971	33,321
Long-term receivables	15,197	14,927	14,851
Other	12,960	12,262	12,366
Allowance for doubtful receivables	(5,153)	(4,276)	(4,848)
	<u>59,076</u>	<u>55,884</u>	<u>55,690</u>
Property, plant and equipment:			
Land	16,460	15,643	16,649
Buildings	15,631	15,687	16,082
Machinery	14,767	11,005	13,285
Other	2,082	2,072	2,145
	<u>48,940</u>	<u>44,407</u>	<u>48,161</u>
Intangible assets	978	985	1,078
	<u>¥ 216,136</u>	<u>¥ 202,091</u>	<u>¥ 207,801</u>

Note: This financial statements are unaudited.

LIABILITIES AND SHAREHOLDERS' EQUITY	Millions of yen		
	2006 interim	2005 interim	2005
Current liabilities:			
Commercial paper	¥ 9,000	¥ -	¥ -
Long-term debt due within one year	613	10,613	10,613
Trade notes and accounts payable	40,323	38,312	38,764
Income taxes payable	-	1,749	725
Other	13,875	11,122	15,287
Total current liabilities	<u>63,811</u>	<u>61,796</u>	<u>65,389</u>
Long-term liabilities:			
Long-term debt due after one year	27,620	18,233	17,862
Employees' severance and retirement benefits	-	197	196
Directors' and statutory auditors' retirement benefits	526	473	502
Other long-term liabilities	3,962	161	2,345
Total long-term liabilities	<u>32,108</u>	<u>19,064</u>	<u>20,905</u>
Shareholders' equity:			
Common stock	22,415	22,415	22,415
Capital surplus	24,021	24,021	24,020
Retained earnings	67,859	71,073	70,762
Net unrealized holding gains on securities	6,704	4,491	5,087
Treasury stock, at cost	(782)	(769)	(777)
Total shareholders' equity	<u>120,217</u>	<u>121,231</u>	<u>121,507</u>
	<u>¥ 216,136</u>	<u>¥ 202,091</u>	<u>¥ 207,801</u>

Note: This financial statements are unaudited.

NON-CONSOLIDATED STATEMENTS OF OPERATIONS

ITOHAM FOODS INC.-fiscal 2006 interim (Apr 1, 2005-Sep 30, 2005), fiscal 2005 interim (Apr 1, 2004-Sep 30, 2004) and fiscal 2005 (Apr 1, 2004-Mar 31, 2005)

	Millions of yen		
	2006 interim	2005 interim	2005
Net sales	¥ 214,160	¥ 209,484	¥ 422,292
Cost and expenses:			
Cost of sales	193,071	185,779	376,371
Selling, general and administrative expenses	22,658	21,582	44,621
Operating income (loss)	<u>(1,569)</u>	<u>2,123</u>	<u>1,300</u>
Other income	2,349	2,192	6,178
Other expenses	(2,838)	(1,237)	(3,994)
Income (loss) before income taxes	(2,058)	3,078	3,484
Provision for income taxes			
Current	(823)	1,193	142
Deferred	-	-	1,767
Net income (loss)	<u>¥ (1,235)</u>	<u>¥ 1,885</u>	<u>¥ 1,575</u>

Note: This financial statements are unaudited.

Forecast of non-consolidated operating results for the years ending March 31, 2006

	Millions of yen
	2006
Net sales	¥ 452,000
Operating loss	(4,300)
Net loss	(2,400)
	Yen
	2006
Net loss per share	¥ (11.52)

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.