

Consolidated Financial Release for The Year Ended March 31, 2002



NICHIMO CO., LTD.

BUSINESS REPORT

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1. Consolidated Financial Results for the Fiscal Year Ended March 31, 2002
 (April 1, 2001 through March 31, 2002)

(1) Consolidated Results of Operations

	Year ended March 31, 2002		Year ended March 31, 2001	
	Millions of yen	%	Millions of yen	%
Net Sales	102,495	-1.8	104,409	-0.9
Operating Income (loss)	(1,006)	-	37	-
Income (loss) before Extraordinary Items.....	(523)	-	79	-
	Year ended March 31, 2002		Year ended March 31, 2001	
Net Income (loss) (Millions of yen, %)	(5,349)	-	(316)	-
Net Income (loss) per Share (Yen)	(141.26)		(8.19)	
Diluted Net Income (loss) per Share (Yen)	-		-	
ROE (Ratio of Net Income (loss) to Shareholders' Equity) (%)		-27.5		-1.4
ROA (Ratio of Income (loss) before Extraordinary Items to Total Assets) (%)		-0.7		0.1
Profit Margin (Ratio of Income (loss) before Extraordinary Items to Net Sales) (%)		-0.5		0.1

Notes: [1] Equity in net income of the companies carried by the equity:

For the year ended March 31, 2002: 719 million yen

For the year ended March 31, 2001: 537 million yen

[2] Average number of shares outstanding (consolidated):

For the year ended March 31, 2002: 37,872,614 shares

For the year ended March 31, 2001: 38,711,696 shares

[3] Change in accounting policy: None

[4] Percentages above represent annual changes over the preceding year unless otherwise stated.

(2) Consolidated Financial Position

	Year ended March 31, 2002	Year ended March 31, 2001
Total Assets (Millions of yen)	67,099	75,868
Shareholders' Equity (Millions of yen)	16,551	22,286
Equity Ratio (Ratio of Shareholders' Equity to Total Assets) (%)	24.7	29.4
Shareholders' Equity per Share (Yen).....	437.05	588.44

Notes: Number of shares outstanding at year end (consolidated):

For the year ended March 31, 2002: 37,871,290 shares

For the year ended March 31, 2001: 37,873,441 shares

(3) Consolidated Cash Flows

	Year ended March 31, 2002	Year ended March 31, 2001
	Millions of yen	Millions of yen
Cash Flows from Operating Activities	191	(1,956)
Cash Flows from Investing Activities	349	(563)
Cash Flows from Financing Activities	(1,464)	1,416
Cash and Cash Equivalents at Year End	2,723	3,423

(4) Number of consolidated companies and companies accounted for under the equity method

The number of consolidated subsidiaries:	12
The number of unconsolidated subsidiaries accounted for under the equity method:	0
The number of affiliated companies accounted for under the equity method:	3

(5) Change in scope of consolidation

The number of consolidated companies added:	0
The number of consolidated companies removed:	1
The number of companies carried by the equity method added:	0
The number of companies carried by the equity method removed:	1

2. Projections of Consolidated Results of Operations for the Fiscal Year Ending March 31, 2003
(April 1, 2002 through March 31, 2003)

	Interim period	Full year
	Millions of yen	Millions of yen
Net Sales	51,000	106,000
Income before Extraordinary Items.....	150	500
Net Income	100	400

Reference: Expected net Income per Share (full year): 10.56 yen

* The above projections are based on information available as of the release date of this document. However, the actual results may differ from the figures as projected, due to one or more factors. For further details regarding the above projections, see page 4 of the attached document.

3 . Management Discussion and Analysis of Financial Condition and Results of Operations

(1) Overview of the Fiscal Year in Review

The weakness of the Japanese economy continued during the period in review, weighed down mainly by Japan's structural problems arising from a mountain of bad debt. Private capital investment declined due to uncertainties over the U.S. economy and a slump in IT investment, which kept unemployment at record high levels. Consumer spending also remained weak.

Amid the harsh economic environment our key operations in fisheries, seafood processing/logistics and foods continued to face difficulties due to declining marine resources, falling fish prices and a drop in consumption reflecting the economic recession. Responding to the challenges in the first year of its "Step 21" midterm business plan, the Nichimo Group stepped up its sales efforts in five strategic operating segments—Marine, Food, Machinery, Materials and Biotics—with the goal of improving its productivity and bolstering profitability.

The results of the Nichimo Group operations for the fiscal year in review are as described below:

Consolidated net sales for the Marine SBU decreased 2,075 million yen from the previous year to 17,983 million yen. Operating income dropped 677 million yen, recording a loss of 436 million yen, due partly to declining earnings from domestic operations and partly to a low growth experienced by subsidiaries in North America.

Specifically, our domestic fishing-nets/gear materials operations experienced higher demand for *nori* (dried seaweed) processing machines but a drop in demand for deep-sea and offshore fishing materials, aquaculture equipment and non-marine nets.

Net sales for our ships and ship equipment operations ended on par with the level recorded for the previous year, due to a rise in deferred-payment sales that offset the strong demand for ships and mechanical/electrical equipment. Orders for overseas trawl-fishing equipment and aquaculture equipment also dropped significantly.

Net sales for the Food SBU rose to 71,764 million yen, up 2,212 million yen from the previous year. However, operating income dropped 38 million yen to 1,285 million yen.

Specifically, net sales from the sale of surimi products saw favorable results, reflecting our efforts on behalf of expanded sales. In the area of fresh frozen seafood products operations, while the demand for pollock roe decreased, we continued to experience steady growth in demand for crabs and other products. As for processed food products operations, the group-wide effort to expand sales was fruitful.

Net sales for the Machinery SBU fell 1,653 million yen from the previous year to 4,460 million yen, due to the fact that businesses in the food-processing industry had cancelled or postponed capital spending. Operating income slipped 146 million yen over the previous year, recording a loss of 96 million yen.

Net sales for the Materials SBU amounted to 7,118 million yen, a drop of 404 million yen from the previous year. Although orders for packaging materials stayed on par with the level achieved in the previous year, in our synthetic resin operations orders for construction materials and film products used in these materials dropped as a result of falling housing construction. Operating income therefore declined 16 million yen to 88 million yen.

Net sales for the Biotics SBU rose 111 million yen to 851 million yen for the year in review. Despite a significant drop in orders for agricultural/stockbreeding materials, demand for fermented soybean products (isoflavone materials) rose. Isolacom, a house-brand health food launched

in June of last year, also experienced brisk sales. However, the Biotics SBU recorded an operating loss of 430 million yen, an increase of 229 million yen over the loss reported for the previous year, due to a rise in prior investments such as sales promotion, advertising and R&D expenses associated with health foods.

All in all, our consolidated net sales for the year in review amounted to 102,495 million yen, recording a drop of 1,914 million yen from the previous year.

Nichimo reported a consolidated operating loss of 1,006 million yen, compared with operating income of 1,043 million yen recorded for the previous year, due to an increase in sales promotion and advertising expenses for the launch of the Isolacom health-food product. Falling earnings from the Marine SBU and Machinery SBU also contributed to the shortfall.

Equity in net income of the companies carried by the equity for the year in review rose 182 million yen over the previous year to 719 million yen.

Nichimo therefore recorded a loss of 523 million yen before extraordinary items on a consolidated basis, a drop of 602 million yen from the figure for the previous year.

Nichimo reported an extraordinary loss totaling 4,074 million yen, consisting of 2,645 million yen in unrealized loss from the valuation of investment securities, including bank shares, 431 million yen in transfer to reserve for loan losses, 302 million yen in special retirement allowances paid as part of early retirement packages, 362 million yen in business-structure improvement expenses on behalf of increased productivity and business restructuring, and 217 million yen in unrealized loss from the valuation of fixed assets. Additionally, we recorded 682 million yen in deferred income taxes arising from the review of deferred tax assets. Overall, Nichimo recorded a consolidated net loss of 5,349 million yen for the year in review.

(2) Financial Position

Regarding the consolidated cash-flow results, operating activities generated a cash surplus of 191 million yen, an increase of 2,147 million yen from the previous year. Although trade receivables decreased 1,908 million yen and trade payables decreased 2,558 million yen, the impact was offset by 3,246 million yen in dividends received from the companies carried by the equity method.

Investing activities generated a cash surplus totaling 349 million yen, demonstrating an increase of 912 million yen from the previous year, while financing activities used cash amounting to 1,464 million yen, a decrease of 2,880 million yen over the previous year. The balance of borrowing and/or debt at the year end stood at 37,619 million yen.

Due to the above activities, cash and cash equivalents decreased 700 million yen to 2,723 million yen.

4. Outlook for the Coming Fiscal Year

The economic environment surrounding the fishery and food industries—the core segments of Nichimo Group operations—is becoming increasingly tough. Despite such challenging conditions, we will work to establish a strong profit base by positioning the next fiscal year ending March 31, 2003 as the “year of selection and consolidation” in our Step 21 midterm business plan.

In the Marine SBU we will complete the restructuring of overseas subsidiaries during the coming year. Nichimo will continue its restructuring effort in Japan to improve profitability in the segment.

In the Biotics SBU, with its high-value-added product offerings, we will strive to achieve the second-year sales targets for Isolacom and other products launched last year.

In the Food, Machinery and Materials SBUs we will also implement business strategies in order to meet the needs of our customers.

Through these and other efforts, Nichimo expects to report 106,000 million yen in consolidated net sales for the next fiscal year. Income before extraordinary items should rise to 500 million yen, with net income reaching 400 million yen.

5. Consolidated Financial Statements and Others

(1) Consolidated Financial Statements [1] CONSOLIDATED BALANCE SHEETS

<u>ASSETS</u>				(Millions of yen)
Item	Current consolidated fiscal year (March 31, 2002)	Previous consolidated fiscal year (March 31, 2001)	Increase (decrease)	
Current assets:	46,013	47,516	(1,503)	
Cash and cash equivalents	2,828	3,556	(728)	
Trade notes and accounts receivable	26,158	26,991	(833)	
Inventories	14,974	14,671	303	
Advance payments	950	895	55	
Short-term loans	659	778	(119)	
Deferred tax assets	42	670	(628)	
Other current assets	1,270	757	513	
Reserve for loan losses	(870)	(804)	(66)	
Fixed assets:	21,085	28,351	(7,266)	
Tangible fixed assets	6,346	6,732	(386)	
Buildings and structures	2,559	2,733	(174)	
Machinery, equipment and vehicles	1,132	1,349	(217)	
Tools, furniture and fixtures	131	154	(23)	
Land	2,475	2,448	27	
Construction in progress	47	47	0	
Intangible fixed assets	632	754	(122)	
Goodwill	464	564	(100)	
Other intangible fixed assets	168	190	(22)	
Investments and other assets	14,106	20,863	(6,757)	
Investment securities	5,120	9,140	(4,020)	
Shares in unconsolidated subsidiaries and affiliates	7,501	10,044	(2,543)	
Capital contributions to unconsolidated subsidiaries and affiliates	18	85	(67)	
Long-term loans	602	585	17	
Accounts receivable from entities under corporate reorganization	525	289	236	
Long-term deferred tax assets	174	-	174	
Other investments	969	1,049	(80)	
Reserve for loan losses	(806)	(331)	(475)	
Total assets	67,099	75,868	(8,769)	

LIABILITIES AND SHAREHOLDERS' EQUITY

(Millions of yen)

Item	Current consolidated fiscal year (March 31, 2002)	Previous consolidated fiscal year (March 31, 2001)	Increase (decrease)
(LIABILITIES)	50,521	53,539	(3,018)
Current liabilities:	48,734	51,230	(2,496)
Trade notes and accounts payable	10,286	12,923	(2,637)
Short-term borrowing	36,619	37,075	(456)
Accrued corporate income taxes	67	72	(5)
Bonus reserve	278	302	(24)
Advances received	948	466	482
Other current liabilities	533	389	144
Fixed liabilities:	1,787	2,309	(522)
Long-term debt	1,000	1,117	(117)
Reserve for directors' retirement benefits	389	424	(35)
Reserve for retirement benefits	283	394	(111)
Long-term deferred tax liabilities	-	266	(266)
Other fixed liabilities	113	106	7
(MINORITY INTEREST)	25	42	(17)
Minority interest	25	42	(17)
(SHAREHOLDERS' EQUITY)	16,551	22,286	(5,735)
Common stock	4,411	4,411	0
Additional paid-in capital	22	22	0
Retained earnings	11,373	16,937	(5,564)
Unrealized gain (loss) from valuation of other securities	419	957	(538)
Foreign currency translation adjustments	325	(42)	367
Treasury stock	(0)	(0)	0
Total liabilities, minority interest and shareholders' equity	67,099	75,868	(8,769)

[2] CONSOLIDATED STATEMENTS OF INCOME

(Millions of yen)

Item	Current consolidated fiscal year (April 1, 2001 through March 31, 2002)	Previous consolidated fiscal year (April 1, 2000 through March 31, 2001)	Increase (decrease)
Net sales	102,495	104,409	(1,914)
Cost of sales	95,025	96,100	(1,075)
Selling, general and administrative expenses	8,476	8,271	205
Operating income (loss)	(1,006)	37	(1,043)
Non-operating income	1,251	935	316
Interest received	99	100	(1)
Dividends received	83	117	(34)
Equity in net income of the companies carried by the equity	719	537	182
Other income	348	180	168
Non-operating expenses	768	893	(125)
Interest paid	709	856	(147)
Other expenses	59	37	22
Income (loss) before extraordinary items	(523)	79	(602)
Extraordinary gain	31	819	(788)
Gain on sales of investment securities	11	745	(734)
Gain on foreign exchange transactions of long-term foreign currency denominated receivables	-	48	(48)
Gain on sales of fixed assets	19	25	(6)
Extraordinary loss	4,074	1,351	2,723
Unrealized loss from valuation of investment securities	2,645	119	2,526
Loss on sales of investment securities	98	-	98
Loss on disposal of fixed assets	16	33	(17)
Unrealized loss from valuation of fixed assets	217	-	217
Special retirement allowances	302	-	302
Business-structure improvement expenses	362	108	254
Loss on transfer to reserve for loan losses	431	874	(443)
Loss on sales of golf memberships	-	32	(32)
Unrealized loss from valuation of golf memberships	0	183	(183)
Net income before income taxes and other adjustments	(4,567)	(453)	(4,114)
Corporate income taxes, resident taxes and enterprise taxes	114	96	18
Deferred income taxes	682	(228)	910
Minority interest in income (loss) of consolidated companies	(14)	(4)	(10)
Net income	(5,349)	(316)	(5,033)

[3] CONSOLIDATED STATEMENTS OF RETAINED EARNINGS

(Millions of yen)

Item	Current consolidated fiscal year (April 1, 2001 through March 31, 2002)	Previous consolidated fiscal year (April 1, 2000 through March 31, 2001)	Increase (decrease)
Consolidated retained earnings at beginning of year	16,937	17,564	(627)
Increase in retained earnings	1	16	(15)
Increase due to removal of companies from consolidation	1	-	1
Other earnings	-	16	(16)
Decrease in retained earnings	215	327	(112)
Cash dividends	189	194	(5)
Bonuses to Directors	26	8	18
Retirement of treasury stock through appropriation of retained earnings	-	124	(124)
Net income	(5,349)	(316)	(5,033)
Consolidated retained earnings at end of year	11,373	16,937	(5,564)

[4] CONSOLIDATED STATEMENTS OF CASH FLOWS

(Millions of yen)

Item	Current consolidated fiscal year (April 1, 2001 through March 31, 2002)	Previous consolidated fiscal year (April 1, 2000 through March 31, 2001)	Increase (decrease)
I. Cash flows from operating activities			
Net loss before income taxes and other adjustments	(4,567)	(453)	(4,114)
Depreciation and amortization	692	746	(54)
Change in bonus reserve	(24)	0	(24)
Change in reserve for retirement benefits	(145)	(105)	(40)
Change in reserve for loan losses	539	(639)	1,178
Interest and dividends received	(183)	(217)	34
Dividends received from companies carried by the equity method	3,246	921	2,325
Interest expenses	709	856	(147)
Gain/loss on foreign currency transactions	(89)	(48)	(41)
Equity in net income of the companies carried by the equity	(719)	(537)	(182)
Gain (loss) on sales of investment securities	86	(745)	831
Unrealized loss from valuation of investment securities	2,645	119	2,526
Gain on sales of tangible fixed assets	(19)	(25)	6
Loss on disposal of tangible fixed assets	16	33	(17)
Unrealized loss from valuation of tangible fixed assets	217	-	217
Change in trade receivables	1,908	(1,640)	3,548
Change in inventories	(45)	(1,077)	1,032
Change in trade payables	(2,558)	1,114	(3,672)
Change in bills discounted	(812)	(778)	(34)
Other, net	(103)	1,252	(1,355)
Subtotal	795	(1,224)	2,019
Interest and dividends received	254	217	37
Interest paid	(737)	(857)	120
Corporate income taxes paid	(120)	(92)	(28)
Net cash provided by (used in) operating activities	191	(1,956)	2,147
II. Cash flows from investing activities			
Payments for purchases of tangible fixed assets	(289)	(434)	145
Proceeds from sales of tangible fixed assets	33	27	6
Payments for purchases of investment securities	(14)	(1,705)	1,691
Proceeds from sales of investment securities	282	1,424	(1,142)
Payments of short-term loans	(556)	(1,918)	1,362
Proceeds from collections of short-term loans	705	1,781	(1,076)
Payments of long-term loans	(221)	(946)	725
Proceeds from collections of long-term loans	301	981	(680)
Other, net	107	227	(120)
Net cash provided by (used in) investing activities	349	(563)	912
III. Cash flows from financing activities			
Net change in short-term borrowing	186	1,250	(1,064)
Proceeds from long-term debt	45	1,311	(1,266)
Repayments of long-term debt	(1,514)	(1,510)	(4)
Cash dividends paid	(188)	(194)	6
Retirement of treasury stock	-	(124)	124
Other, net	6	684	(678)
Net cash provided by (used in) financing activities	(1,464)	1,416	(2,880)

IV. Effect of exchange rate changes on cash and cash equivalents	223	0	223
V. Change in cash and cash equivalents	(699)	(1,102)	403
VI. Cash and cash equivalents at beginning of year	3,423	4,525	(1,102)
VII. Cash and cash equivalents at end of year	2,723	3,423	(700)

6. Production Orders and Sales Revenues Statistics

(1) Sales revenues

(Millions of yen)

Operating segment	Current consolidated fiscal year (Apr. 1, 2001 through Mar. 31, 2002)	Previous consolidated fiscal year (Apr. 1, 2000 through Mar. 31, 2001)	Increase (decrease)	
	Amount	Amount	Amount	Percent
	Marine SBU	17,983	20,058	(2,075)
Food SBU	71,764	69,552	2,212	3.2
Machinery SBU	4,460	6,113	(1,653)	-27.0
Materials SBU	7,118	7,522	(404)	-5.4
Biotics SBU	851	740	111	15.0
Others	316	422	(106)	-25.1
Total	102,495	104,409	(1,914)	-1.8

(2) Purchase amounts

(Millions of yen)

Operating segment	Current consolidated fiscal year (Apr. 1, 2001 through Mar. 31, 2002)	Previous consolidated fiscal year (Apr. 1, 2000 through Mar. 31, 2001)	Increase (decrease)	
	Amount	Amount	Amount	Percent
	Marine SBU	12,264	14,856	(2,592)
Food SBU	66,791	65,308	1,483	2.3
Machinery SBU	3,081	4,122	(1,041)	-25.3
Materials SBU	6,931	7,221	(290)	-4.0
Biotics SBU	704	729	(25)	-3.4
Others	254	353	(99)	-28.0
Total	90,027	92,592	(2,565)	-2.8

7. Segment Information by Business Type

- (1) a. Nichimo is comprised of six distinct operating segments: Marine SBU, Food SBU, Machinery SBU, Materials SBU, Biotics SBU and Others. The Marine SBU develops and manufactures fishing materials for the fisheries industry, while the Food SBU handles seafood and the Machinery SBU manufactures machinery for food processing. The Materials SBU manufactures construction and packaging materials, and the Biotics SBU develops and markets fermented soybean products, Cofuna Rice™, agricultural and stockbreeding materials, and health foods. Others is engaged in the business of real estate leasing.
- b. Key products by operating segment

SBU	Sales categories	Key products
Marine	Fishing nets and gear	Trawling gear, pursue-seine net (round haul), materials for aquaculture
	Ships, ship equipment	Hull, ship equipment, ship accessories
Food	Surimi, fresh frozen food	Surimi, fresh fish, frozen fish, fish roe
	Processed food	Processed fillets, processed fish roe, smoked products
Machinery	Non-marine machines	Food processing machinery
Materials	Synthetic resin, packaging materials	Vinyl chloride sheets, cardboard, paper containers
Biotics	Agricultural and stockbreeding materials, fermented soybean products	Agricultural and stockbreeding materials, fermented soybean products, rice and other grain products, health foods
Others	Real estate leasing and other businesses	Real estate leasing

8. The Nichimo Group: Business Operations and Group Structure

(1) The primary business operations of the Nichimo Group are as described below:

Marine Business

Nichimo's subsidiaries manufacture fishing nets and other rope products, fabricate and repair fishing gear, and produce seedling fish and feed for aquaculture. The Company and its subsidiaries sell these products along with other fishing materials, aquaculture materials and ship equipment.

Food Business

The Company and its subsidiaries sell seafood products such as fresh frozen fish, fish roe and surimi as processed by subsidiaries or exported by overseas subsidiaries.

Machinery Business

The Company and its subsidiaries manufacture and sell machinery for food processing.

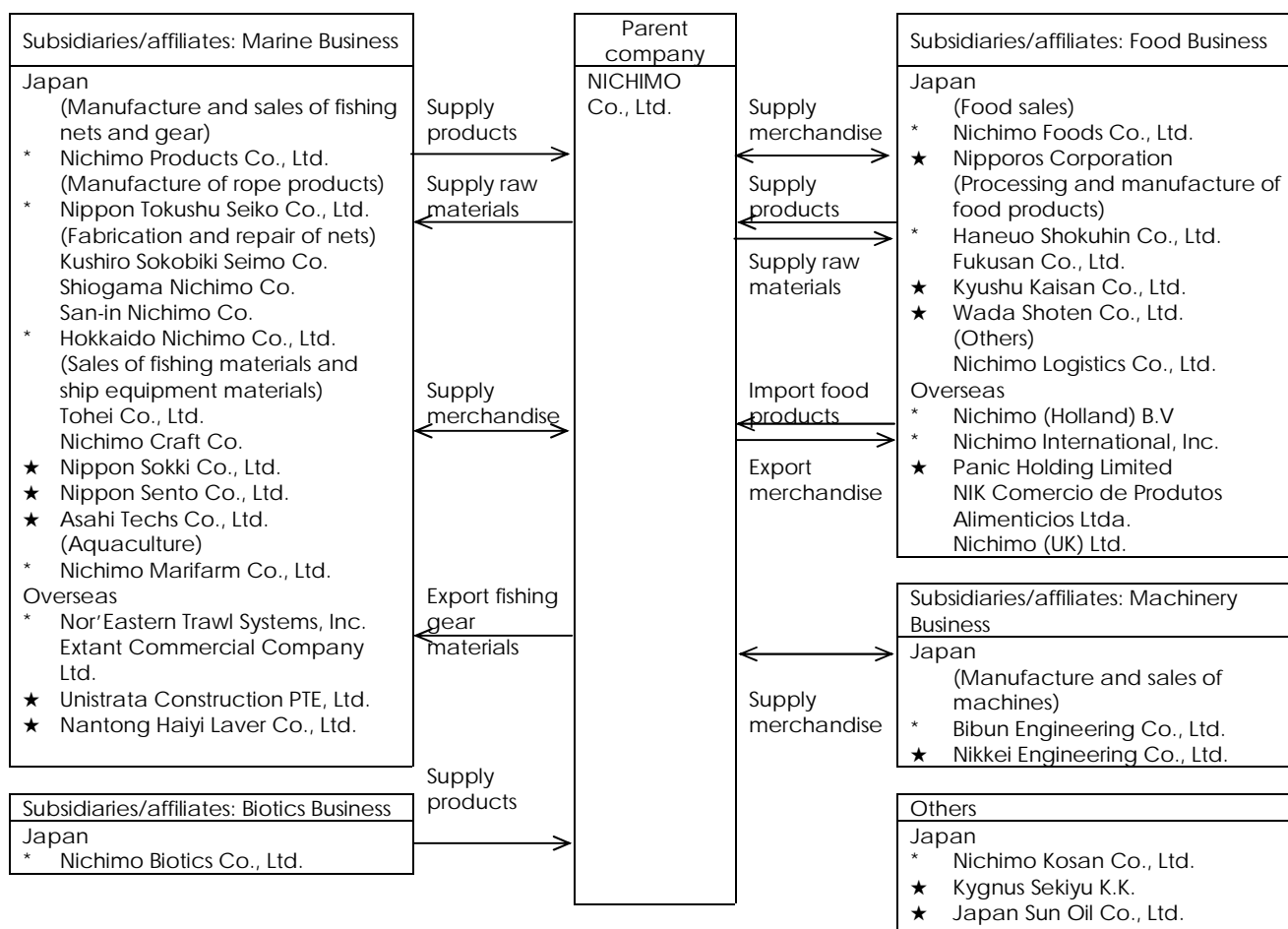
Materials Business

The Company sells synthetic resin and packaging materials.

Biotics Business

The Company sells fermented soybean products and health foods manufactured by subsidiaries, as well as agricultural materials.

(2) Group structure and intersegment functions



(Notes)

- * represents a consolidated subsidiary.
- ★ represents an affiliate.
- Those with no mark are unconsolidated subsidiaries.
- Among the affiliates, Kygnus Sekiyu, Japan Sun Oil and Nippon Sokki are accounted for under the equity method.

- e. Mori Seiko Co., Ltd. acquired Hakodate Nichimo and changed its trade name to Hokkaido Nichimo Co., Ltd.
- f. Kyushu Tekko Co., Ltd. went into liquidation.