

## Consolidated Financial Release for The Year Ended March 31, 2003



NICHIMO CO., LTD.

# BUSINESS REPORT

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### 1. Consolidated Financial Results for the Fiscal Year Ended March 31, 2003

(April 1, 2002 through March 31, 2003)

#### (1) Consolidated Results of Operations

	Year ended March 31, 2003		Year ended March 31, 2002	
	Millions of yen	%	Millions of yen	%
Net Sales .....	107,708	5.1	102,495	-1.8
Operating Income (loss) .....	416	-	(1006)	-
Income (loss) before Extraordinary Items .....	70	-	(523)	-
	Year ended March 31, 2003		Year ended March 31, 2002	
Net Income (loss) (Millions of yen, %) .....	(1,429)	-	(5,349)	-
Net Income (loss) per Share (Yen) .....		(37.80)		(141.26)
Diluted Net Income (loss) per Share (Yen) .....		-		-
ROE (Ratio of Net Income (loss) to Shareholders' Equity) (%) .....		-9.2		-27.5
ROA (Ratio of Income (loss) before Extraordinary Items to Total Assets) (%) .....		0.1		-0.7
Profit Margin (Ratio of Income (loss) before Extraordinary Items to Net Sales) (%) .....		0.1		-0.5

- Notes:
- [1] Equity in net income of the companies carried by the equity:  
 For the year ended March 31, 2003: 469 million yen  
 For the year ended March 31, 2002: 719 million yen
  - [2] Average number of shares outstanding (consolidated):  
 For the year ended March 31, 2003: 37,817,042 shares  
 For the year ended March 31, 2002: 37,872,614 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, 2003	Year ended March 31, 2002
Total Assets (Millions of yen) .....	67,637	67,099
Shareholders' Equity (Millions of yen) .....	14,537	16,551
Equity Ratio (Ratio of Shareholders' Equity to Total Assets) (%) .....	21.5	24.7
Shareholders' Equity per Share (Yen) .....	384.57	437.05

- Notes:
- Number of shares outstanding at year end (consolidated):  
 For the year ended March 31, 2003: 37,802,848 shares  
 For the year ended March 31, 2002: 37,871,290 shares

(3) Consolidated Cash Flows

	Year ended March 31, 2003	Year ended March 31, 2002
	Millions of yen	Millions of yen
Cash Flows from Operating Activities .....	(1,328)	191
Cash Flows from Investing Activities .....	185	349
Cash Flows from Financing Activities .....	3,401	(1,464)
Cash and Cash Equivalents at Year End .....	4,954	2,723

(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:	1
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:	0

2. Projections of Consolidated Results of Operations for the Fiscal Year Ending March 31, 2004  
(April 1, 2003 through March 31, 2004)

	Interim period	Full year
	Millions of yen	Millions of yen
Net Sales .....	48,000	106,000
Income (loss) before Extraordinary Items .....	(340)	460
Net Income (loss).....	(340)	410

Reference: Expected net Income per Share (full year): 8.99 yen

\* The figures have been rounded down to the nearest multiple of 1 million 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.

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

#### (1) Overview of the Fiscal Year in Review

Amid the harsh economic environment, our key operations in fisheries, seafood processing/logistics and foods continued to face difficulties due to declining marine resources caused by reckless hunting for fish around the world, falling market prices for fish, dwindling consumption and a structural problem of shrinking fishery communities. The Nichimo Group, responding to the challenges in the second year of its "Step 21" midterm business plan, therefore stepped up its sales efforts in five strategic operating segments (SBUs)—Marine, Food, Machinery, Materials and Biotics—and drove forward the reorganization of Group companies in order to bolster sales and improve earnings.

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

Consolidated net sales for the Marine SBU decreased approximately 335 million yen from the previous year to 17,648 million yen. Operating income increased 796 million yen, recording a profit of 360 million yen, due in part to recovery in earnings experienced by subsidiaries in North America, reflecting the business restructuring efforts in the region.

Specifically, our fishing-net/gear materials operations experienced higher demand for trawl nets, non-marine nets and *nori* (dried seaweed) processing machines. However, our ships and ship-equipment operations experienced a drop in demand for ships and mechanical/electrical equipment.

Consolidated net sales for the Food SBU grew strongly to 74,974 million yen, up 3,210 million yen from the previous year. Operating income also rose 188 million yen to 1,473 million yen.

Specifically, sales from *surimi* (ground fish meat) products grew, while fresh frozen seafood products operations saw strong results led by pollock roe and crab—our key products—and northern demersal fish. These results were more than enough to offset a decrease in sales of pouched tuna products in processed foods operations.

Net sales for the Machinery SBU grew approximately 1,476 million yen from the previous year to 5,936 million yen. This was due to increasing overseas demand, which reflected an effort to reverse the drop experienced in the previous period. Specifically, the Machinery SBU received rising orders for large facilities such as food-manufacturing lines, including factory construction. Operating income also increased 212 million yen over the previous year, recording a profit of 116 million yen.

Net sales for the Materials SBU amounted to 7,864 million yen, a jump of 746 million yen from the previous year. Although orders for packaging materials stayed on par with the previous year's level, our synthetic resin operations saw solid growth in orders for home construction materials and film products used in construction. Thus, operating income rose 44 million yen to 132 million yen.

Net sales for the Biotics SBU remained at 800 million yen, or nearly the same level achieved the previous year. Sales from agricultural/stockbreeding materials and grains both were somewhat sluggish, and fermented soybean products and health-food products failed to achieve their targets for sales growth. As a result, the Biotics SBU recorded an operating loss of 532 million yen, being unable to cover its earlier investment expenses.

All in all, our consolidated net sales for the fiscal year in review amounted to 107,700 million yen, recording an increase of around 5,200 million yen from the previous year. The Group reported a consolidated operating profit of 416 million yen, which is an increase of approximately 1,422 million yen compared with the previous loss-making year, as cost-cutting measures began to bear fruit. However, equity in net income of Group companies carried by the equity dropped to 469 million yen, down 250 million yen from the previous year. Income before extraordinary items rose just 593 million yen to 70 million yen, due to an increase in non-operating expenses.

The Group recorded extraordinary losses totaling 2,152 million yen, including 1,746 million yen in unrealized loss from valuation of investment securities such as bank shares, as calculated under the principles of market-value accounting, 151 million yen in loss on transfer to reserve for loan losses, and 178 million yen set aside for special retirement allowances required under the voluntary early-retirement scheme. Overall, the Group recorded a consolidated net loss of 1,429 million yen for the fiscal year in review.

## (2) Financial Position

Regarding the consolidated cash-flow results, net cash used for operating activities was 1,328 million yen. While trade receivables decreased 2,089 million yen, trade payables dropped 861 million yen and inventories rose at overseas subsidiaries due to early purchases of marine products. Increase in interest payments on loans also affected cash flow.

Net cash provided by investing activities was 185 million yen, representing a decrease of 164 million yen from the previous year, as proceeds from sales of fixed assets failed to cover payments of short-term loans and other expenses.

Net cash provided by financing activities was 3,401 million yen, up 4,865 million yen over the previous year. The balance of borrowing and debt at the year end stood at 41,060 million yen.

Cash and cash equivalents increased 2,231 million yen to 4,954 million yen due to the above activities.

	Year ended March 31, 2000	Year ended March 31, 2001	Year ended March 31, 2002	Year ended March 31, 2003
Equity ratio (%)	30.2	29.4	24.7	21.5
Equity ratio based on market value (%)	7.5	6.9	8.4	15.5
Number of debt repayment years	22.0	-	196.5	-
Interest coverage ratio	1.9	-	0.3	-

Equity ratio: Shareholder's equity / Total assets

Equity ratio based on market value: Total market value of outstanding shares / Total assets

Number of debt repayment years: Interest-bearing debt / Operating cash flow

Interest coverage ratio: Operating cash flow / Interest expenses

\* Each index is calculated from financial figures on a consolidated basis.

\* Total market value of outstanding shares is calculated by "Closing price of the Nichimo share at year end" x "Number of shares outstanding at year end (after deducting treasury stocks)."

\* Operating cash flow represents the cash from operating activities as reported in the Consolidated Statements of Cash Flows. Interest-bearing debt represents all debts reported in the Consolidated Balance Sheets that are subject to interest payments. Interest expenses are based on the amount of interest payable as reported in the Consolidated Statements of Cash Flows.

#### 4. Outlook for the Coming Fiscal Year

The economic environment surrounding the fishery and food industries—the core segments of Nichimo Group operations—as well as the machinery, materials and biotics industries continues to be tough. Despite such difficult conditions, we will work to bolster our sales capabilities and establish a strong profit base in the final year of our "Step 21" midterm business plan, which we will also position as a year that lays the foundation for our next three-year plan.

Turning to the Marine SBU, we will improve profitability by concentrating on fishing gear operations. The Food SBU will focus on increased profitability instead of pursuing an expansion in sales. In the Machinery, Materials and Biotics SBUs we will strive to reinforce our sales capabilities while reducing expenses to ensure a profit.

Through these and other efforts, Nichimo expects to report 106,000 million yen in consolidated net sales for the coming fiscal year. Income before extraordinary items should rise to 460 million yen, with net income reaching 410 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, 2003)	Previous consolidated fiscal year (March 31, 2002)	Increase (decrease)
Current assets:	48,973	46,013	2,960
Cash and cash equivalents	5,016	2,828	2,188
Trade notes and accounts receivable	25,507	26,158	(651)
Inventories	15,938	14,974	964
Advance payments	1,194	950	244
Short-term loans	965	659	306
Deferred tax assets	43	42	1
Other current assets	914	1,270	(356)
Reserve for loan losses	(606)	(870)	264
Fixed assets:	18,663	21,085	(2,422)
Tangible fixed assets	5,955	6,346	(391)
Buildings and structures	2,339	2,559	(220)
Machinery, equipment and vehicles	886	1,132	(246)
Tools, furniture and fixtures	133	131	2
Land	2,396	2,475	(79)
Construction in progress	198	47	151
Intangible fixed assets	488	632	(144)
Goodwill	339	464	(125)
Other intangible fixed assets	149	168	(19)
Investments and other assets	12,219	14,106	(1,887)
Investment securities	3,437	5,120	(1,683)
Shares in unconsolidated subsidiaries and affiliates	7,370	7,501	(131)
Capital contributions to unconsolidated subsidiaries and affiliates	56	18	38
Long-term loans	533	602	(69)
Accounts receivable from entities under corporate reorganization	597	525	72
Long-term deferred tax assets	148	174	(26)
Other investments	935	969	(34)
Reserve for loan losses	(860)	(806)	(54)
Total assets	67,637	67,099	538

## LIABILITIES AND SHAREHOLDERS' EQUITY

(Millions of yen)

Item	Current consolidated fiscal year (March 31, 2003)	Previous consolidated fiscal year (March 31, 2002)	Increase (decrease)
(LIABILITIES)	53,099	50,521	2,578
Current liabilities:	51,820	48,734	3,086
Trade notes and accounts payable	9,412	10,286	(874)
Short-term borrowing	39,698	36,619	3,079
Long-term debt payable within one year	1,017	-	1,017
Accrued corporate income taxes	68	67	1
Bonus reserve	239	278	(39)
Advances received	1,179	948	231
Other current liabilities	204	533	(329)
Fixed liabilities:	1,278	1,787	(509)
Long-term debt	344	1,000	(656)
Reserve for directors' retirement benefits	448	389	59
Reserve for retirement benefits	387	283	104
Other fixed liabilities	98	113	(15)
(MINORITY INTEREST)	0	25	(25)
Minority interest	0	25	(25)
(SHAREHOLDERS' EQUITY)	14,537	16,551	(2,014)
Common stock	4,411		4,411
Surplus capital	22		22
Retained earnings	9,748		9,748
Unrealized gain (loss) from valuation of other securities	358		358
Foreign currency translation adjustments	7		7
Treasury stock	(10)		(10)
Common Stock		4,411	(4,411)
Additional paid-in capital		22	(22)
Retained earnings		11,373	(11,373)
Unrealized gain (loss) from valuation of other securities		419	(419)
Foreign currency translation adjustments		325	(325)
Treasury stock		(0)	0
Total liabilities, minority interest and shareholders' equity	67,637	67,099	538

[2] CONSOLIDATED STATEMENTS OF INCOME

(Millions of yen)

Item	Current consolidated fiscal year (April 1, 2002 through March 31, 2003)	Previous consolidated fiscal year (April 1, 2001 through March 31, 2002)	Increase (decrease)
Net sales	107,708	102,495	5,213
Cost of sales	99,584	95,025	4,559
Selling, general and administrative expenses	7,706	8,476	(770)
Operating income (loss)	416	(1,006)	(1,422)
Non-operating income	790	1,251	(461)
Interest received	95	99	(4)
Dividends received	80	83	(3)
Equity in net income of the companies carried by the equity	469	719	(250)
Other income	144	348	(204)
Non-operating expenses	1,136	768	368
Interest paid	815	709	106
Other expenses	320	59	261
Income (loss) before extraordinary items	70	(523)	593
Extraordinary gain	768	31	737
Gain on sales of investment securities	-	11	(11)
Gain on sales of fixed assets	768	19	749
Extraordinary loss	2,152	4,074	(1,922)
Unrealized loss from valuation of investment securities	1,746	2,645	(899)
Loss on sales of investment securities	-	98	(98)
Loss on disposal of fixed assets	4	16	(12)
Loss on sales of fixed assets	3	-	3
Unrealized loss from valuation of fixed assets	-	217	(217)
Business-structure improvement expenses	44	362	(318)
Loss on transfer to reserve for loan losses	151	431	(280)
Special retirement allowances	178	302	(124)
Amortization expenses for golf memberships	23	0	23
Net income (loss) before income taxes and other adjustments	(1,313)	(4,567)	3,254
Corporate income taxes, resident taxes and enterprise taxes	67	114	(47)
Deferred income taxes	44	682	(638)
Minority interest in income (loss) of consolidated companies	4	(14)	18
Net income (loss)	(1,429)	(5,349)	3,920

### [3] CONSOLIDATED STATEMENTS OF RETAINED EARNINGS

(Millions of yen)

Item	Current consolidated fiscal year (April 1, 2002 through March 31, 2003)	Previous consolidated fiscal year (April 1, 2001 through March 31, 2002)	Increase (decrease)
<hr/>			
(Surplus capital)			
Surplus capital at beginning of year	22		22
Additional paid-in capital at beginning of year	22		22
<hr/>			
Surplus capital at end of year	22		22
(Retained earnings)			
Retained earnings at beginning of year	11,373		11,373
Consolidated retained earnings at beginning of year	11,373		11,373
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Decrease in Retained earnings	195		195
Cash dividends	189		189
Bonuses to Directors	6		6
Net income (loss)	(1,429)		(1,429)
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Retained earnings at end of year	9,748		9,748
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Consolidated retained earnings at beginning of year		16,937	(16,937)
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Increase in retained earnings		1	(1)
Increase due to removal of companies from consolidation		1	(1)
Other earnings		-	0
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Decrease in retained earnings		215	(215)
Cash dividends		189	(189)
Bonuses to Directors		26	(26)
Retirement of treasury stock through appropriation of retained earnings		-	0
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Net income (loss)		(5,349)	5,349
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Consolidated retained earnings at end of year		11,373	(11,373)

#### [4] CONSOLIDATED STATEMENTS OF CASH FLOWS

Item	(Millions of yen)		
	Current consolidated fiscal year (April 1, 2002 through March 31, 2003)	Previous consolidated fiscal year (April 1, 2001 through March 31, 2002)	Increase (decrease)
I. Cash flows from operating activities			
Net income before income taxes and other adjustments	(1,313)	(4,567)	3,254
Depreciation and amortization	550	692	(142)
Change in bonus reserve	(39)	(24)	(15)
Change in reserve for retirement benefits	162	(145)	307
Change in reserve for loan losses	(197)	539	(736)
Interest and dividends received	(176)	(183)	7
Dividends received from companies carried by the equity method	556	3,246	(2,690)
Interest expenses	815	709	106
Gain/loss on foreign currency transactions	124	(89)	213
Equity in net income of the companies carried by the equity	(469)	(719)	250
Gain (loss) on sales of investment securities	-	86	(86)
Unrealized loss from valuation of investment securities	1,746	2,645	(899)
Gain on sales of tangible fixed assets	(764)	(19)	(745)
Loss on disposal of tangible fixed assets	27	16	11
Unrealized loss from valuation of tangible fixed assets	-	217	(217)
Change in trade receivables	2,089	1,908	181
Change in inventories	(1,136)	(45)	(1,091)
Change in trade payables	(861)	(2,558)	1,697
Change in bills discounted	(1,526)	(812)	(714)
Other, net	(187)	(103)	(84)
Subtotal	(599)	795	(1,394)
Interest and dividends received	175	254	(79)
Interest paid	(838)	(737)	(101)
Corporate income taxes paid	(65)	(120)	55
Net cash provided by (used in) operating activities	(1,328)	191	(1,519)
II. Cash flows from investing activities			
Payments for purchases of tangible fixed assets	(337)	(289)	(48)
Proceeds from sales of tangible fixed assets	869	33	836
Payments for purchases of investment securities	(136)	(14)	(122)
Proceeds from sales of investment securities	-	282	(282)
Payments of short-term loans	(904)	(556)	(348)
Proceeds from collections of short-term loans	541	705	(164)
Payments of long-term loans	(244)	(221)	(23)
Proceeds from collections of long-term loans	220	301	(81)
Other, net	177	107	70
Net cash provided by (used in) investing activities	185	349	(164)
III. Cash flows from financing activities			
Net change in short-term borrowing	3,160	186	2,974
Proceeds from long-term debt	523	45	478
Repayments of long-term debt	(88)	(1,514)	1,426
Cash dividends paid	(190)	(188)	(2)
Other, net	(4)	6	(10)
Net cash provided by (used in) financing activities	3,401	(1,464)	4,865
IV. Effect of exchange rate changes on cash and cash equivalents	(26)	223	(249)
V. Change in cash and cash equivalents	2,231	(699)	2,930
VI. Cash and cash equivalents at beginning of year	2,723	3,423	(700)
VII. Cash and cash equivalents at end of year	4,954	2,723	2,231

## 6. Production Orders and Sales Revenues Statistics

### (1) Sales revenues

(Millions of yen)

Operating segment	Current consolidated fiscal year (Apr. 1, 2002 through Mar. 31, 2003)	Previous consolidated fiscal year (Apr. 1, 2001 through Mar. 31, 2002)	Increase (decrease)	
	Amount	Amount	Amount	Percent (%)
Marine SBU	17,648	17,983	(335)	-1.9
Food SBU	74,974	71,764	3,210	4.5
Machinery SBU	5,936	4,460	1,476	33.1
Materials SBU	7,864	7,118	746	10.5
Biotics SBU	870	851	19	2.2
Others	413	316	97	30.7
Total	107,708	102,495	5,213	5.1

### (2) Purchase amounts

(Millions of yen)

Operating segment	Current consolidated fiscal year (Apr. 1, 2002 through Mar. 31, 2003)	Previous consolidated fiscal year (Apr. 1, 2001 through Mar. 31, 2002)	Increase (decrease)	
	Amount	Amount	Amount	Percent (%)
Marine SBU	12,978	12,264	714	5.8
Food SBU	71,057	66,791	4,266	6.4
Machinery SBU	4,429	3,081	1,348	43.8
Materials SBU	7,513	6,931	582	8.4
Biotics SBU	643	704	(61)	-8.7
Others	336	254	82	32.3
Total	96,959	90,027	6,932	7.7

## 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 SBU

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 SBU

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 SBU

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

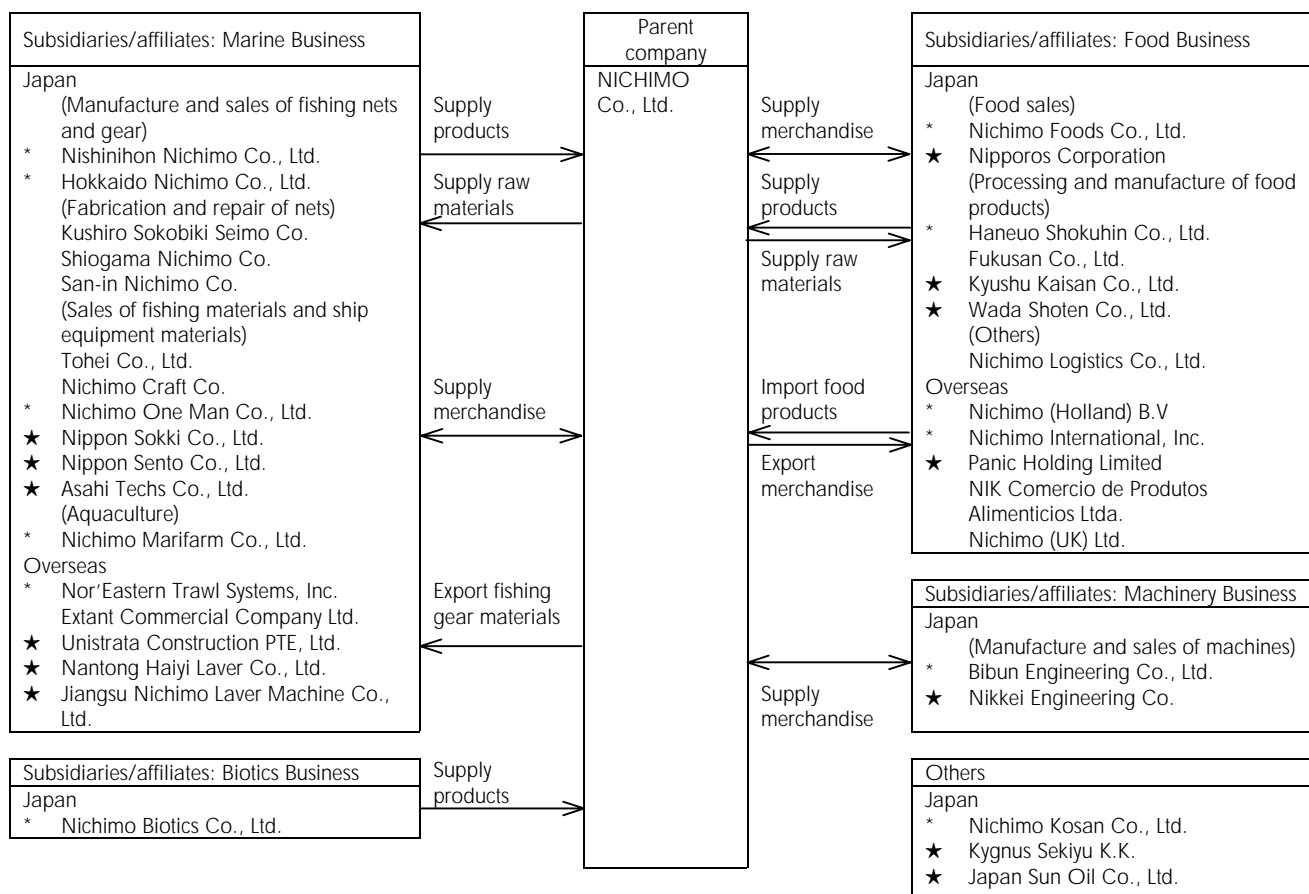
### Materials SBU

The Company sells synthetic resin and packaging materials.

### Biotics SBU

The Company sells fermented soybean products 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.
- Nichimo Products Co., Ltd. merged with Nippon Tokushu Seiko Co., Ltd. and changed its trade name to Nishinohon Nichimo Co., Ltd.
- Nichimo One Man Co., Ltd. is a new company established in September of 2002.