

Consolidated Financial Release for The Year Ended March 31, 2006



NICHIMO CO., LTD.

BUSINESS REPORT

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1. Consolidated Financial Results for the Fiscal Year Ended March 31, 2006 (April 1, 2005 through March 31, 2006)

(1) Consolidated Results of Operations

	Year ended March 31, 2006		Year ended March 31, 2005	
	Millions of yen	%	Millions of yen	%
Net Sales	106,088	3.9	102,100	-2.7
Operating Income (loss)	470	54.0	305	-42.3
Income (loss) before Extraordinary Items	240	-46.3	447	90.3

	Year ended March 31, 2006		Year ended March 31, 2005	
Net Income (loss) (Millions of yen, %)	184	-76.1	769	335.3
Net Income (loss) per Share (Yen)		5.33		20.65
Diluted Net Income (loss) per Share (Yen)		-		-
ROE (Ratio of Net Income (loss) to Shareholders' Equity) (%)		1.1		4.9
ROA (Ratio of Income (loss) before Extraordinary Items to Total Assets) (%)		0.4		0.8
Profit Margin (Ratio of Income (loss) before Extraordinary Items to Net Sales) (%)		0.2		0.4

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

For the year ended March 31, 2006: 88 million yen

For the year ended March 31, 2005: 111 million yen

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

For the year ended March 31, 2006: 33,975,891 shares

For the year ended March 31, 2005: 35,465,519 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, 2006	Year ended March 31, 2005
Total Assets (Millions of yen)	61,086	55,755
Shareholders' Equity (Millions of yen)	18,069	15,782
Equity Ratio (Ratio of Shareholders' Equity to Total Assets) (%)	29.6	28.3
Shareholders' Equity per Share (Yen)	531.81	462.75

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

For the year ended March 31, 2006: 33,971,063 shares

For the year ended March 31, 2005: 34,025,686 shares

(3) Consolidated Cash Flows

	Year ended March 31, 2006	Year ended March 31, 2005
	Millions of yen	Millions of yen
Cash Flows from Operating Activities	(2,699)	(368)
Cash Flows from Investing Activities	759	7,731
Cash Flows from Financing Activities	1,519	(7,582)
Cash and Cash Equivalents at Year End.....	2,436	2,776

- (4) Number of consolidated companies and companies accounted for under the equity method
- | | |
|--|----|
| The number of consolidated subsidiaries: | 14 |
| 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:	0
The number of companies carried by the equity method added:	1
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, 2007

(April 1, 2006 through March 31, 2007)

	Interim period	Full year
	Millions of yen	Millions of yen
Net Sales	50,000	110,000
Income (loss) before Extraordinary Items	(250)	400
Net Income (loss)	(250)	350

Reference: Expected Net Income per Share (full year): 10.30 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. Business Results and Financial Position

(1) Overview of Business Results

The Nichimo group, in the second year of its new 3-year business plan "Nichimo Luminescence" focused on maintaining profits in each of its five operating segments of Marine, Food, Machinery, Materials and Biotics, with the aim of ensuring aggressive business growth and improving results.

As a result of the above, the Nichimo group recorded sales of 106,000 million yen being a year-on-year increase of 3,988 million yen. Operating income was 240 million yen being a year-on-year decrease of 207 million yen.

As regards extraordinary gains and losses, gains of 915 million yen were recorded as a result of sales of investment securities. However with extraordinary losses totaling 843 million yen including 547 million yen for losses on a transfer to the reserve for loan loss, a net income of 184 million yen was recorded for this fiscal year.

A summary of the business for this consolidated fiscal year according to operations is as stated below:

Marine Operations

In the fishing net and fishing gear segments, while these were influenced by a lack of fishing in Russian waters and a reduction in the number of vessels, cooperation between the companies within the group and the penetration of regionally focused business activities resulted in a steady increase in sales. Further in the ship and machinery segments, sales grew due to increased orders for actual vessels as well as steel plates. In the aquaculture segment the regionally centered business model of Nichimo Mariculture Co., Ltd., a company formed by a split-off in the previous consolidated fiscal year, meant that we were able to achieve increased sales through new customer development and expansion of products.

Food Product Operations

In the *surimi* (fish paste) segment, against the background of continuing increases in the price of raw materials for imported products, sales revenues increased due to higher sales prices, a stable supply and expanded sales. In our main fresh frozen seafood products segment, due to an over emphasis on sales of pollock roe to processing companies, sales declined. However as regards crabs, centering on sales of live snow crab to seafood processors, a steady improvement in sales was recorded. In addition for frozen fish, by actively expanding our operations through measures such as increased handling of products from Russia and greater sales of raw materials and processed products not only in Japan but also to overseas markets, increased sales were recorded.

In the processed food products segment, in addition to increasing sales of processed tuna products for convenience stores, we continued to strive to develop new products and cultivate new markets.

Machinery Operations

Within Japan, sales decreased due to factors such as delays and reductions in scale in new plant construction that affected our one-stop plant ordering system that is central to comprehensive management operations. In terms of overseas operations, while sales of rice production plants to the U.S.A. grew steadily, there was sluggish growth in exports of tofu production plants and retort sterilizers for the Chinese market.

Materials Operations

In the synthetic resin segment, increased activity in the residential housing sector resulted in increased sales of our building material film. In addition in the manufacturing materials segment, while the cost of raw materials rose, active expansion of business activities resulted in across-the-board increases in sales for the segment.

Biotics Operations

In the health food segment, we concentrated on both consolidating and expanding our direct order sales route as well as those to department stores, pharmacies and clinics. As a result in particular, we achieved steady customer acquisition through our pharmacy and clinic sales routes. In the base materials segment, sales of raw materials for livestock and aquaculture feed additives increased.

As a result, sales for Biotics operations increased by 17% year-on-year to 481 million yen. While operating loss was 259 million yen, compared to the previous consolidated fiscal year, results improved by 23 million yen.

(2) Financial Position

Consolidated Cash Flows

In respect of cash flows from operating activities, accounts receivable decreased by 2,080 million yen while accounts payable increased by 454 million yen. The increase in inventories of food products by 3,341 million yen resulted in a result of minus 2,699 million yen being recorded.

In respect of cash flows from investment activities, sales of investment securities generated revenues of 693 million yen for a total gain of 759 million yen.

In respect of cash flows from financing activities, the increase in short-term borrowings by 2,371 million yen resulted in a figure of 1,519 million yen being recorded. Outstanding borrowings at the end of this fiscal year were 26,329 million yen.

	Year ended March 31, 2002	Year ended March 31, 2003	Year ended March 31, 2004	Year ended March 31, 2005	Year ended March 31, 2006
Equity ratio (%)	24.7	21.5	25.7	28.3	29.6
Equity ratio based on market value (%)	8.4	15.5	14.2	20.0	16.9
Number of debt repayment years	196.5	-	4.8	-	-
Interest coverage ratio	0.3	-	6.7	-	-

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

In fiscal year 2006, being the final year of our new 3-year business plan, for marine operations, we will expand the development of business activities within the group, the restructuring of which was completed in the previous fiscal year to strengthen cooperation between the companies in the Nichimo group and our locally orientated sales system. For food product operations, in addition to sales of our fresh and frozen products such as *surimi* (fish paste), crab, pollock roe, bottom fish and other fish products, we will expand our activities in the area of processed food products with high added value. In addition in our other operating segments of machinery, materials and biotics, we will continue our endeavors to expand sales and ensure a stable revenue base. As a result of the above, it is forecast that in the next consolidated fiscal period, there will be consolidated sales of 110,000 million yen, a consolidated ordinary income of 400 million yen and consolidated net income of 350 million yen.

5. Consolidated Financial Statements

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

<u>ASSETS</u>			
(Millions of yen)			
Item	Current consolidated fiscal year (March 31, 2006)	Previous consolidated fiscal year (March 31, 2005)	Increase (decrease)
Current assets:	43,334	41,152	2,182
Cash and cash equivalents	2,844	3,256	(412)
Trade notes and accounts receivable	20,084	20,168	(84)
Inventories	18,913	15,487	3,426
Advance payments	1,566	1,488	78
Short-term loans	24	16	8
Deferred tax assets	13	27	(14)
Other current assets	632	1,462	(830)
Reserve for loan losses	(744)	(754)	10
Fixed assets:	17,751	14,603	3,148
Tangible fixed assets	4,699	4,755	(56)
Buildings and structures	1,847	1,882	(35)
Machinery, equipment and vehicles	524	512	12
Tools, furniture and fixtures	80	68	12
Land	2,004	2,292	(288)
Construction in progress	242	-	242
Intangible fixed assets	614	348	266
Goodwill	557	285	272
Other intangible fixed assets	57	62	(5)
Investments and other assets	12,437	9,498	2,939
Investment securities	9,653	6,469	3,184
Shares in unconsolidated subsidiaries and affiliates	1,813	1,505	308
Capital contributions to unconsolidated subsidiaries and affiliates	54	54	0
Long-term loans	252	320	(68)
Accounts receivable from entities under corporate reorganization	1,293	3,298	(2,005)
Other investments	729	1,137	(408)
Reserve for loan losses	(1,360)	(3,286)	1,926
Total assets	61,086	55,755	5,331

LIABILITIES AND SHAREHOLDERS' EQUITY

(Millions of yen)

Item	Current consolidated fiscal year (March 31, 2006)	Previous consolidated fiscal year (March 31, 2005)	Increase (decrease)
(LIABILITIES)	43,008	39,964	3,044
Current liabilities:	36,237	33,222	3,015
Trade notes and accounts payable	10,716	10,259	457
Short-term borrowing	22,551	20,180	2,371
Bonds and notes redeemable within one year	20	20	0
Long-term debt payable within one year	857	339	518
Accrued corporate income taxes	59	71	(12)
Advances received	951	1,099	(148)
Bonus reserve	340	235	105
Reserve for business structure improvement	143	627	(484)
Other current liabilities	597	388	209
Fixed liabilities:	6,771	6,742	29
Bonds and notes issued	50	70	(20)
Long-term debt	2,920	3,904	(984)
Reserve for directors' retirement benefits	340	290	50
Reserve for retirement benefits	403	407	(4)
Long-term deferred tax liabilities	2,850	1,526	1,324
Other fixed liabilities	206	542	(336)
(MINORITY INTEREST)	8	8	0
Minority interest	8	8	0
(SHAREHOLDERS' EQUITY)	18,069	15,782	2,287
Common stock	4,411	4,411	0
Surplus capital	22	22	0
Retained earnings	10,350	10,315	35
Unrealized gain (loss) from valuation of other securities	4,418	2,447	1,971
Foreign currency translation adjustments	(17)	(306)	289
Treasury stock	(1,115)	(1,107)	(8)
Total liabilities, minority interest and shareholders' equity	61,086	55,755	5,331

[2] CONSOLIDATED STATEMENTS OF INCOME

(Millions of yen)

Item	Current consolidated fiscal year (April 1, 2005 through March 31, 2006)	Previous consolidated fiscal year (April 1, 2004 through March 31, 2005)	Increase (decrease)
Net sales	106,088	102,100	3,988
Cost of sales	97,918	94,431	3,487
Selling, general and administrative expenses	7,699	7,363	336
Operating income (loss)	470	305	165
Non-operating income	463	997	(534)
Interest received	118	60	58
Dividends received	79	630	(551)
Equity in net income of the companies carried by the equity method	88	111	(23)
Other income	176	195	(19)
Non-operating expenses	693	855	(162)
Interest paid	627	820	(193)
Other expenses	66	35	31
Income (loss) before extraordinary items	240	447	(207)
Extraordinary gain	915	6,138	(5,223)
Gain on sales of fixed assets	92	7	85
Gain on sales of investment securities	616	42	574
Reversal of reserve for business structure improvement	206	-	206
Gain on sales of securities of group companies	-	6,088	(6,088)
Extraordinary loss	843	5,737	(4,894)
Loss on transfer to reserve for loan losses	547	2,918	(2,371)
Business-structure improvement expenses	-	1,107	(1,107)
Loss on valuation of fixed assets	-	780	(780)
Loss on sales of fixed assets	31	15	16
Loss on disposal of fixed assets	3	45	(42)
Loss on inventory clearance	184	763	(579)
Loss on liquidation of group companies	-	69	(69)
Unrealized loss from valuation of golf memberships	77	22	55
Special retirement allowances	-	14	(14)
Net income (loss) before income taxes and other adjustments	312	848	(536)
Corporate income taxes, resident taxes and enterprise taxes	133	48	85
Deferred income taxes	(5)	30	(35)
Minority interest in income (loss) of consolidated companies	-	-	0
Net income (loss)	184	769	(585)

[3] CONSOLIDATED STATEMENTS OF RETAINED EARNINGS

(Millions of yen)

Item	Current consolidated fiscal year (April 1, 2005 through March 31, 2006	Previous consolidated fiscal year (April 1, 2004 through March 31, 2005)	Increase (decrease)
<hr/> (Surplus capital)			
Surplus capital at beginning of year	22	22	0
Surplus capital at end of year	22	22	0
<hr/> (Retained earnings)			
Retained earnings at beginning of year	10,315	9,732	583
Increase in retained earnings	412	769	(357)
Increase by number of the companies carried by the equity method increased	228	-	228
Net income (loss)	184	769	(585)
Decrease in retained earnings	377	186	191
Cash dividends	340	178	162
Bonuses to Directors	36	7	29
Retained earnings at end of year	10,350	10,315	35

[4] CONSOLIDATED STATEMENTS OF CASH FLOWS

(Millions of yen)

Item	Current consolidated fiscal year (April 1, 2005 through March 31, 2006)	Previous consolidated fiscal year (April 1, 2004 through March 31, 2005)	Increase (decrease)
I. Cash flows from operating activities			
Net income before income taxes and other adjustments	312	848	(536)
Depreciation and amortization	345	297	48
Change in bonus reserve	103	52	51
Change in reserve for business structure improvement	(206)	627	(833)
Change in reserve for retirement benefits	45	(22)	67
Change in reserve for loan losses	(1,949)	2,445	(4,394)
Interest and dividends received	(198)	(690)	492
Dividends received from companies carried by the equity method	59	57	2
Interest expenses	627	820	(193)
Gain/loss on foreign currency transactions	(1)	(1)	0
Equity in net income of the companies carried by the equity method	(88)	(111)	23
Gain/loss on sales of investment securities	(616)	(6,130)	5,514
Gain/loss on sales of tangible fixed assets	(61)	8	(69)
Loss on disposal of tangible fixed assets	3	45	(42)
Loss on valuation of fixed assets	-	780	(780)
Unrealized loss from valuation of golf memberships	77	22	55
Inventory clearance	184	763	(579)
Loss on liquidation of group companies	-	69	(69)
Change in trade receivables	2,080	2,115	(35)
Change in inventories	(3,341)	(2,100)	(1,241)
Change in trade payables	454	54	400
Change in bills discounted	56	12	44
Other, net	1	(192)	193
Subtotal	(2,112)	(228)	(1,884)
Interest and dividends received	191	692	(501)
Interest paid	(633)	(791)	158
Corporate income taxes paid	(146)	(40)	(106)
Net cash provided by (used in) operating activities	(2,699)	(368)	(2,331)
II. Cash flows from investing activities			
Time deposit	(2)	(514)	512
Time deposit withdrawal	93	83	10
Payments for purchases of tangible/intangible fixed assets	(929)	(428)	(501)
Proceeds from sales of tangible/intangible fixed assets	516	20	496
Payments for purchases of investment securities	(16)	(265)	249
Proceeds from sales of investment securities	693	8,644	(7,951)
Payments of short-term loans	(1,393)	(1,072)	(321)
Proceeds from collections of short-term loans	1,385	1,125	260
Payments of long-term loans	(67)	(114)	47
Proceeds from collections of long-term loans	147	426	(279)
Other, net	331	(172)	503
Net cash provided by (used in) investing activities	759	7,731	(6,972)
III. Cash flows from financing activities			
Net change in short-term borrowing	2,371	(9,931)	12,302
Proceeds from long-term debt	174	3,175	(3,001)

Repayments of long-term debt	(664)	(195)	(469)
Company bonds issuance	-	100	(100)
Redemption of Company Bonds	(20)	(10)	(10)
Cash dividends paid	(340)	(178)	(162)
Purchase of treasury stock	(3)	(541)	538
Net cash provided by (used in) financing activities	(1,519)	(7,582)	9,101
IV. Effect of exchange rate changes on cash and cash equivalents	81	(24)	105
V. Change in cash and cash equivalents	(340)	(244)	(96)
VI. Cash and cash equivalents at beginning of year	2,776	3,020	(244)
VII. Cash and cash equivalents at end of year	2,436	2,776	(340)

6. Production Orders and Sales Revenues Statistics

(1) Sales revenues

(Millions of yen)

Operating segment	Current consolidated fiscal year (Apr. 1, 2005 through Mar. 31, 2006)	Previous consolidated fiscal year (Apr. 1, 2004 through Mar. 31, 2005)	Increase (decrease)	
	Amount	Amount	Amount	Percent (%)
	Marine SBU	14,260	13,471	789
Food SBU	74,535	71,907	2,628	3.7
Machinery SBU	6,213	6,446	(233)	-3.6
Materials SBU	10,468	9,551	917	9.6
Biotics SBU	481	410	71	17.3
Others	130	311	(181)	-58.2
Total	106,088	102,100	3,988	3.9

(2) Purchase amounts

(Millions of yen)

Operating segment	Current consolidated fiscal year (Apr. 1, 2005 through Mar. 31, 2006)	Previous consolidated fiscal year (Apr. 1, 2004 through Mar. 31, 2005)	Increase (decrease)	
	Amount	Amount	Amount	Percent (%)
	Marine SBU	10,285	9,691	594
Food SBU	72,498	70,104	2,394	3.4
Machinery SBU	3,486	4,845	(1,359)	-28.0
Materials SBU	10,046	9,110	936	10.3
Biotics SBU	208	151	57	37.7
Others	35	473	(438)	-92.6
Total	96,560	94,376	2,184	2.3

7. Segment Information by Business Type

(1) a. Nichimo is comprised of five distinct operating segments—Marine SBU, Food SBU, Machinery SBU, Materials SBU and Biotics SBU—and other business operations. 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 develops and markets Cofuna Rice™ and agricultural and stockbreeding materials. The Biotics SBU develops and markets fermented soybean products and health foods. We are also engaged in the business of real-estate leasing as part of other business operations.

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, agricultural and stockbreeding materials	Vinyl chloride sheets, cardboard, paper containers, agricultural and stockbreeding materials, rice and other grain products
Biotics	Fermented soybean products	Fermented soybean products, health foods
Other business operation	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.

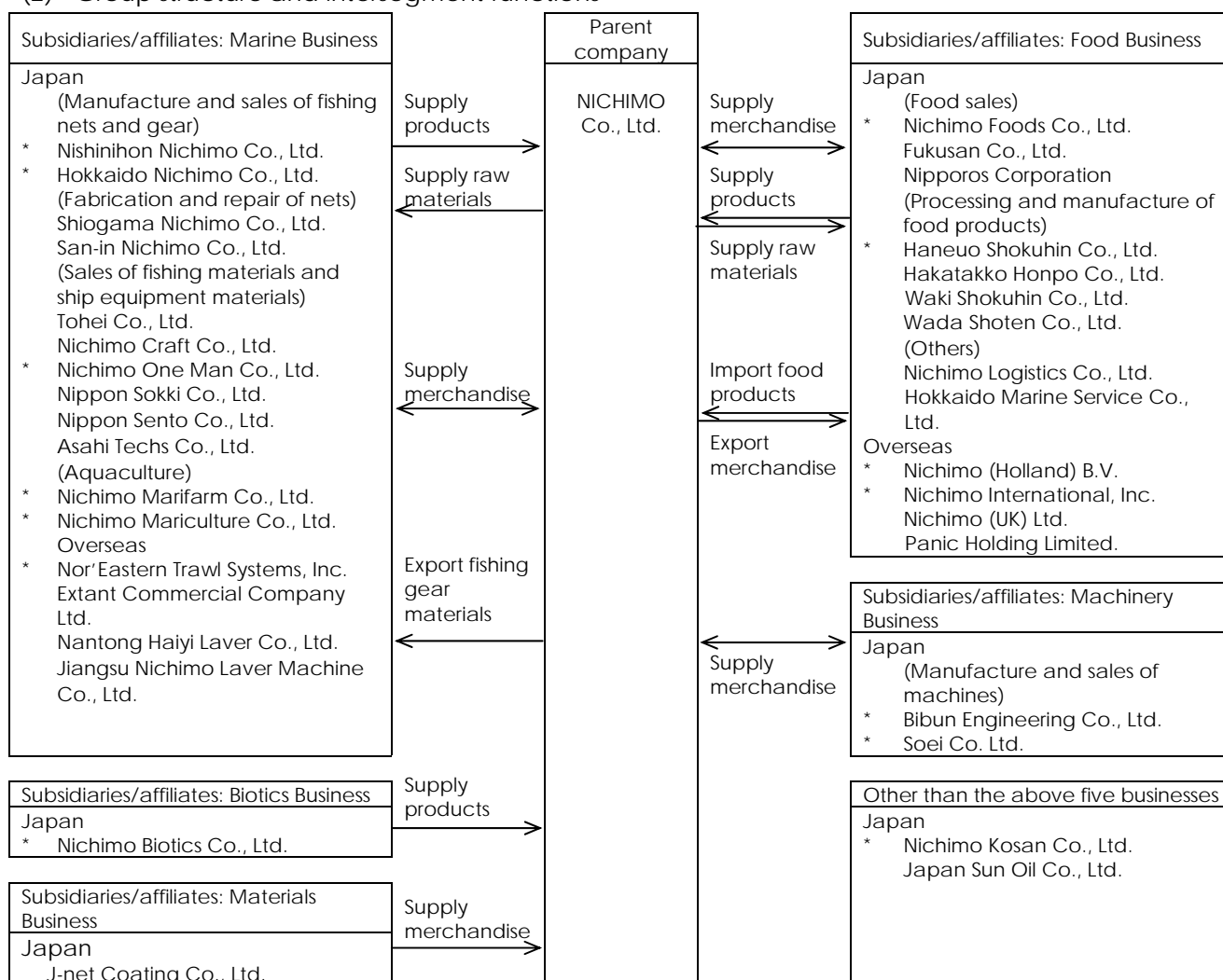
Materials SBU

The Company sells synthetic resin, packaging materials and agricultural materials.

Biotics SBU

The Company sells fermented soybean products manufactured by subsidiaries.

(2) Group structure and intersegment functions



(Notes)

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