TOYO SUISAN

T O Y O S U I S A N

Annual Report 2001

PROFILE

Established in 1953, Toyo Suisan Kaisha, Ltd. specializes in the development, production and marketing of frozen fish, instant noodles and a variety of other processed foods. By providing consumers with high-quality foods, the company strives to enhance its reputation. The company also invests a lot of effort in researching trends in consumer dietary habits and responding to any opportunities identified with new, innovative products.

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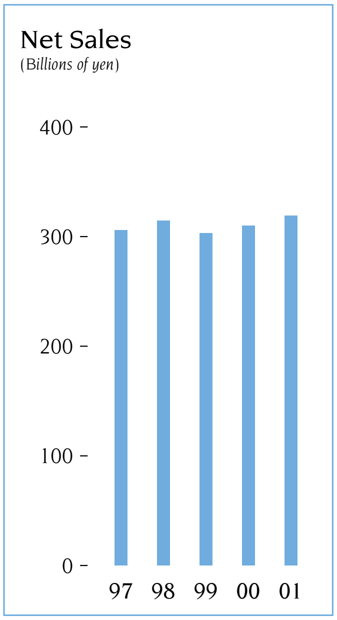
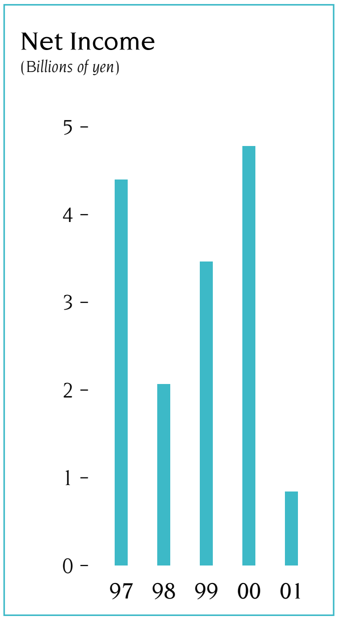
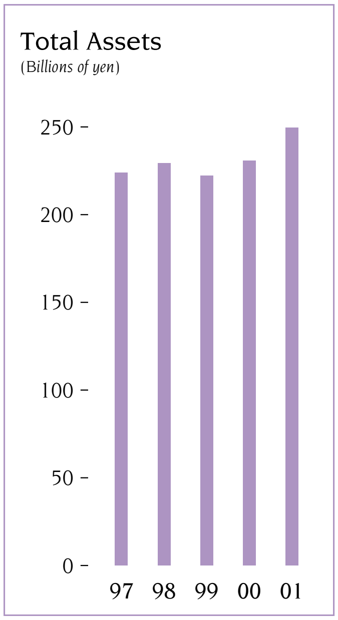
CONSOLIDATED FINANCIAL HIGHLIGHTS

For the years ended March 31	Millions of yen 2000	Millions of yen 2001	Thousands of U.S. dollars 2001
Net sales	¥309,822	**¥319,036**	**$2,574,947**
Operating income	15,991	**16,296**	**131,525**
Net income	4,781	**842**	**6,796**
Total assets (as of March 31)	230,763	**249,431**	**2,013,164**
Shareholders' equity (as of March 31)	96,239	**91,898**	**741,711**
Per share of common stock (Yen and U.S. dollars):			
Net income	¥43.5	**¥ 8.1**	**$0.065**
Cash dividends	12.0	**12.0**	**0.097**

Note: U.S. Dollar amounts represent translation of Japanese yen, for convenience only, at the rate of ¥123.90=US$1, the rate prevailing at March 31, 2001.







Fiscal 2001, ended March 31, 2001, was another difficult year for the Japanese economy. Although capital expenditure was healthy, fueled by active IT-related companies, personal consumption remained sluggish. The sudden slowing of the U.S. economy from the beginning of the year, and falling stock prices in Japan have further hampered a recovery, increasing uncertainty in the market.

Overseas, the U.S. economy entered a correctional phase after a long period of sustained growth. Asian economies, meanwhile, were hurt by the U.S. slowdown and a depreciating yen.

The Japanese food industry was characterized by falling product prices brought on by increasing competition. It was also a year in which greater social responsibility was demanded of companies operating in the industry. These calls were prompted by heightened consumer consciousness concerning product safety, following a spate of food-poisoning and food-tampering incidents.

Against this backdrop, we focused on quality control to raise product safety. We also worked to reduce costs, and conducted aggressive sales activities.

FISCAL 2001 BUSINESS RESULTS

Seafood Division

In this division, we concentrated on product areas where we excel, boosted sales of value-added processed products and increased efficiency through tighter inventory management. However, as a result of weak personal consumption, divisional net sales fell 6.9% to ¥69,178 million (US$558.3 million).

Processed Foods Division

During the year, demand for packaged rice dropped off following unusually high demand spurred by Y2K (Year 2000 Problem) concerns in the previous fiscal year. Nevertheless, demand for our core products—instant noodles, fresh noodles, frozen foods, chilled foods and other processed foods—was strong. Continued growth in sales of instant noodles in the U.S. and a weaker yen, in particular, combined to lift net sales 7.3% to ¥224,779 million (US$1,814.2 million).

Cold-Storage Division

In the Cold-Storage Division, customer streamlining of inventories continued to hamper growth. However, we were able to punctuate a gradual decline in individual fees following a greater demand for our services. We also continued to make headway in the related business areas of customs and other transportation businesses, which helped lift divisional net sales 7.4% to ¥12,861 million (US$103.8 million).

Other Businesses Division

The manufacture and sale of cosmetics and the leasing of real estate are the main businesses of this division. Withdrawal from the unprofitable business of golf and other sports accessories during the previous fiscal year resulted in a 13.3% fall in divisional net sales to ¥12,216 million (US$98.6 million). Earnings rose, however, due to the absence of a one-off extraordinary loss resulting from this withdrawal that was booked in the previous fiscal year.

As a result of the foregoing, total net sales rose 3.0% to ¥319,036 million (US$2,574.9 million), with operating income climbing 1.9% to ¥16,296 million (US$131.5 million). Non-operating expenses included a ¥9,696 million charge for past service cost shortfalls, a ¥2,646 million write-down of investments in securities, and a ¥1,259 million provision for doubtful accounts. Consequently, net income for the year fell 82.4% to ¥842 million (US$6.8 million).

Year-end cash dividends were ¥12 (US$0.097) in line with our policy of paying stable dividends to shareholders. This was the same level as the previous year.

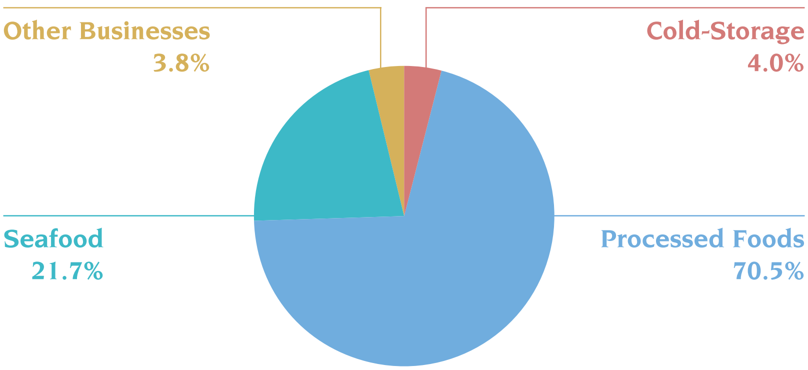
OUTLOOK

A difficult operating environment is expected to continue in fiscal 2002. The slowdown in the U.S. economy is clouding economic prospects, perpetuating employment concerns in Japan and undermining consumer confidence. At the same time, the deflationary mood in our industry is expected to prevail both in Japan and overseas. In this climate, we will dedicate our efforts to developing products that match consumer needs and muster the collective strengths of the Group to enhance brand equity with the goal of increasing our market share. These efforts should drive growth on our top line. Concurrently, we will remain focused on reducing production costs and trimming expenses.

Teruaki Hashimoto

President

SALES COMPOSITION



Seafood

Sales of seafood products declined 6.9% to ¥69,178 million (US$558.3 million).

Other Businesses

Sales in this division fell 13.3% to ¥12,216 million (US$98.6 million), due to a withdrawal from the sale of golf and other sports accessories.

Cold-Storage

Sales increased 7.4% to ¥12,861 million (US$103.8 million).

Processed Foods

Sales in this division climbed 7.3% to ¥224,779 million (US$1,814.2 million).

FINANCIAL SECTION

TOYO SUISAN KAISHA, LTD. AND ITS SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS

As of March 31, 2000 and 2001

	Millions of yen		Thousands of U.S. dollars (Note 3)
ASSETS	2000	**2001**	**2001**
Current Assets:			
Cash on hand and in banks	¥ 35,405	**¥ 48,011**	**$ 387,498**
Marketable securities (Note 4)	12,819	**129**	**1,041**
Notes and accounts receivable			
Trade	40,552	**45,507**	**367,288**
Unconsolidated subsidiaries and affiliates	1,187	**1,007**	**8,127**
Other	2,278	**2,798**	**22,583**
Less: Allowance for doubtful accounts	(201)	**(1,157)**	**(9,338)**
	43,816	**48,155**	**388,660**
Inventories	20,004	**20,961**	**169,177**
Deferred income tax assets	1,372	**1,463**	**11,808**
Other current assets	1,257	**1,598**	**12,897**
Total current assets	114,673	**120,317**	**971,081**
Property, Plant and Equipment:			
Buildings and structures	80,966	**84,725**	**683,817**
Machinery and equipment	67,876	**73,929**	**596,683**
	148,842	**158,654**	**1,280,500**
Less: Accumulated depreciation	(86,340)	**(95,092)**	**(767,490)**
	62,502	**63,562**	**513,010**
Land	32,792	**33,576**	**270,993**
Construction in progress	368	**1,207**	**9,742**
Total property, plant and equipment	95,662	**98,345**	**793,745**
Investments and Advances:			
Investments in and advances to unconsolidated subsidiaries and affiliates	4,720	**4,254**	**34,334**
Investments in securities (Notes 4 and 6)	8,203	**18,110**	**146,166**
Deferred income tax assets	610	**4,513**	**36,425**
Other investments and advances	2,605	**1,852**	**14,948**
Less: Allowance for doubtful accounts	(19)	**(294)**	**(2,373)**
Total investments and advances	16,119	**28,435**	**229,500**
Deferred Charges and Other Assets	2,316	**2,334**	**18,838**
Adjustments on Foreign Currency Translation	1,993	**–**	**–**
Total assets	¥230,763	**¥249,431**	**$2,013,164**

The accompanying notes are an integral part of the statements.

LIABILITIES AND SHAREHOLDERS' EQUITY	Millions of yen 2000	Millions of yen 2001	Thousands of U.S. dollars (Note 3) 2001
Current Liabilities:			
Short-term bank loans (Note 6)	¥ 17,923	**¥ 16,491**	**$ 133,099**
Current maturities of long-term debt (Note 6)	11,576	**31,069**	**250,759**
Accounts and notes payable			
Trade	20,464	**21,034**	**169,766**
Unconsolidated subsidiaries and affiliates	591	**330**	**2,663**
Other	589	**1,206**	**9,734**
	21,644	**22,570**	**182,163**
Income taxes payable	1,831	**2,906**	**23,455**
Accrued expenses	14,639	**16,459**	**132,841**
Deferred income tax liabilities	–	**6**	**48**
Other current liabilities	1,005	**791**	**6,384**
Total current liabilities	68,618	**90,292**	**728,749**
Long-Term Liabilities:			
Long-term debt (Note 6)	45,796	**34,724**	**280,258**
Deferred income tax liabilities	1,833	**1,885**	**15,214**
Reserve for retirement benefits			
–for employees	10,892	**20,840**	**168,200**
–for officers	424	**795**	**6,417**
Other long-term liabilities	–	**12**	**97**
Total long-term liabilities	58,945	**58,256**	**470,186**
Total liabilities	127,563	**148,548**	**1,198,935**
Contingent liabilities (Note 8)			
Minority Interests in Consolidated Subsidiaries	6,961	**8,985**	**72,518**
Shareholders' Equity:			
Common stock, par value ¥50 per share Authorized: 427,000,000 shares as of March 31, 2000 and 2001, respectively Issued: 110,881,044 shares as of March 31, 2000 and 2001, respectively	18,969	**18,969**	**153,099**
Additional paid-in capital	20,155	**20,155**	**162,672**
Retained earnings	58,147	**57,156**	**461,307**
Adjustments on Foreign Currency Translation	–	**(89)**	**(718)**
Treasury Stock	(1,032)	**(1)**	**(8)**
Treasury Stock owned by Consolidated	–	**(4,292)**	**(34,641)**
Total shareholders' equity	96,239	**91,898**	**741,711**
Total liabilities and shareholders' equity	¥230,763	**¥249,431**	**$2,013,164**

CONSOLIDATED STATEMENTS OF INCOME AND RETAINED EARNINGS

For the Years ended March 31, 2000 and 2001

	Millions of yen		Thousands of U.S. dollars (Note 3)
	2000	**2001**	**2001**
Net Sales (Note 12)	¥309,822	**¥319,036**	**$2,574,947**
Cost of Sales (Note 12)	213,251	**214,452**	**1,730,847**
Gross profit	96,571	**104,584**	**844,100**
Selling, General and Administrative Expenses	80,580	**88,288**	**712,575**
Operating income	15,991	**16,296**	**131,525**
Non-Operating Income (Expenses):			
Interest and dividend income	667	**517**	**4,173**
Interest expenses	(1,990)	**(1,994)**	**(16,094)**
Loss on sales or disposition of property	(256)	**(310)**	**(2,502)**
Write-down of investments in securities	(582)	**(2,646)**	**(21,356)**
Exchange gain (loss)	(2,324)	**1,146**	**9,249**
Past service costs for pension plan	(1,492)	**–**	**–**
Unrecognized transition amount	–	**(9,696)**	**(78,257)**
Provision of doubtful accounts	–	**(1,259)**	**(10,161)**
Other, net	(284)	**(461)**	**(3,720)**
	(6,261)	**(14,703)**	**(118,668)**
Income before income taxes	9,730	**1,593**	**12,857**
Provision for Income Taxes	4,458	**438**	**3,535**
	5,272	**1,155**	**9,322**
Minority Interests in Earnings of Consolidated Subsidiaries	(491)	**(313)**	**(2,526)**
Net income	4,781	**842**	**6,796**
Retained Earnings:			
Balance at beginning of year	54,355	**58,147**	**469,306**
Accumulated opening tax effect on applying deferred tax accounting	(142)	**–**	**–**
Increase in retained earnings due to inclusion of an additional subsidiary in the consolidation	905	**–**	**–**
Decrease in retained earnings due to inclusion of an additional subsidiary in the consolidation	–	**(511)**	**(4,124)**
Decrease in retained earnings due to a merger with Toyo Reito Kaisha, Ltd.	(206)	**–**	**–**
Retirement of repurchased shares	(151)	**–**	**–**
Appropriations:			
Cash dividends	(1,320)	**(1,246)**	**(10,057)**
Officers' bonuses	(75)	**(75)**	**(605)**
	(1,395)	**(1,832)**	**(14,786)**
Balance at year end	¥ 58,147	**¥ 57,157**	**$ 461,316**

	Yen		U.S. dollars
Per Share:			
Net income — primary	¥43.5	**¥ 8.1**	**$0.065**
— fully diluted	–	**–**	**–**
Cash dividends, historical	12.0	**12.0**	**0.097**

The accompanying notes are an integral part of the statements.

TOYO SUISAN KAISHA, LTD. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS

For the Years ended March 31, 2000 and 2001

	Millions of yen		Thousands of U.S. dollars (Note 3)
	2000	**2001**	**2001**
Cash Flows from Operating Activities:			
Income before income taxes	¥ 9,730	**¥ 1,593**	**$ 12,857**
Depreciation and amortization	8,614	**8,432**	**68,055**
Amortization of good will	65	**15**	**121**
Loss on write-down of securities	484	**2,646**	**21,356**
Provision for retirement benefits	1,510	**10,143**	**81,864**
Provision for doubtful accounts	37	**1,506**	**12,155**
Interest and dividend income	(668)	**(518)**	**(4,181)**
Interest expenses	1,990	**1,993**	**16,086**
Exchange loss	1,989	**249**	**2,010**
Loss (gain) on sale of marketable securities	(320)	**32**	**258**
Loss on sale of property, plant and equipment, net	256	**310**	**2,502**
Decrease (increase) in receivables, trade	4,172	**(4,542)**	**(36,659)**
Decrease (increase) in inventories	911	**(776)**	**(6,263)**
Increase (decrease) in payable, trade	(4,631)	**204**	**1,647**
Increase (decrease) in accrued expenses	1,241	**1,719**	**13,874**
Other, net	1,073	**(528)**	**(4,253)**
Sub-total	26,453	**22,478**	**181,421**
Interest and dividend income received	669	**512**	**4,132**
Interest expenses paid	(1,983)	**(1,973)**	**(15,924)**
Income taxes paid	(7,011)	**(4,224)**	**(34,092)**
Net cash provided by operating activities	18,128	**16,793**	**135,537**
Cash Flows from Investing Activities:			
Payments for purchases of time deposits	(4,188)	**(1,372)**	**(11,073)**
Proceeds from maturities of time deposits	2,041	**3,620**	**29,217**
Payments for purchases of marketable securities	(1,955)	**(151)**	**(1,219)**
Proceeds from sales of marketable securities	3,582	**581**	**4,689**
Payments for purchases of property, plant and equipments	(5,134)	**(7,748)**	**(62,534)**
Proceeds from sale of property, plant and equipment	242	**170**	**1,372**
Payments for purchase of investment in securities	(627)	**(490)**	**(3,955)**
Proceeds from sale of investment in securities	111	**325**	**2,623**
Payments for loan receivables	(582)	**(762)**	**(6,150)**
Collection of loan receivables	222	**251**	**2,026**
Other, net	(161)	**14**	**113**
Net cash used for investing activities	(6,449)	**(5,562)**	**(44,891)**
Cash Flows from Financing Activities:			
Proceeds from short-term loans	25,755	**13,800**	**111,380**
Repayment of short-term loans	(27,548)	**(17,090)**	**(137,934)**
Repayment of long-term debt	(1,706)	**(1,573)**	**(12,696)**
Proceeds from bonds	–	**19,888**	**160,517**
Repayment of bonds	–	**(10,000)**	**(80,710)**
Dividends paid by parent company	(1,320)	**(1,267)**	**(10,226)**
Other, net	(265)	**(165)**	**(1,332)**
Net cash provided by (used for) financing activities	(5,084)	**3,593**	**28,999**
Effect of exchange rate changes on cash and cash equivalents	(428)	**(95)**	**(767)**
Net increase in cash and cash equivalents	6,167	**14,729**	**118,878**
Cash and cash equivalents at beginning of year	24,830	**31,818**	**256,804**
Cash and cash equivalents at beginning of year held by newly consolidated subsidiaries	821	**122**	**985**
Cash and cash equivalents at end of year (Note 9)	¥31,818	**¥46,669**	**$376,667**

The accompanying notes are an integral part of the statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1. Basis of Presentation of the Consolidated Financial Statements

The accompanying consolidated financial statements have been prepared based on the accounts maintained by Toyo Suisan Kaisha, Ltd. (the "Company") and its consolidated subsidiaries (the "Companies") in accordance with the provisions set forth in the Japanese Commercial Code and the Securities and Exchange Law, and in conformity with generally accepted accounting principles and practices prevailing in Japan, which are different in certain respects as to application and disclosure requirements of International Accounting Standards.

Certain items presented in consolidated financial statements submitted to the Director of Kanto Finance Bureau in Japan have been reclassified in these accounts for the convenience of readers outside Japan.

The consolidated financial statements are not intended to present the consolidated financial position, results of operations and in accordance with accounting principles and practices generally accepted in countries and jurisdictions other than Japan.

2. Summary of Significant Accounting Policies

(1) Scope of Consolidation

The Company had 44 subsidiaries as of March 31, 2001 (43 as of March 31, 2000). The accompanying consolidated financial statements include the accounts of the Company and its 24 (23 for 2000) of its subsidiaries. The companies that are substantially controlled by the parent company are consolidated. The 24 major subsidiaries which have been consolidated with the Company are listed below:

Name of subsidiary	Equity Ownership Percentage
Hachinohe Toyo Kaisha, Ltd.	100.0%
Kofu Toyo Kaisha, Ltd.	100.0
Fukushima Foods Co., Ltd.	51.8
Toyo Reito Kaisha, Ltd.	100.0
Kushiro Toyo Kaisha, Ltd.	85.0
Sanriku Toyo Kaisha, Ltd.	100.0
Shuetsu Co., Ltd.	81.5
Shinto Corporation	100.0
Rosette Co., Ltd.	100.0
Tobu Boeki K.K.	100.0
Tukiji Toyo Co., Ltd.	100.0
Sankyo Food Kogyo Co., Ltd.	76.9
Imari Toyo Kaisha, Ltd.	100.0
Fresh Diner Corporation	100.0
Tokyo Corporation	62.6
Sanin Toyo Kaisha, Ltd.	100.0
Choshi Toyo Kaisha, Ltd.	90.0
Daiwashokuhin Kaisha, Ltd.	99.8
Yutaka Foods Co., Ltd.	39.3
Tagoseihyou Corporation	55.0
Maruchan, Inc.*	100.0
Maruchan Virginia, Inc.*	100.0
Pac-Maru, Inc.*	100.0
Seafreeze Limited, Partnership*	100.0

* Incorporated in the U.S.A.

(2) Unconsolidated Subsidiaries

The remaining 20 unconsolidated subsidiaries whose combined assets, net sales, net income and retained earnings in the aggregate are not significant compared to those of the consolidated financial statements of the Companies, therefore, have not been consolidated with the Company.

(3) Consolidation Principles

The financial statements of Maruchan, Inc., Maruchan Virginia, Inc., Pac-Maru, Inc. and Seafreeze Limited, Partnership have been translated into Japanese yen at the current exchange rate prevailing at the balance sheet dates for purposes of consolidation.

All of the above consolidated subsidiaries use a fiscal year ending on 31st March of each year, which is in agreement with the fiscal year of the Company.

Unrealized intercompany profits and losses among the Companies are entirely eliminated, and the portion thereof attributable to the minority interests is charged to the minority interests.

Any difference which may arise in elimination of cost of an investment in a subsidiary and the amount of underlying equity in net assets of the subsidiary as well as companies accounted for on an equity basis, is deferred and amortized on a straight-line basis over a period of five years from the date of acquisition.

(4) Accounts for Investments in Unconsolidated Subsidiaries and Affiliates

The Company had 20 (20 as at 31st March, 2000) unconsolidated subsidiaries and 2 (2 as at March 31, 2000) affiliates as at March 31, 2001. The investments in these unconsolidated subsidiaries and affiliates are carried at cost since the effect of applying the equity method of accounting for these companies would not have had any material effect on net income and retained earnings of the consolidated financial statements of the Companies.

(5) Remeasurement of Assets and Liabilities of the Subsidiaries

Full portion of the assets and liabilities of the subsidiaries is marked to fair values as of the acquisition of the control.

(6) Financial Instruments

Until the year ended March 31, 2000, marketable securities and investments in securities are stated at cost.

Effective from the year ended March 31, 2001, the Company and its subsidiaries adopted the new Japanese accounting standard for financial instruments, which is effective for periods beginning on or after April 1, 2000. As a result of adoption of the new standard, income before income taxes for the year ended March 31, 2001 has decreased by ¥1,259 million ($10,161 thousand), as compared with the amount which would have been reported if the previous standard had been applied consistently.

(a) Derivatives

Under the new standard, all derivatives are stated at fair value, with changes in fair value included in net profit or loss for the period in which they arise.

(b) Securities

Securities held by the Company and its subsidiaries are, under the new standard, classified into three categories;

“Held-to-maturity debt securities”, that the Company and its subsidiaries have intent to hold to maturity, are stated at cost after accounting for premium or discount on acquisition, which are amortized over the period to maturity.

“Investments of the Company in equity securities issued by unconsolidated subsidiaries and affiliates” are accounted for by the equity method. Exceptionally, investments in certain unconsolidated subsidiaries and affiliates are stated at cost because the effect of application of the equity method would be immaterial.

“Other securities” are stated at cost, except as stated in the paragraph below.

In cases where the fair value of held-to-maturity debt securities, equity securities issued by unconsolidated subsidiaries and affiliates, or other securities has declined significantly and such impairment of the value is not deemed temporary, those securities are written down to the fair value and the resulting losses are included in net profit or loss for the period.

Under the new standard, trading securities and debt securities due within one year are presented as “current” and all the other securities are presented as “non-current”. The securities held by the Company and its subsidiaries have been reclassified as of April 1, 2000 (the beginning of year). As a result of such reclassification, the securities in the current portfolio have decreased by ¥12,174 million ($98,257 thousand) and the securities in the non-current portfolio have increased by the same amount.

(7) Inventories

Inventories are principally stated at cost, cost being determined by the total average method.

(8) Property, Plant and Equipment

Depreciation is computed primarily on the declining-balance method at rates based on the estimated useful lives of assets which are prescribed by the Japanese income tax laws.

The Company has changed the depreciation method of buildings (excluding leasehold improvement and auxiliary facilities attached to buildings), which were acquired after April 1, 1998, from the declining-balance method to the straight-line method pursuant to the amendments to the Japanese income tax law, which took effect from the year starting on and after April 1, 1998.

The cost of property and equipment retired or otherwise disposed of and accumulated depreciation in respect thereof are eliminated from the related accounts, and the resulting gain or loss is reflected in income.

Normal repairs and maintenance, including minor renewals and improvements, are charged to income as incurred.

(9) Amortization

Amortization of intangible assets (included in other assets account) and deferred charges is computed on the straight-line method at years based on the estimated useful lives which are described by the Japanese income tax laws.

Bond issue expenses are deferred and amortized on a straight line basis over a three-year period.

(10) Reserve for Retirement Benefits and Pension Plan

Until the year ended March 31, 2000, the Company and 18 consolidated subsidiaries provided for the severance payments to employees, to the extent of 100% of the amount which would be required if all employees terminated employment voluntarily as at the relevant balance sheet date, less related benefits provided by the pension plans.

Effective from the year ended March 31, 2001, the Company and its subsidiaries adopted the new Japanese accounting standard for retirement benefits, which is effective for periods beginning on or after April 1, 2000. In accordance with the new standard, the reserve for retirement benefits as of March 31, 2001 represents the estimated present value of projected benefit obligations in excess of the fair value of the plan assets except that, as permitted under the new standard, the unrecognized transition amount arising from adopting the new standard of ¥9,639 million ($77,797 thousand) at April 1, 2000 (the beginning of year) is amortized on a straight-line basis over 1 year, and the unrecognized actuarial differences are amortized on a straight-line basis over the period of 10 years from the next year in which they arise. As a result of adopting the new standard, net pension expense for the year ended March 31, 2001 has increased by ¥9,347 million ($75,440 thousand) and income before income taxes has decreased by ¥9,351 million ($75,472 thousand) as compared with the amounts which would have been reported if the previous standard had been applied consistently.

(11) Accounting for Lease

Finance leases other than those that are deemed to transfer the ownership of the leased assets to lessees are principally accounted for by the method that is applicable to ordinary operating leases.

(12) Foreign Currency Translation

Until the year ended March 31, 2000, revenue and expense items arising from the Company’s transactions denominated in foreign currencies were translated into Japanese yen at approximate exchange rates prevailing when such transactions occur. Foreign currencies, short-term receivables and payables (including current portion of long-term debt) denominated in foreign currencies were translated into yen at the current exchange rates prevailing at the respective balance sheet dates. Long-term receivables and payables denominated in foreign currencies, including investments in overseas unconsolidated subsidiaries and affiliates, were translated at the historical rates prevailing at the transaction dates. Long-term payables in foreign currencies which are hedged by forward exchange contracts were translated into yen at the contracted rates of exchange.

Effective from the year ended March 31, 2001, the Company and its subsidiaries adopted the new Japanese accounting standard for foreign currency translation, which is effective for periods beginning on or after April 1, 2000. Under the new standard, all monetary assets and liabilities denominated in foreign currencies, whether long-term or short-term, are translated into Japanese yen at the exchange rates prevailing at the balance sheet date. Resulting gains and losses are included in net profit or loss for the period. The adoption of the new method had no material impact on the accompanying consolidated financial statements.

The new standard also amended the method of translating foreign currency financial statements of foreign subsidiaries and affiliates into Japanese yen. Under the new standard, assets and liabilities of the foreign subsidiaries and affiliates are translated into Japanese yen at the exchange rates prevailing at the balance sheet date. The shareholders’ equity at beginning of the year is translated into Japanese yen at the historical rates. Profit and loss accounts for the year are translated into Japanese yen using the average exchange rate during the year or, alternatively, using the exchange rates prevailing at the balance sheet date. Differences in yen amounts arising from the use of different rates are presented as “foreign currency translation adjustments” in the shareholders’ equity. The effect of adopting the new accounting standard on the accompanying consolidated financial statements was immaterial.

(13) Income Taxes

Income taxes of the Company and its domestic subsidiaries consist of corporate income taxes, local inhabitants taxes and enterprise taxes.

Income taxes are determined using the assets and liability approach, whereby deferred tax assets and liabilities are recognized in respect of temporary differences between the tax basis of assets and liabilities and those as reported in the consolidated financial statements.

(14) Dividends and Appropriation of Retained Earnings

Under the Japanese Commercial Code and the Articles of Incorporation of the Company, the plan for appropriation of retained earnings (including cash dividend payments) proposed by the Board of Directors should be approved by the shareholders’ meeting which must be held within three months after the end of each financial year.

Dividends are paid to shareholders on the shareholders’ register at the end of each financial year.

As is customary practice in Japan, the payment of bonuses to directors and statutory auditors is made out of retained earnings instead of being charged to income of the year, which constitute a part of appropriations cited above.

(15) Net Income and Dividends per Share

Net income per share of common stock is based upon the weighted average number of shares of common stock outstanding during each year. Cash dividends per share represent dividends declared as applicable to the respective period.

(16) Accounting for the Consumption Tax

Consumption tax is levied at the flat rate of 5% on all domestic consumption of goods and services (with certain exemptions). The consumption tax withheld by the company on its revenues and consumption tax paid by the Company and its domestic subsidiaries on its purchases of products, merchandise and services from vendors are not included in the amounts of respective accounts in the consolidated statements of income, but is recorded as an asset or a liability, as the case may be and the net balance is included in "other current liabilities" on the consolidated balance sheets.

3. United States Dollar Amounts

The Company and its consolidated subsidiaries maintain its accounting records in yen. The dollar amounts included in the consolidated financial statements and notes thereto represent the arithmetical results of translating yen to dollars on the basis of ¥123.90=U.S.$1. The inclusion of such dollar amounts is solely for convenience.

4. Marketable Securities and Investments in Securities

Market value of investments in securities shown above as of March 31, 2001 was as follows:

	Millions of yen			Thousands of U.S. dollars
	Book value	Market value	Unrealized gain	Unrealized gain
Investments in securities	¥22,226	¥25,338	¥3,112	$25,117

5. Derivative Financial Instruments

The Company and 3 consolidated subsidiaries entered into derivative financial instruments of foreign exchange forward contracts. The companies don't hold or issue derivatives for trading purpose and it is the company's policy to use derivatives only for the purpose of reducing market risk and financing costs in accordance with internal criteria. The companies don't anticipate any losses resulting from default of the counter-parties as they are limited to major domestic financial institutions with sound operational foundations.

6. Short-term Bank Loans and Long-term Debt

Short-term bank loans outstanding as of March 31, 2001 were generally represented by the notes payable issued by the Company and its subsidiaries to banks bearing interest at annual rates averaging 1.468% as of March 31, 2001. Customarily these notes are renewed at maturity subject to renegotiation of interest rates and other factors.

Long-term debt as of March 31, 2000 and 2001 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2000	**2001**	**2001**
Loans from banks and other financial institutions due from 2001 to 2012 with mortgages and collateral, at interest indicated below	¥ 7,045	**¥ 5,535**	**$ 44,673**
1.975% bonds due March 23, 2001 issued by the Company	10,000	**–**	**–**
3.1% bonds due June 15, 2001 issued by the Company	30,000	**30,000**	**242,131**
2.45% bonds due June 24, 2005 issued by the Company	10,000	**10,000**	**80,710**
1.06% bonds due February 15, 2006 issued by the Company	–	**10,000**	**80,710**
1.44% bonds due February 15, 2008 issued by the Company	–	**10,000**	**80,710**
Guarantee deposits from tenants	327	**258**	**2,083**
	57,372	**65,793**	**531,017**
Less: current maturities	(11,576)	**(31,069)**	**(250,759)**
	¥ 45,796	**¥ 34,724**	**$ 280,258**

The Company's assets pledged as collateral and collective mortgages for long-term debt and contingent liability for guarantees at March 31, 2000 and 2001 are summarized as follows:

	Millions of yen		Thousands of U.S. dollars
	2000	**2001**	**2001**
Property, plant and equipment, net of accumulated depreciation:			
Buildings and structures	¥3,716	**¥2,581**	**$20,831**
Machinery and equipment	50	**44**	**355**
Land	1,975	**1,766**	**14,254**
Marketable securities	1,842	**–**	**–**
Investments in securities	607	**2,160**	**17,433**
Other	166	**164**	**1,324**
	¥7,816	**¥6,715**	**$54,197**

The aggregate annual maturities of long-term loans from banks and other financial institutions outstanding as of March 31, 2001 during the succeeding period are as follows:

Year ending March 31,	Millions of yen	Thousands of U.S. dollars
2001	¥1,069	$ 8,628
2002	1,610	12,994
2003	1,796	14,496
2004	189	1,525
2005 and thereafter	871	7,030
	¥5,535	$44,673

7. Reserve for Retirement Benefits and Pension Plan

The Company and 20 domestic subsidiaries have defined benefit retirement plans covering substantially all employees and the Company and 9 domestic subsidiaries have qualified pension plans. Also the Company and 18 domestic subsidiaries have qualified a plan which is governed by the regulations of the Japanese Welfare Pension Insurance Law. Moreover, the premium retirement payments may be paid in case of retirement of an employee.

The reserve for retirement benefits as of March 31, 2001 is analyzed as follows:

	Millions of yen	Thousands of U.S. dollars
Projected benefit obligations	¥45,039	$363,511
Plan assets	20,039	161,735
Net unreserved projected benefit obligations	25,000	201,776
Unrecognized transition amount	–	–
Unrecognized actuarial differences	4,160	33,576
Unrecognized prior service cost	–	–
Accrued retirement benefits	¥20,840	$168,200

Notes:
(1) The above table includes the amounts related to the portion subject to the Japanese Welfare Pension Insurance Law.
(2) Some domestic subsidiaries principally adopted the simple method for retirement benefits.
(3) 2 domestic subsidiaries have qualified a comprehensive established pension plan which is governed by the regulations of the Japanese Welfare Pension Insurance Law and the above table don't include the amounts of pension assets, ¥396 million ($3,196 thousand).

Net pension and severance cost related to the retirement benefit plan for the year ended March 31, 2001 was as follows:

	Millions of yen	Thousands of U.S. dollars
Service cost	**¥ 2,103**	**$16,973**
Interest cost	**1,169**	**9,435**
Expected return on plan assets	**(635)**	**(5,125)**
Amortization of transition amount	**9,639**	**77,797**
Amortization of actuarial differences	**–**	**–**
Amortization of prior service cost	**57**	**460**
Net pension and severance cost	**¥12,333**	**$99,540**

Assumptions used in calculation of the above information were as follows:

	Year ended March 31, 2001
Method of attributing the projected benefits to periods of services	straight-line basis
Discount rate	3.0%
Expected rate of return on plan assets	3.0%
Amortization of unrecognized prior service cost	1 year
Amortization of unrecognized actuarial differences	10 years
Amortization of transition amount	1 year

8. Contingent Liabilities

Contingent liabilities for guarantees of indebtedness of following companies at March 31, 2000 and 2001 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2000	**2001**	**2001**
Taiwan Tong Hsing Foods., Ltd.	¥514	**¥469**	**$3,785**
Kainan Toyo Suisan, Ltd.	212	**247**	**2,000**
Others	3	**–**	**–**
	¥729	**¥717**	**$5,785**

9. Consolidated Statement of Cash Flows

Cash and cash equivalents in the consolidated statements of cash flows are composed of cash on hand, bank deposits able to be withdrawn on demand and short-term investments with an original maturity of three months or less and which represent a minor risk of fluctuations in value.

Cash and Cash Equivalents consists of:

	Millions of yen		Thousands of U.S. dollars
	2000	**2001**	**2001**
Cash and bank deposits	¥35,405	**¥48,011**	**$387,498**
Time deposits with deposit term of over 3 months	(3,587)	**(1,342)**	**(10,831)**
Cash and cash equivalents	¥31,818	**¥46,669**	**$376,667**

10. Lease Commitments

All finance lease contracts other than those by which the ownership of the leased assets is to be transferred to lessees, are accounted for by the method similar to the operating lease method.

Lease rental expenses on finance lease contracts without ownership-transfer for the years ended March 31, 2000 and 2001 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2000	**2001**	**2001**
Lease expenses	¥917	**¥837**	**$6,755**

Scheduled maturity of lease rental expenses from the above lease contracts subsequent to March 31, 2000 and 2001 are summarized as follows:

	Millions of yen		Thousands of U.S. dollars
	2000	**2001**	**2001**
Due within one year	¥ 799	**¥ 696**	**$ 5,618**
Due over one year	1,204	**694**	**5,601**
	¥2,003	**¥1,390**	**$11,219**

Assumed data as to acquisition cost, accumulated depreciation, net book value and depreciation expense of the leased assets, which included the portion of interest thereon, for the years ended March 31, 2000 and 2001 were summarized as follows:

	Millions of yen		
Year ended March 31, 2000	Cost	Accumulated Depreciation	Book Value
Machinery and Equipment	¥3,846	¥2,765	¥1,081
Other	1,840	918	922
	¥5,686	¥3,683	¥2,003

	Millions of yen			Thousands of U.S. dollars		
Year ended March 31, 2001	Cost	Accumulated Depreciation	Book Value	Cost	Accumulated Depreciation	Book Value
Machinery and Equipment	**¥2,980**	**¥2,234**	**¥ 746**	**$24,052**	**$18,031**	**$ 6,021**
Other	**1,597**	**953**	**644**	**12,889**	**7,691**	**5,198**
	¥4,577	**¥3,187**	**¥1,390**	**$36,941**	**$25,722**	**$11,219**

	Millions of yen		Thousands of U.S. dollars
	2000	**2001**	**2001**
Depreciation	¥917	**¥837**	**$6,755**

Depreciation is based on the straight-line method over the lease term of the leased assets.

11. Taxes

Income taxes applicable to the parent company and subsidiaries in Japan include (1) corporation tax, (2) enterprise tax and (3) inhabitants tax which, in the aggregates, result in an statutory tax rate approximately equal to 42.0% for the year ended March 31, 2000 and 2001.

The significant components of deferred tax assets and liabilities at March 31, 2000 and 2001 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2000	**2001**	**2001**
Deferred tax assets:			
Unrealized gain on inventories	¥ 115	**¥ –**	**$ –**
Unrealized gain on fixed assets	576	**574**	**4,633**
Accrued bonuses	369	**278**	**2,244**
Allowance for doubtful accounts	–	**1,462**	**11,800**
Write-down of investments in securities	–	**229**	**1,848**
Accrued enterprise tax	202	**–**	**–**
Devaluation of inventories	63	**–**	**–**
Accrued property taxes	90	**–**	**–**
Non-deductive interest cost for acquisition of land	86	**–**	**–**
Reserve for retirement benefits	3,082	**7,483**	**60,395**
Other	184	**521**	**4,205**
Total deferred tax assets	¥4,767	**¥10,547**	**$85,125**

	Millions of yen		Thousands of U.S. dollars
	2000	**2001**	**2001**
Deferred tax liabilities:			
Allowance for doubtful accounts	¥ 25	**¥ 682**	**$ 5,504**
Reversal of special reserves for deferred of capital gains	3,776	**3,718**	**30,008**
Difference between cost of an investment and the amount of underlying equity in a subsidiary	–	**959**	**7,740**
Depreciation in overseas consolidated subsidiaries	–	**1,103**	**8,903**
Other	816	**1**	**8**
Total deferred tax liabilities	4,617	**6,463**	**52,163**
Net deferred tax assets	¥ 149	**¥4,084**	**$32,962**

Reconciliations of the differences between the statutory tax rate and the effective income tax rate at March 31, 2000 and 2001 are as follows:

	Year ended March 31, 2000	Year ended March 31, 2001
Statutory tax rate	42.0%	**42.0%**
Increase (decrease) in taxes resulting from:		
Permanent non deductible expenses	1.4	**15.2**
Equalization tax	0.8	**4.8**
Foreign tax credit	–	**14.0**
Dividends received not taxable	(1.6)	**(25.0)**
Unrecognized loss carried forward	–	**3.0**
Other	3.2	**3.0**
Effective income tax rate	45.8%	**27.5%**

In Japan, the consumption tax system is designed so that all goods and services are taxed at a flat rate of 5% unless specifically provided otherwise. Assets, liabilities and profit and loss accounts are stated net of consumption tax.

12. Segment Information

(1) Business segment

The Company and its subsidiaries operate principally in three industrial segments:

Industry Segment	Major Products/Services
Seafood	fish and shellfish
Processed foods	instant foods, paste foods, restorable pouch and chilled foods
Refrigeration	operation of refrigerated warehouses
Other	cosmetics, rent of warehouse

Sales of the Company and subsidiaries for the years ended March 31, 2000 and 2001, classified by industry segments are summarized as follows:

	Millions of yen						
	Industry Segment						
Year ended March 31, 2000	Seafood	Processed foods	Refrigeration	Other	Total	Elimination of Inter-segment sales/transfers	Consolidated total
Net Sales	¥77,157	¥210,064	¥12,493	¥17,390	¥317,104	¥(7,282)	¥309,822
Operating Expenses	76,292	190,630	12,420	16,337	295,679	(1,848)	293,831
Operating income (loss)	¥ 865	¥ 19,434	¥ 73	¥ 1,053	¥ 21,425	¥ (5,434)	¥ 15,991
Assets	¥24,498	¥ 85,473	¥33,561	¥21,967	¥165,499	¥65,264	¥230,763
Depreciation	276	4,119	2,698	1,209	8,302	433	8,735
Capital Expenditures	543	5,459	436	1,355	7,793	1,013	8,806

	Millions of yen						
	Industry Segment						
Year ended March 31, 2001	Seafood	Processed foods	Refrigeration	Other	Total	Elimination of Inter-segment sales/transfers	Consolidated total
Net Sales	**¥72,345**	**¥225,577**	**¥14,354**	**¥15,185**	**¥327,461**	**¥ (8,425)**	**¥319,036**
Operating Expenses	**72,051**	**210,706**	**14,432**	**13,979**	**311,168**	**(8,428)**	**302,740**
Operating income (loss)	**¥ 294**	**¥ 14,871**	**¥ (78)**	**¥ 1,206**	**¥ 16,293**	**¥ 3**	**¥ 16,296**
Assets	**¥35,169**	**¥127,002**	**¥34,096**	**¥22,737**	**¥219,004**	**¥30,427**	**¥249,431**
Depreciation	**282**	**4,274**	**2,412**	**1,158**	**8,126**	**448**	**8,574**
Capital Expenditures	**275**	**6,878**	**197**	**1,201**	**8,551**	**477**	**9,028**

	Thousands of U.S. dollars						
	Industry Segment						
Year ended March 31, 2001	Seafood	Processed foods	Refrigeration	Other	Total	Elimination of Inter-segment sales/transfers	Consolidated total
Net Sales	**$583,898**	**$1,820,638**	**$115,851**	**$122,559**	**$2,642,946**	**$(67,999)**	**$2,574,947**
Operating Expenses	**581,525**	**1,700,614**	**116,481**	**112,825**	**2,511,445**	**(68,023)**	**2,443,422**
Operating income (loss)	**$ 2,373**	**$ 120,024**	**$ (630)**	**$ 9,734**	**$ 131,501**	**$ 24**	**$ 131,525**
Assets	**$283,850**	**$1,025,036**	**$275,190**	**$183,511**	**$1,767,587**	**$245,577**	**$2,013,164**
Depreciation	**2,276**	**34,496**	**19,467**	**9,346**	**65,585**	**3,616**	**69,201**
Capital Expenditures	**2,219**	**55,513**	**1,590**	**9,693**	**69,015**	**3,850**	**72,865**

Notes:

(1) As described in Note 2 (6) of the Notes to the Consolidated Financial Statement, the Companies adopted the new Japanese accounting standard for financial instruments as of April 1, 2000. As a result, corporate assets decreased by ¥1,259 million ($10,161 thousand), when compared with the previous year.

(2) As described in Note 2 (10) of the Notes to the Consolidated Financial Statements, the Companies with effect from the year ended March 31, 2001, changed the method of accounting for Reserve for Retirement Benefits and Pension Plan. As a result, operating expenses of "Seafood", "Processed foods" and "Refrigeration" decreased by ¥1 million ($8 thousand), ¥238 million ($1,921 thousand), ¥105 million ($847 thousand) and consequently operating income increased, and operating expenses of "Other" increased by ¥1 million ($8 thousand) and consequently operating income decreased, respectively, when compared with the previous year.

(2) Geographical Segment

Year ended March 31, 2000	Japan	North America	Total	Elimination or Unallocable Amounts	Consolidated total
	Millions of yen				
1) Net sales and operating income:	¥271,796	¥45,845	¥317,641	¥ (7,819)	¥309,822
Operating expenses	261,305	40,337	301,642	(7,811)	293,831
Operating income (loss)	¥ 10,491	¥ 5,508	¥ 15,999	¥ (8)	¥ 15,991
2) Assets	¥145,597	¥20,494	¥166,091	¥64,672	¥230,763

Year ended March 31, 2001	Japan	North America	Total	Elimination or Unallocable Amounts	Consolidated total
	Millions of yen				
1) Net sales and operating income:	**¥268,340**	**¥58,429**	**¥326,769**	**¥ (7,733)**	**¥319,036**
Operating expenses	**257,856**	**52,636**	**310,492**	**(7,752)**	**302,740**
Operating income (loss)	**¥ 10,484**	**¥ 5,793**	**¥ 16,277**	**¥ 19**	**¥ 16,296**
2) Assets	**¥191,551**	**¥28,124**	**¥219,675**	**¥29,756**	**¥249,431**

Year ended March 31, 2001	Japan	North America	Total	Elimination or Unallocable Amounts	Consolidated total
	Thousands of U.S. dollars				
1) Net sales and operating income:	**$2,165,779**	**$471,582**	**$2,637,361**	**$ (62,414)**	**$2,574,947**
Operating expenses	**2,081,162**	**424,827**	**2,505,989**	**(62,567)**	**2,443,422**
Operating income (loss)	**$ 84,617**	**$ 46,755**	**$ 131,372**	**$ 153**	**$ 131,525**
2) Assets	**$1,546,013**	**$226,989**	**$1,773,002**	**$240,162**	**$2,013,164**

Notes:
(1) As described in Note 2 (6) of the Notes to the Consolidated Financial Statement, the Companies adopted the new Japanese accounting standard for financial instruments as of April 1, 2000. As a result, assets of "Japan" decreased by ¥1,259 million ($10,161 thousand), when compared with the previous year.
(2) As described in Note 2 (10) of the Notes to the Consolidated Financial Statements, the Companies with effect from the year ended March 31, 2001, changed the method of accounting for Reserve for Retirement Benefits and Pension Plan. As a result, operating expenses of "Japan" decreased by ¥344 million ($2,776 thousand) and consequently operating income increased, respectively, when compared with the previous year.

(3) Net Sales in Overseas Countries

	Millions of yen						Thousands of U.S. dollars		
	Year ended March 31, 2000			**Year ended March 31, 2001**			**Year ended March 31, 2001**		
	North America	Others	Total	North America	Others	Total	North America	Others	Total
Net sales in Overseas Countries	¥42,452	2,212	¥ 44,664	**¥54,817**	**2,440**	**¥ 57,257**	**$442,429**	**19,693**	**$ 462,122**
Consolidated Net Sales			¥309,822			**¥319,036**			**$2,574,947**
%	13.7	0.7	14.4	**17.2**	**0.7**	**17.9**	**17.2**	**0.7**	**17.9**

Note: Net sales in overseas countries includes those of the Company and its overseas consolidated subsidiaries.

REPORT OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS

To the Board of Directors
TOYO SUISAN KAISHA, LTD.

We have audited the consolidated balance sheets of TOYO SUISAN KAISHA, LTD. and its subsidiaries as of March 31, 2000 and 2001, and the related consolidated statements of income, shareholders' equity and cash flows for the years then ended, all expressed in Japanese yen. Our audits were made in accordance with auditing standards, procedures and practices generally accepted and applied in Japan and, accordingly, included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

In our opinion, the consolidated financial statements referred to above present fairly the consolidated financial position of TOYO SUISAN KAISHA, LTD. and its subsidiaries as of March 31, 2000 and 2001, and the consolidated results of their operations and their cash flows for the years ended March 31, 2000 and 2001, in conformity with accounting principles and practices generally accepted in Japan (see Note 1) applied on a consistent basis.

As described in Note 2 (6) and 2 (10), effective for the year ended March 31, 2001, TOYO SUISAN KAISHA, LTD. and its subsidiaries have adopted new Japanese accounting standards for financial instruments and retirement benefits.

The amount expressed in U.S. dollars, provided solely for the convenience of the reader, have been translated on the basis set forth in Note 3 to the accompanying consolidated financial statements.

ChuoAoyama Audit Corporation

Tokyo, Japan
June 28, 2001

BOARD OF DIRECTORS
(as of June 28, 2001)

Chairman
Kiyoshi Fukagawa

President
Teruaki Hashimoto

Senior Managing Directors
Tadasu Tsutsumi
Katsuaki Hano

Managing Directors
Katsuhisa Kitamura
Ryoichi Tsuru
Yasuo Inoue
Tadao Yoshino
Yoshitaka Kogure

Advisor
Kazuo Mori

Directors
Toshihide Haraguchi
Hiroshi Minemura
Shigeru Sagara
Mutsuhiko Oda
Katsuro Narutaki
Kyoji Kubo
Jinichi Mera
Hideki Goto
Takayuki Aza
Fumio Taniguchi

Standing Auditors
Koji Kawakami
Seiichi Kato
Akiro Nishikiori

Auditor
Akira Takara

CORPORATE DATA
(as of March 31, 2001)

Head Office
13-40, Konan 2-chome
Minato-ku, Tokyo 108-8501, Japan
Tel: 81-3-3458-5111

Establishment
March 25, 1953

Capital
¥18,969 million

Number of Plants
7

Number of Sales Offices
25

Number of Subsidiaries and Affiliates
44

Number of Employees
4,467

Number of Shareholders
8,689

TOYO SUISAN

Printed in Japan