

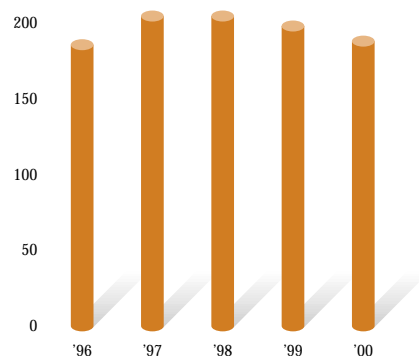
FINANCIAL HIGHLIGHTS

	Millions of Yen (except per share data)					Thousands of U.S.dollars Note 1-a (except per share data)	
	1996	1997	1998	1999	2000	2000	
RESULT OF OPERATION:							
Net sales	¥ 185,901	¥ 204,847	¥ 204,855	¥ 198,250	¥ 188,251	\$ 1,773,442	
Gross profit	34,431	35,194	36,214	36,950	38,237	360,218	
Operating income	2,874	2,447	2,512	3,284	5,677	53,478	
Income tax	2,975	1,338	751	1,307	1,578	14,864	
Net income(loss)	436	(405)	(1,765)	(164)	1,321	12,444	
FINANCIAL POSITION:							
Total assets	¥ 185,042	¥ 180,474	¥ 177,960	¥ 167,959	¥ 157,338	\$ 1,482,224	
Properties, plant and equipment	97,951	94,765	93,645	89,444	85,363	804,171	
Interest-bearing debts	80,424	81,235	81,302	77,461	67,025	631,417	
Shareholders' equity	60,700	58,719	53,568	46,124	45,495	428,591	
PER SHARE DATA:							
Net income(loss)	¥ 2.26	¥ (2.10)	¥ (9.13)	¥ (0.85)	¥ 6.85	\$ 0.065	
Cash dividends	6.00	6.00	6.00	5.00	6.00	0.057	
Shareholders' equity	313.93	303.68	277.04	239.16	235.90	2.222	
COMMON STOCK:							
Numbers of shares-issued (Unit:thousand shares)	193,359	193,359	193,359	192,859	192,859	-	
COMPOSITION OF SALES BY BUSINESS							
Foods	¥ 133,909	¥ 146,443	¥ 147,905	¥ 145,319	¥ 137,872	\$ 1,298,837	
Feed	44,068	50,184	48,864	45,368	42,856	403,733	
Other	7,924	8,220	8,086	7,563	7,523	70,872	
Consolidated total	185,901	204,847	204,855	198,250	188,251	1,773,442	

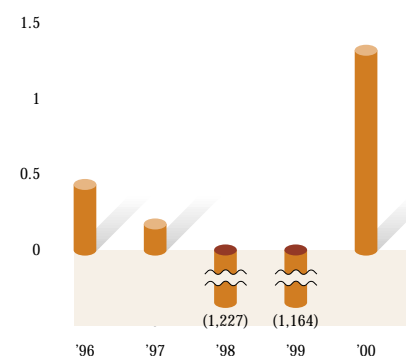
Note 1-a: The U.S. dollar amounts above and elsewhere in this report are translated from yen, for convenience only, at the rate of ¥106.15 = US \$1.

Note 2-i: The computation of net income and shareholders' equity per share is based on the average number of common stock during each year.

Net Sales
(¥ Billion)



Net Income (loss)
(¥ Billion)



PRESIDENT'S MESSAGE



The fiscal year ended March 31, 2000 was the final year of Phase II of our medium-to-long-term Re-Born plan, which we set forth three years ago. The figures on our balance sheet at the end of this year demonstrate that we were able to achieve significant results: We ran a profitable operation and bolstered our finances.

Sales in this fiscal year came to 188.25 billion yen, a decline of 5 percent compared to the year-earlier result on a decline in the grain market and the effects of the high yen. Nevertheless, our consolidated operating income grew by 52.7 percent to 5.68 billion yen. In addition, our net income rose to 1.32 billion yen, a vast improvement over the year-earlier net loss of 164 million yen.

However, we are still not satisfied with the results. To further revamp our operations and improve our earnings, we have formulated a new three-year plan, Step21. In Plan Step 21, our guiding principle is to serve as the best possible partner for our customers while keeping a watchful eye on the market.

Operating Environment and Performance

In the second half of this fiscal year, the Japanese economy began to show some signs of a recovery in areas such as capital spending on the part of private companies. However, on the whole, Japan's employment problems remained severe and consumer spending failed to rebound. Thus our operations faced a difficult market.

Consolidated sales sank by 5 percent from the year-earlier result. Prices fell overall in the grain markets that we deal in as is represented by the 25-year low in prices on the Chicago Board of Trade. In addition, on average, the yen was stronger against the dollar by about 18 yen from the previous term. These factors resulted in lower costs for raw materials and, consequently, a lowering of prices for products in the domestic market.

Nevertheless, we increased sales volume through aggressive marketing efforts and steadfastly implemented various measures outlined in Re-Born Plan Phase II. As a result, our consolidated operating income rose by 52.7 percent to 5.68 billion yen. In addition, our ratio of operating income to sales improved from 1.9 percent to 3.0 percent.

In addition, we withdrew from unprofitable operations, selling off our U.S. subsidiary GranPac Foods Inc., which was a

long-standing issue for our company.

Re-Born Phase II: Three-Year Summary

This fiscal year was the last year of our Re-Born Plan Phase II, a three-year plan for Showa Sangyo's parent operations formulated to improve quality in various areas including development, manufacturing and sales. In comparison with the fiscal year ended March 31, 1997, the year when the plan was launched, sales prices fell due to declines in raw-material markets for vegetable oil products, cornstarch and corn sweetener products and mixed feed. In addition, sales prices also declined for flour products on a revision in wheat prices in 1999. As a result, parent sales in the fiscal year ended March 31, 2000 were about 130.2 billion yen, 89.9 percent of sales for the fiscal year ended March 31, 1997, which came to about 144.84 billion yen. However, partly due to an increase in the sales volume, parent operating income rose from 1.7 billion yen to 4.79 billion yen, an increase of 281.3 percent and an improvement in profitability.

In addition, we made progress on the plan's basic policies: 1. strengthening development and sales of high-value-added products; 2. revamping our organization and systems to facilitate strategic corporate activities; 3. making more efficient use of assets; 4. continually lowering costs; and 5. responding to the needs and demands of society and the environment in general.

1. Strengthening development and sales of high-value-added products

We increased our development and sale of mixes, frozen dough and corn syrup for use in low-malt beer. Thus in the fiscal year ended March 31, 2000, sales of wheat flour, tempura flour and mixes rose by 105 percent compared to the fiscal year ended March 31, 1997. Likewise, sales of dextrose products, such as corn syrup for use in low-malt beer, rose by 111 percent.

2. Revamping our organization and systems to facilitate strategic corporate activities

We established a new comprehensive sales department that cuts horizontally across divisions as a way of dealing with the needs of specific users. Presenting our materials such as

wheat flour, mixes and vegetable oils in this integrated manner is helping to boost sales volumes to specific users.

3. Making more efficient use of assets

We made efforts to reduce total assets by, for example, selling off idle land and securities as well as reducing inventories, and worked to reduce interest-bearing liabilities. In the fiscal year ended March 31, 1997, total assets came to 143.1 billion yen. In the fiscal year ended March 31, 1999, this amount came to 125.4 billion yen, down by 17.7 billion yen or 12.4 percent. We reduced interest-bearing liabilities of 58 billion yen by about 12 billion yen, or 20.7 percent. As a result, our financial account balance improved. In addition, our interest coverage ratio improved from 2 to 7.9.

4. Continually lowering costs

We worked to create a low-cost operation by increasing yield, reducing energy consumption and reducing labor. As a result, our cost-to-sales ratio was 78 percent for the fiscal year ended March 31, 2000, an improvement of 4.1 percentage points from the result for the fiscal year ended March 31, 1997 of 82.1 percent.

5. Responding to the needs and demands of society and the environment in general

We introduced an annual salary system for our top-level managers with the aim of generating creative and strong managers as well as improving our corporate health. In addition, we introduced a corporate-officer system, in which corporate officers focus on the management of day-to-day operations. The goal was to speed up the decision-making process and heighten the efficiency of business.

By implementing these basic policies, we have achieved significant results in ensuring profits and improving our finances.

Medium-to-Long-Term Plan

Our management goal is to improve shareholder value. To this end, we are focusing in the long term on our corporate philosophy of contributing to people's rich and healthful diet. However, while society is in the midst of great change, we too

need to continue evolving in order to continue creating new value for our new era.

In the past three years, we have implemented a variety of changes under our Re-Born Phase II plan and have been able to achieve many significant results. Now we have formulated our Step 21 three-year business plan to achieve further goals guided by the vision of serving as the best possible partner for our customers while keeping a watchful eye on the market.

This plan is built around the four key pillars noted below.

1. Concentrating on and expanding into areas of growth and strength

We plan to improve our development capabilities and the quality of information supply and sales services for the clients of the Showa Sangyo group, which deals in a diverse range of foodstuffs. At the same time, we plan to expand the Showa Sangyo group as a whole in a single direction. To that end, we will carry out the following.

- a. Strengthen our operations in products for use in the food industry, a specialty of the Showa Sangyo group.
- b. Identify growth fields including both products and services that will enjoy market demand, and create systems to offer them.
- c. Rebuild unprofitable operations by concentrating on and expanding into areas in which we have a competitive edge.
- d. Improve distribution services. We will concentrate on revamping our shipping and distribution sites and improving efficiency.

2. Promotion of a high-performance operation

Our goal is to develop a thinking organization. To this end, we will concentrate on defining roles and effective conduct for our personnel, not merely on the machinery and equipment that is typically the focus of improving performance.

We will look at the creation of products – the very purpose of manufacturers – by starting where it ends: the customer. We will then look tracing back our products from distribution to sales, and from sales to production and research and development. By gathering original plans and ideas from each of our employees, we will move beyond the

concept of a low-cost operation and promote the goal of a high-performance operation, in which investment results will be a paramount concern.

3. Promotion of group management that responds to changes in stockholders and investors

We will promote group management that will increase earnings for the Showa Sangyo group as a whole and increase our corporate value, or stock price. To move in that direction, we will create an internal system that gives priority to the consolidated outlook of our company.

4. Responding to environmental changes


Meeting with ecological demands: company-wide efforts in response to environmental issues.

Use of information technology: aggressive use of such technology to promote, in particular, the first and second objectives noted above.

Modifications in personnel systems: introduction of new personnel systems that will invigorate our group.

Thorough implementation of our corporate action guidelines: reviving our awareness as a corporate citizen.

These reforms represent our commitment to the future. We believe we are forming a system we need to continue to create value in the 21st century. Through these changes, we are certain that we will become a corporate group that has the power, human resources, organization and integrated strengths to improve shareholder and corporate value in the new era and to promote vigorous growth.



Mutsuo Kanehara
President

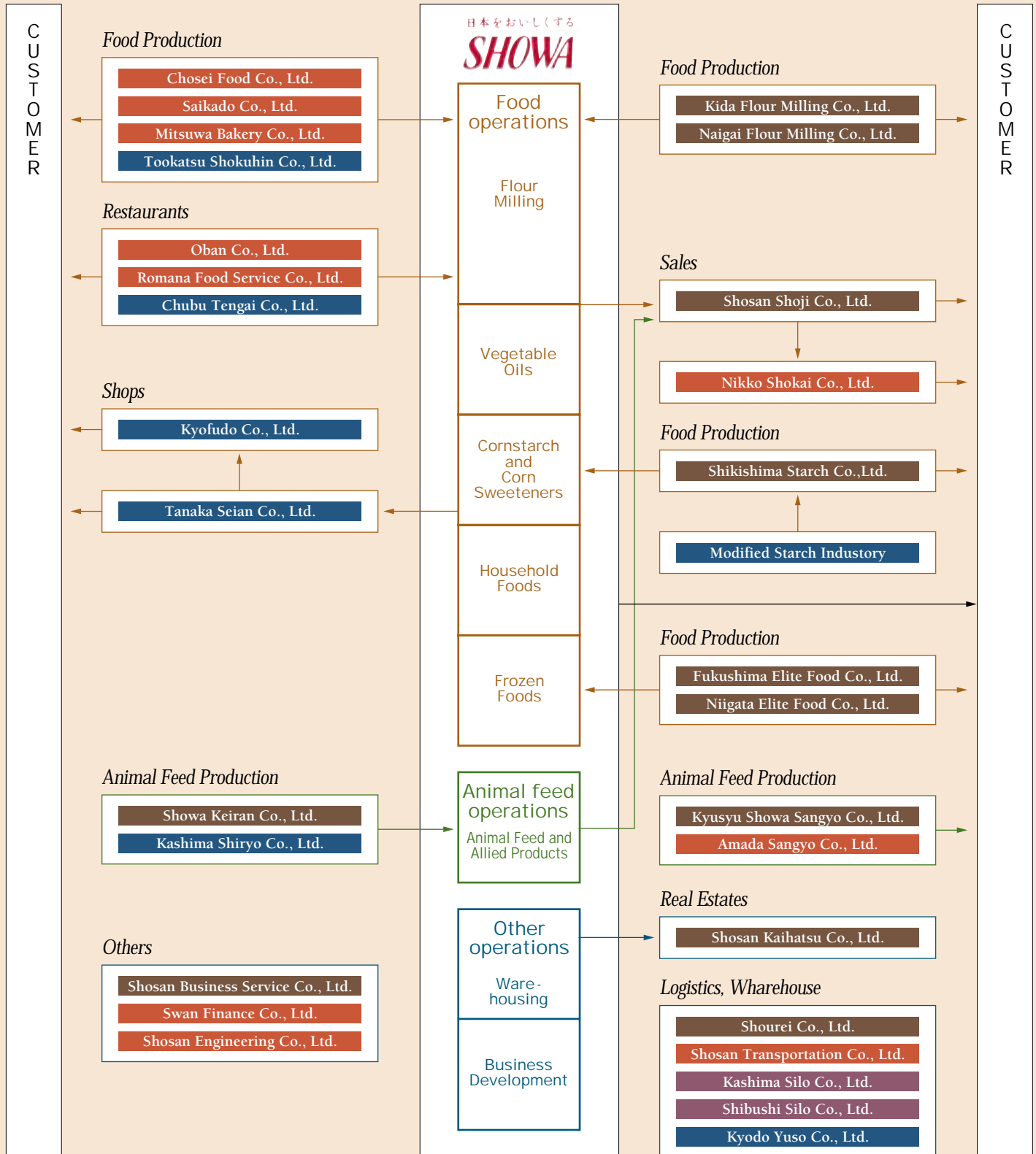
SHOWA SANGYO'S GROUP NETWORK

Consolidated subsidiaries

Non-consolidated subsidiaries

Companies accounted for by equity accounting method

Affiliates



PRODUCTIVE PRESENTATION

The Showa Sangyo group's primary operation is food, which consists of divisions for flour milling, vegetable oils, cornstarch and corn sweeteners, household foods, and frozen foods. The food operations involve producing and selling a wide range of products for commercial and household use. The products, made from grains such as wheat, soybeans and corn, are a part of people's diet in a variety of forms.

The Showa Sangyo group also makes good use of the by-products generated in the processing of these grains by producing and selling mixed animal feed. The animal feed operation also includes producing and selling eggs.

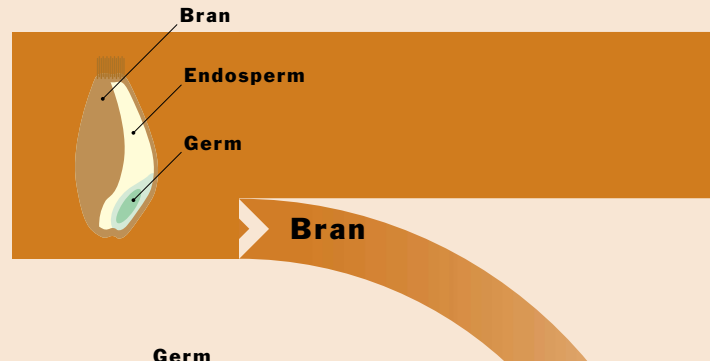
Other operations include warehousing business for grains and real-estate leasing business for effective use of real estates.

BUSINESS DEVELOPMENT

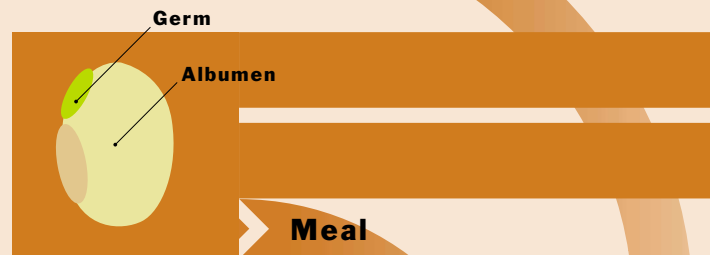


Showa Sangyo **Others**

WHEAT



SOY



CORN



FEED



SILO





BREAD, NOODLE
CAKE
TEMPURA
DOUGHNUT, CAKE



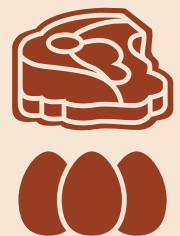
SOY OIL
TEMPURA
PROCESSED MEAT
AND FISH-PASTE
PRODUCTS



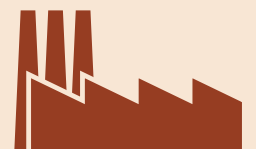
BEER
SOFT DRINK
LOW-MALT BEER



MEAT
EGG



FACTORY





FOOD OPERATIONS

FLOUR MILLING DIVISION

Wheat flour is the key product of our flour milling division. In addition, we also manufacture processed products made from flour including various premixes, breads and frozen dough products. These products are made at our Kashima Plant, Kobe Plant and Funabashi Plant, as well as at three subsidiaries: Naigai Flour Milling Co. (Mie Prefecture), Kida Flour Milling Co. (Hokkaido) and Niigata Elite Food Co. (Niigata Prefecture, frozen dough). The products are sold for industrial use to various makers of bread and noodles as well as supermarkets.

Wheat flour is one of the most widely used foodstuffs throughout the world. It is an ingredient in a variety of foods such as bread, cake, udon noodles, ramen noodles and tempura. It is an important food that has become integral to our diet. The Showa Sangyo group conducts thorough research and development to create wheat flour products that offer improved quality, functions and reliability to meet the increasingly varied needs of our users.

Premixes are convenient processed flour products that combine sugar, salt, oils and spices in just the right blend. They allow for easy, reliable and speedy preparation of foods such as tempura, fried dishes and bread. Users simply add water. Showa Sangyo pioneered the premix industry in Japan with its blend for tempura, a classic Japanese dish. Our company has many years of experience and many accomplishments in premix research and development.

We sell our frozen dough products primarily to bakeries. By freezing bread dough, we make it possible for bakeries to cut down on labor and streamline operations. The frozen dough also contributes to enhance the bakers' product lineup.

TOPICS

We developed and began marketing two mushroom growing kits, Nameko no Sato and Shiitake no Sato, that make use of wheat bran. The products are part of our efforts to develop diverse uses for wheat bran.

We increased our sales of frozen dough by about 25.6% from the year-earlier result thanks to an expansion of capacities at our manufacturing plant for frozen dough, operated by our subsidiary Niigata Elite Food Co.





VEGETABLE OILS DIVISION

Showa Sangyo's vegetable oils division manufactures a variety of vegetable oils, defatted soybeans and soybean proteins made from raw ingredients such as soybeans and rapeseed.

These products are made - from raw material to finished goods - at our Kashima and Kobe plants where there are docking facilities for the world's largest grain ships. Our products are sold for industrial purposes as raw ingredients for margarine and mayonnaise. In addition, they are sold to the restaurant and take-out food industries as well. All are the result of Showa Sangyo's own research and technology. The products are widely recognized for their high quality and for their convenience.

The vegetable oil section also sells its customers industrial-use premixes made from top-quality flour and blended with seasoning to bring out the best of each food material. It also sells pasta that acquired a reputation for its reliable quality.

Showa Sangyo uses carefully selected soybeans and rapeseed to produce a varied lineup of vegetable oils ranging from the common white soybean oil and salad oil to frying oils that are exceptionally stable. Defatted soybeans are made from the substance that remains after oil extraction. Highly reputable, they are used for a wide variety of goods, including fermented products such as miso and shoyu, as well as in livestock feed.

Our soybean protein is prized for qualities including its ability to absorb and retain water, emulsification properties and elasticity. It is used in a variety of processed foods such as meat products and marine products to improve quality, taste and nutritional value. Showa Sangyo holds a top share in the industry for these proteins.

TOPICS

Our oil production facilities at our Kashima Plant obtained ISO 9002 certification. The facilities produce edible vegetable oils, carrying out pressing, refining, bottling and related services.

We adopted a remote monitoring system that allows us to keep track of the remaining volume of oil in mini vegetable-oil storage tanks that are set up on client premises. The system simplifies the management of the mini tanks and improves the efficiency of our shipping and distribution overall.





CORNSTARCH AND CORN SWEETENERS DIVISION

This division produces cornstarch as well as starch sweeteners such as glucose syrup, dextrose, high-fructose corn syrup and oligosaccharides. The products are made at our Kashima Plant and at our Shikishima Starch Co. under strict quality control standards. The goods are used in a variety of products such as soft drinks, beer (low-malt beer) and bread.

Cornstarch is made by drying out starch derived from corn. It is used in beverages and foods such as beer and processed seafood. It is also used in industrial products such as paper, corrugated cardboard and fibers to add viscosity and adhesive properties.

Corn sweeteners (glucose syrup, dextrose, high-fructose corn syrup, oligosaccharides)

Glucose syrup is fermentable and viscous, absorbs and retains water, has adhesive properties and browns well. The syrup is used in confectioneries, bread, milk products, bean paste and jams.

Dextrose is used in beverages, confectioneries and bakery products. The substance also has medical applications. Further, it is used in seasonings such as mirin sake.

High-fructose corn syrup is used mainly by the beverage industry for use in products such as soft drinks and lactic drinks.

Oligosaccharides are receiving attention for their ability to promote bifidus bacteria growth and their ability to prevent tooth decay. Through its own research, Showa Sangyo developed its isomalto-oligosaccharides. The products are superior in their health-promoting qualities and are valued for their ease of processing. They are designated by Japan's Ministry of Health and Welfare as a food for specified health use.

TOPICS

Our dextrose production facilities at our Kashima Plant earned ISO 9002 certification.

Our subsidiary Shikishima Starch Co. obtained ISO 9002 certification.





FOOD OPERATIONS

HOUSEHOLD FOODS DIVISION

Showa Sangyo's household foods division makes and sells a broad range of processed foods for household use to suit diverse food styles and individual tastes. These include wheat flour, premixes, macaroni, spaghetti, vegetable oils, gift sets as well as health food products. The products are made chiefly at our Kashima Plant, Kobe Plant and Funabashi Plant.

Wheat flour: A variety of wheat flours made from high-quality wheat.

Premixes: A selection of premixes including Tempura Flour Ogon and Karaage Meat Tenderizing Flour.

Pasta: Products such as 100% durum semolina spaghetti.

Vegetable oils: A lineup of vegetable oils including functional oils rich in oleic acid.

Gift sets: An array of gift packages containing various food products of the Showa Sangyo group, such as flours and oils.

Taiyo no Ristorante: A brand of Italian foods that makes it easy to enjoy Italian cuisine at home. Products include pasta, pasta sauces and ingredients for Italian cooking.

Health foods: A lineup including Okama ni Pon, a capsule containing wheat germ oil, that fortifies rice with 10 times the vitamin E as brown rice; Sonomama Ajiwau Wheat Germ; and Oligo Time, an isomaltoligosaccharide, designated a food for specified health use by Japan's Ministry of Health and Welfare in recognition of its beneficial effects on the digestive system.

TOPICS

Our household foods division at our Kobe Plant obtained ISO 9002 certification.

Our Funabashi Plant earned ISO 9002 certification for pasta goods production and related services.

We introduced an oleic-rich natural, healthful high-quality sunflower oil Olein Rich. The oil contains more oleic acid than olive oil or safflower oil. Introduced at a time when such premium oils are gaining in popularity, the oil also capitalizes on increased demand for natural and healthful foods.





FOOD OPERATIONS

FROZEN FOODS DIVISION

Frozen foods are becoming an integral part of our everyday life because of the simplicity and convenience they offer.

Our frozen foods operations involve the production and sale of goods including snack foods, everyday dishes, Italian foods, and tempura. Our subsidiaries Niigata Elite Food Co. and Fukushima Elite Food Co. manufacture the foods, making use of Showa Sangyo's own selection of ingredients, such as flour, premixes, and vegetable oils, as well as processing technologies. These high-quality products are widely used as commercial frozen foods because of their taste, nutritional value, and safety. The products allow smaller establishments, such as bars and karaoke lounges, to serve a varied menu.

Snack foods: We offer an assortment of products such as taiyaki, takoyaki, imagawayaki and okonomiyaki. Our snack foods, in their pleasing flavor and high quality, reflect the technology and experience we have acquired as a comprehensive food manufacturer.

Everyday dishes: We boast a varied selection of products including delicatessen meats, such as chicken cutlets, fried liver and fried chicken, and foods such as wontons.

Italian foods: Our Italian dishes, such as ravioli and cannelloni, make it possible to easily serve authentic Italian cuisine.

Tempura: For our tempura, we carefully select the freshest ingredients and then add our own renowned tempura flour and salad oil. Our tempura maintains its crispy texture and appealing flavor even after restaurant preparation and has a strong reputation for consistent high quality.

TOPICS

We introduced a selection of prepared bases for making kakiage fried foods. Because the base is pre-made, anyone can easily and uniformly prepare kakiage fried food that also gives the impression of handmade and skillfully prepared cuisine.





ANIMAL FEED OPERATIONS

ANIMAL FEED AND ALLIED PRODUCTS DIVISION

Showa Sangyo's mixed feeds use our own ingredients, which are strictly quality-controlled. These ingredients include wheat bran, defatted soybeans and corn gluten meal. We also use imported ingredients such as corn, milo and fish meal that meet the same exacting safety standards as our own. The feeds are produced by our Kobe Plant, Kashima Shiryo Co. and Kyushu Showa Sangyo Co.

We manufacture a wide variety of mixed feeds, including mixes for chickens (both egg-laying hens and broilers), pigs, dairy cattle, beef cattle and fish. In addition, we produce mixture materials that contain isomalto-oligosaccharides, which have beneficial effects on the intestinal tracts of animals.

Showa Sangyo group contributes to the stable supply of chicken eggs. A comprehensive management system, which makes use of the most advanced production technology and a concentration of resources, ensures the quality of eggs produced by the Showa Sangyo group. We guarantee high quality in the entire process, including chicken feed, farm facilities, grading and packaging center, distribution, and delivery to the consumer. Through group companies including Showa Keiran Co., we provide a reliable source of eggs based on the three concepts of safety, freshness and stable supply.

TOPICS

We have begun producing isomalto-oligosaccharide mixed feeds for livestock at our own facilities. The feeds are a high-profit product.

We revamped the grading and packaging center of our subsidiary Showa Keiran Co. to prevent bacterial contamination of chicken eggs and to ensure stable product quality.





OTHER OPERATIONS

WAREHOUSING DIVISION

WAREHOUSING DIVISION

Our plants in Kashima, Kobe and Funabashi are ideally located in large-scale, oceanfront industrial regions. Each of the sites carries out efficient unloading and storing of imported grains. Each factory is outfitted with a large silo, offering a combined storage capacity of 340,000 tons of grain. In addition, the Kashima and Kobe plants have berths that allow large grain ships to dock. The grain is taken from the ships via unloading equipment, fumigated, stored in the silos and then sent to individual plants as need dictates. In addition, the plants also supply raw materials to animal-feed makers such as Kashima Silo Co. and Shibushi Silo Co.

Further, as part of our effort to diversify our warehousing operations, Showa Sangyo is also entering the refrigerated storage field. Making use of a prime location near to Tokyo, we constructed a warehouse complex and linked refrigerated warehouse within our Funabashi plant compound. The warehouse complex is an ordinary warehouse for both business and private use. It is also, however, a multi-function and multi-purpose operation that includes a food processing plant. The refrigerated warehouse can be used for the storage of products processed at the warehouse complex. The site is thus being used as a distribution point for the expanding frozen foods market. Shourei Co., a subsidiary, manages the refrigerated warehouse.



OTHER OPERATIONS

BUSINESS DEVELOPMENT DIVISION

BUSINESS DEVELOPMENT DIVISION

Showa Sangyo has been taking bold steps to make effective use of unused real estate assets such as former plant sites. We are working to diversify our operations by developing commercial facilities and initiating leasing operations in tenant buildings. Our projects include the development of the Shosan Plaza shopping center in Ageo, Saitama and the construction of tenant buildings in Ichikawa, Chiba, and Ota, Gunma, as part of leasing operations.

In addition, Showa Sangyo is also entering the restaurant business, making use of its know-how as a comprehensive food company. We have opened Romana, a restaurant specializing in spaghetti, and Tamagoya San, a restaurant specializing in omelets. With our innovative menus, we are expanding on the joy of eating.



RESEARCH AND DEVELOPMENT



The most important aspect of developing and expanding our operations as a general manufacturer of processed foods is research and development (R&D) aimed at creating new technologies and products. At Showa Sangyo's General Research Institute, Food Development Center, and Animal Feed Technology Center, numerous diverse technology groups are engaged in a broad range of efforts. The efforts include everything from applied research, which includes developing products that meet clients' needs as well as improving existing products and production processes, to basic research, in which researchers develop new products and new technologies from a mid to long-term perspective.

Our mid to long-term development of new products revolves around the milling, extraction, refining, and fermentation technologies that we have cultivated as our main lines of business. We also aim to develop high value-added foodstuffs through the application of biotechnology.

Showa Sangyo views such societal issues as environmental problems and the more sophisticated use of biological resources as its own concerns. Our environmental measures include waste reduction through new, unconventional technologies such as fermentation and membrane technology, and explorations of technologies with eyes for the next generation. We are also working on effective use of the by-products and waste products that are produced during factory manufacturing processes, such as developing zein, a protein component of corn, and nutrients for cultivating mushrooms. We have also turned our attention to the problem of food allergies, and are cooperating in the development of processed foods using hypo-allergenic wheat

flour.

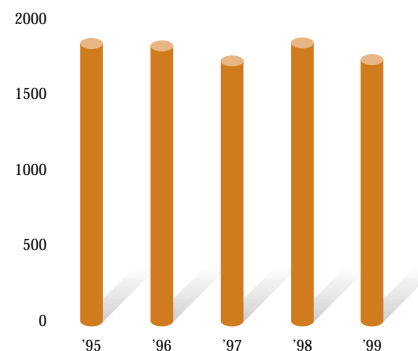
By forging wide-ranging links with university and public research institutions in our areas of research and taking advantage of exchanges with other industries in our areas of applied research, we are striving to enhance our R&D capabilities in these fields and our ability to commercialize the results.

Furthermore, our R&D teams, which maintain close links with the business departments, develop products while remaining in communication with our customers so that they can respond rapidly and flexibly to their needs. We are making efforts to provide high value-added products and technological information in a timely manner.

This year, we have developed a variety of products: La Seine and other types of wheat flour, bakery mixes such as high-rutin bread mix, oils for cooking rice and frying, a glucide for use as an ingredient in processed foods, flour for tempura coatings, flour for karaage coatings, batter mix, frozen bread dough and prepared foods. These are being provided mainly to food processing manufacturers or convenience stores for commercial use. For the household market, on the other hand, we have introduced a variety of new and reformulated or repackaged products, including vegetable oils, such as Olein Rich, the Taiyo no Ristorante series of pastas and sauces, pancake mix, and gift packs for wedding guests. In the area of animal feeds, we began selling compound feeds with isomalt-oligo-saccharides as the main component, produced at our own production facilities, and also developed poultry feed incorporating measures against salmonella contamination.

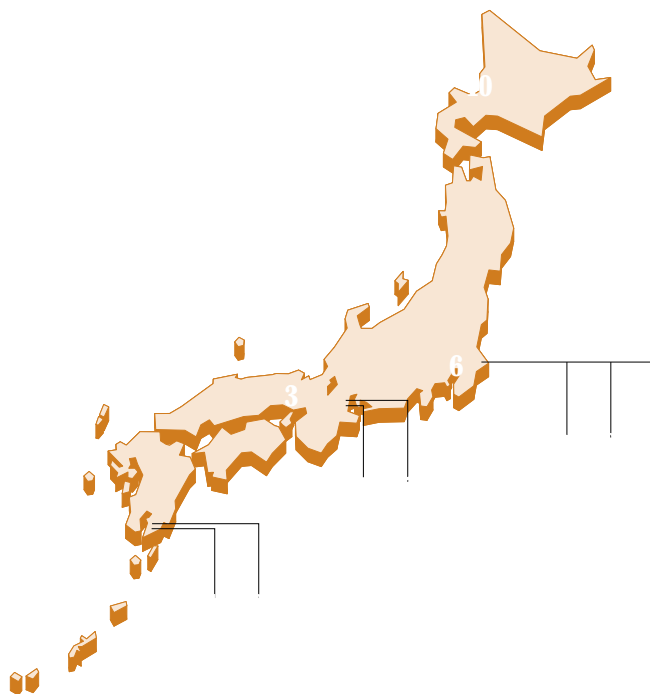
Furthermore, our company-wide R&D efforts have involved obtaining ISO 9000 certification (in four divisions), studying the introduction of HACCP and mastering GMO (genetically modified organisms) analysis technology. We also worked to make further improvements in our products, reduce costs and guarantee safety. Our R&D expenses for this fiscal year were 1,727 million yen.

R&D Expenses
(Million ¥)

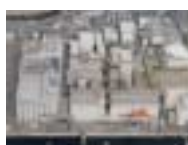


PRODUCTION AND DISTRIBUTION

All of Showa Sangyo Group's production bases are located on oceanfront properties that make procuring raw materials easily. What's more, the plants are fully equipped to manage the entire production process, from processing raw materials to packaging the finished products. This means that the plants can be versatile in meeting consumer needs. They also are conveniently located for distribution, being near the products' marketing areas where timely delivery is possible. Such solid production and distribution systems allow Showa Sangyo Group to efficiently perform business and to live up to consumers' expectations in all aspects.



Kashima Plant



Kobe Plant



Funabashi Plant

	Kyushu Showa Sangyo Co., Ltd.	Shibushi Silo Co., Ltd.	Kobe Plant	Shikishima Starch Co., Ltd.	Naigai Flour Mills Co., Ltd.	Funabashi Plant	Kashima Plant	Kashima Animal Feeds Co., Ltd.	Kashima Silo Co., Ltd.	Kida Flour Mills Co., Ltd.
Flour Milling										
Raw Materials Processing Ability			14,500t/month		4,783t/month	15,000t/month	26,500t/month			4,910t/month
Vegetable Oils										
Raw Materials Processing Ability			33,000t/month				47,100t/month			
Refining Ability			5,400t/month				15,000t/month			
Cornstarch and Corn Sweeteners										
Cornstarch				15,000t/month			27,000t/month			
Corn Sweeteners				5,000t/month			15,600t/month			
Animal Feed										
Raw Materials Processing Ability	25,000t/month		18,500t/month					50,000t/month		
Silo										
Storage Capacity		104,610t	135,000t			22,600t	186,000t		142,350t	
Outline	Manufacture and sale of mixed animal feed in the Kyushu area		Manufacturing base in Western Japan	Manufacture and sale of cornstarch and corn sweeteners	Manufacture and sale of flour products	Manufacture of flour and pasta	Showa Sangyo Group's flagship plant	Manufacture and sale of mixed animal feed		Manufacture and sale of flour products in Hokkaido area

BOARD OF DIRECTORS

AS OF JUNE 29, 2000



President
Mutsuo Kanehara*



Senior Managing Director
Koukichi Hirasawa*



Senior Managing Director
Yoshifumi Tsubone



Managing Director
Hiroshi Usui



Managing Director
Akira Moriya



Managing Director
Shigeo Fukui



Managing Director
Toshio Watanabe



Managing Director
Hajime Takaku



Managing Director
Hideo Fujii

Statutory Auditors

Yoshiro Yamamoto
Isao Igita
Yasuzo Miyata
Katsuhiko Fukazawa

* **Representative Director**