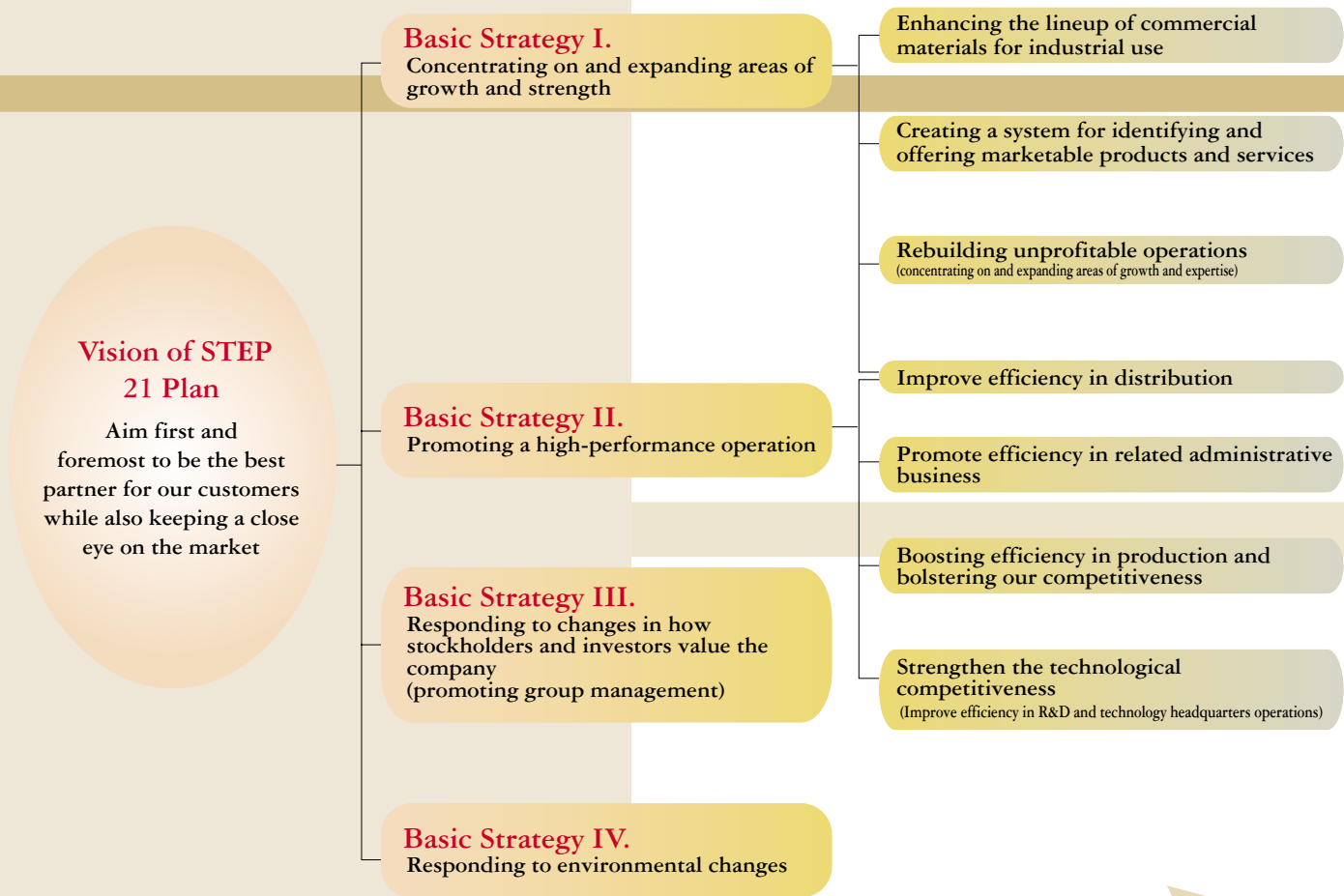


# STEP 21 Plan

## Basic Strategies in STEP 21 Plan

An outline of the medium-term business plan we are promoting, STEP 21 Plan, is as below.



## Policies Implemented under STEP 21 Plan

In the fiscal year under review, we implemented the following policies to achieve the basic strategies of STEP 21 Plan.

### Basic Strategy I. Concentrating on and expanding areas of growth and strength

Our most important effort in this area was expanding production facilities for corn syrup at our Kashima Plant on investments of roughly 1.2 billion yen. In recent years, demand for this product has grown as demand for low-malt beer has risen. Through our expansion, we created a system to respond to this demand.

In addition, in our Household Foods Division and Frozen Foods Division, we concentrated on competitive products,

revamped our product lineup and cut down on our brand offerings to expand our operations and improve our gross profit margin. As a result, we expect to improve merchandise turnover rates and reduce inventory levels.

Further, in our Vegetable Oils Division, we are creating a system that is less susceptible to changes in the market by increasing the sales ratio of high-value-added products, such as processed oils and functional oils, as well as that of our mini-tank system, to shift from our chief, traditional method of selling oil in cans. With our mini-tank system that employs a

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remote-monitoring system using PHS (personal handyphone system) technology, we help facilitate our customers' operations by checking on their store of oil to make deliveries when reserves become low, and by mobilizing our sales and research staff to make recommendations on the timing of oil disposal and optimal methods of oil use.

In our Flour Milling Division, we are expanding our efforts in product development for convenience store vendors and increasing our business in this area, which is one of the few growth areas for this division in the midst of our current economic stagnation.

### **Basic Strategy II. Promoting a high-performance operation**

**In promoting a high-performance operation, improving efficiency in distribution is a key concern. To this end, we will establish order centers in Kobe and at our home office to consolidate ordering processes that have been carried out at multiple locations. This will help reduce the number of employees, match supply and demand more precisely and cut inventory levels.**

**To improve efficiency within our Funabashi Plant, we have begun construction of a multistorey automated warehouse that will manage inventory and incoming and outgoing shipments by computer. The warehouse, in which we have invested about 1.4 billion yen, will help us speed up shipment processes and trim personnel numbers. The new structure will also consolidate warehouses that were scattered throughout the plant and create space for new facilities.**

We also have revamped our sales network to simplify organization and improve efficiency and have retooled our sales sites to improve service.

In addition to improving efficiency in distribution, we are also boosting efficiency in production and bolstering our competitiveness. To reconstruct the system for procuring stock and supplies company-wide, we introduced a new purchasing system to promote efficiency in related administrative business and help reduce purchase prices. Through this system, we will centralize information management at our headquarters.

Also, we have newly created the post of technical manager to supervise technical issues related to production, quality control, and research and development. The goal is to strengthen our technological competitiveness as a manufacturer.

### **Basic Strategy III. Responding to changes in how stockholders and investors value the company (promoting group management)**

To improve the corporate value of the Showa Sangyo group, we developed the concept of a business center to consolidate accounting operations of Showa Sangyo and its subsidiaries to speed up group financial settlement, simplify administration and provide valuable information to aid in group management. As our first step, we introduced a cash management service to enhance the Group's financial health by overseeing surplus capital in our Group, consolidating its management and improving efficiency of its use.

In addition, we took steps to improve earnings per share and return on equity (ROE) by buying back and retiring our own shares worth 730 million yen with our capital reserves. To make more efficient use of assets through asset and liability reduction, we also liquidated accounts receivable worth 2 billion yen.

### **Basic Strategy IV. Responding to environmental changes**

To promote protection of the environment, we appointed an environmental director and created a system to promote our environmental management, including efforts to obtain ISO 14001 certification.

We are introducing a multi-track personnel system that values the individual. We are working to cultivate human resources via a system in which employees voluntarily educate themselves in skills that they need, and to enhance the strength of our organization through a system for selecting the right personnel for each job.