Management’s Discussion and Analysis

Unless otherwise noted, the financial information contained in this section is all based on the consolidated financial statements included in the annual report of Showa Sangyo Co. Ltd. These financial statements have been prepared according to generally accepted accounting principles in Japan.

INTRODUCTION

At Showa Sangyo, our corporate principle is to contribute to a rich and healthful diet that has its origins in the bounties of nature. Our goal as management is to take full advantage of the resources we have built on this principle, so that we may improve and maximize our shareholder and corporate values.

To meet this goal, as a combined processed food manufacturer of food materials centering on raw material grains, we will strive to expand Showa Sangyo's operations by further enhancing our technology and total corporate strengths that we have fostered to this day. We will create new values for society, and increase shareholder value.

On the other side we believe it is imperative that we minimize Showa Sangyo's fund raising cost through appropriate funding strategies and capital structure, create wealth through investments in economically profitable fields, and maximize our long-term cash flow.

In accordance with our goal to increase shareholder value, we have been buying back our company stock in the market for a few years since stock buybacks in Japan became deregulated.

We were among the first in the food industry to do so, retiring stocks using capital reserves. Our aim is to increase Showa Sangyo's value per share and return the profit to our shareholders. To further raise our shareholder value in the future, we plan to continue buying back and retiring our stocks.

The Company

We are a combined processed food manufacturer that produces and processes a diverse range of food materials, such as flour, vegetable oils, corn sweeteners and animal feed, from raw material grains. Our consolidated financial statement is composed of figures for Showa Sangyo, 11 of its subsidiaries and 2 affiliate companies.

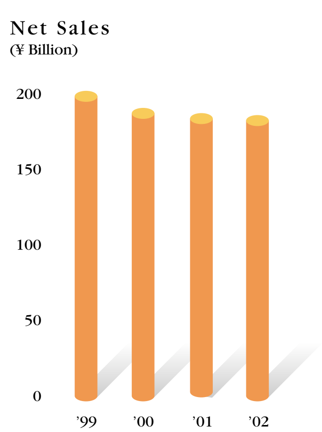
Our operations are divided into three business segments: Food Operations, which include flour milling, vegetable oils, corn sweeteners, household foods and frozen foods; Animal Feed Operations, which deal with the production and marketing of animal feeds and eggs; and Other Operations, which include the warehouse division and real estate leasing.

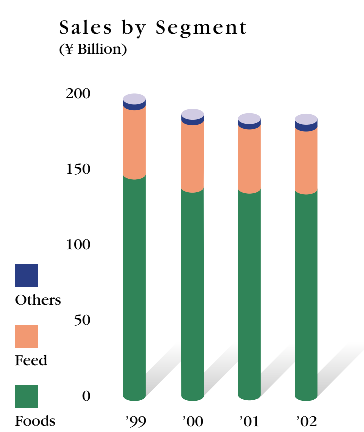
The percentages of sales for each segment this fiscal year were 73.6%, 22.4%, and 4.0%, respectively.

OPERATIONS

Overview

The Japanese economy remained weak this fiscal year due to deteriorating corporate earnings mainly in the manufacturing sector, a drastic drop in exports, a decline in production and decreased capital spending. A further drop in consumer spending – due to job insecurities stirred by a rising unemployment rate – and numerous bankruptcies of major corporations also slowed down the economy seriously to give it a prolonged bleak outlook. The uncertainty of the future of the world economy also rose when, on top of the downturn of the global information-technology industry and the unforeseen recovery of the U.S. economy, terrorists attacked the United





States in September.

In the food industry, in which Showa Sangyo does business, consumer confidence also dropped along with personal income. Preference for lower prices is here to stay, and competition has intensified due to declining demand. It was a difficult business environment as several incidents occurred that prompted consumers to question the reliability of food products. Factors that lower profitability increased, such as the weakening of the yen and the surge in the prices of one of our raw materials, rapeseed.

In such a situation, we worked toward the success of our three-year, STEP 21 Plan that was launched in April 2000, and strove to strengthen our business foundation. We make effort to supply products that promptly respond to customer needs and to promote safety. We built the new Funabashi Distribution Center, began operations at East and West Order-processing Centers for pursuing efficiency, and replaced Kobe Plant's fuel-oil-fired boiler with a gas-turbine co-generation system to help preserve the global environment and to cut production costs.

In managing our capital, we employed a cash management system to cut down on fund procurement costs, and bought back our stock in our efforts to raise shareholder value.

Net sales

This fiscal year, our net sales fell 0.2% from the previous year to 184.757 billion yen.

The decline was due primarily to the 770 million yen decrease in net sales in Food Operations, whose products bring about 73.6% of Showa Sangyo's net sales. Factors for the lackluster sales include the low prices of oil products and corn sweeteners, fewer sales of household gift sets due to a weak economy, the smaller net sales of frozen food products due to our cutting back the number of items to improve profitability.

Cost of sales

This fiscal year, our cost of sales increased 1.4% to 149.874 billion yen. Its ratio to net sales also increased from 79.8% to 81.1%.

A factor bringing to the increase in our cost of sales to net sales is the increase in the prices of raw materials for products such as vegetable oils and corn sweeteners in our Food Operations and mixed animal feed in our Animal Feed Operations. Another factor is that such increases have not yet reflected on our product prices.

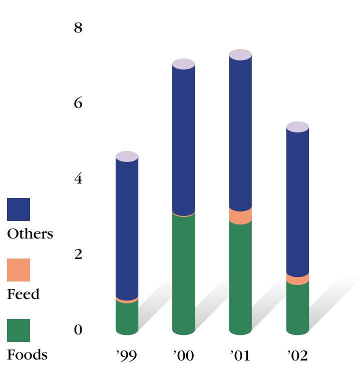
Factors for the increase in the costs of these raw materials include the weaker yen which was 14.19 yen lower on a weighted average basis for the year, the 23.3% surge in the price of a raw material, rapeseed, and the cost of inspecting for the GMO corn, Starlink, which is not approved in Japan.

Selling, general and administrative expenses

Selling, general and administrative expenses for this fiscal year fell 0.4% to 31.948 billion yen. Their ratio to net sales remained at nearly the same percentage as the previous year's, at 17.3%.

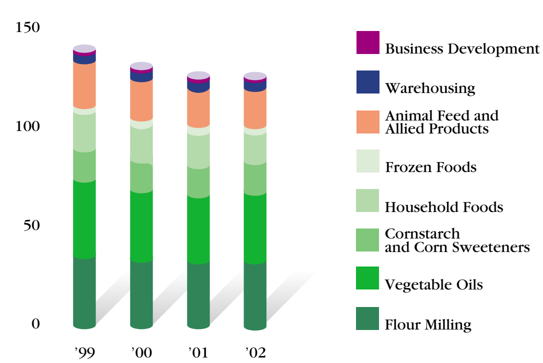
Selling, general and administrative expenses for this fiscal year include research and development expenses that increased 1.0% over the previous year to 1.779 billion

Operating Income by Segment
(¥ Billion)



The figures are before subtraction for corporate.

Non-consolidated Sales by Division
(¥ Billion)



yen. Most of these were spent on developing products for convenience stores, which are currently believed to be a growth field.

This fiscal year, we began operating Funabashi Plant's Funabashi Distribution Center, which includes a multiple-level automated warehouse. We also started East and West Japan Order-processing Centers, having concentrated orders in eastern Japan to the Distribution Department in our head office and orders in western Japan to our Kobe Plant. The main purpose of this is to achieve greater efficiency by reducing our distribution costs, in accordance with our STEP 21 Plan.

Operating income

Due to our activities mentioned above, our operating income this fiscal year decreased 44.5% to 2.935 billion yen. Our operating margin also declined from 2.9% to 1.7%.

In comparing the figures from the previous year by segment, the Food Operations had a 2.279 billion yen decrease in operating income as the cost increase could not be fully reflected in our prices; the Animal Feed Operations had a 53 million yen increase in operating income – despite income from mixed animal feed declining due to the increased raw material costs – due primarily to an increase in the price of our pork that resulted from the mad-cow disease scare; and the Other Operations had a 227 million yen decrease in operating income due to the warehouse division's operation rate decline in relation to the stocking of Non-GMO raw materials.

Other income and expenses

The net amount of our other income and expenses for this fiscal year came to a loss of 4.82 billion yen, which is 110.6% more in losses than the previous year.

Other income and expenses this fiscal year include the disposition loss of 240 million yen associated with the warehouse for lease that we constructed in Tsurumi for the purpose of using our assets more effectively, and the 832 million yen loss in the disposition of property, plant and equipment, including the 77 million yen loss associated with the disposition of the above-mentioned construction of the Funabashi multi-level warehouse.

We also changed the value of stocks whose market prices dropped significantly below the values they were listed on our books due to the decline of the market this fiscal year, which resulted in an investment securities loss of 3.008 billion yen.

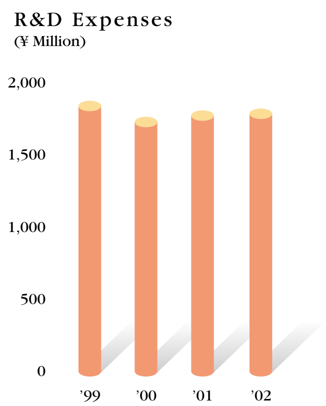
In addition, we have posted a total of 429 million yen loss in reserves for the reorganization of three subsidiaries, including our consolidated subsidiary Fukushima Elite Foods Co., Ltd., that are scheduled to shutdown or are changing their type of business. The loss included estimated uncorrectable losses in investments in the three subsidiaries.

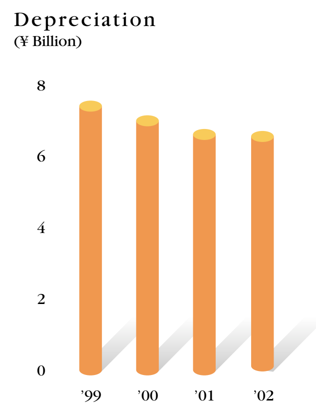
Starting this year, we employed a cash management system (CMS) to centralize the funds within our Group to use our funds more efficiently. As a result, we have reduced our cash and cash equivalents by 1.5 billion yen and interest-bearing liabilities by 1.7 billion yen, which contributed to an improvement of 141 million yen in our interest income and expenses.

Income before income taxes

Our income before income taxes this fiscal year decreased 4.884 billion yen from the previous year to a 1.885 billion yen net loss before income taxes.

Income taxes





Our income taxes this fiscal year include our current tax expense of 492 million yen and deferred tax of 1.045 billion yen. This resulted in our net income tax refund of 553 million yen.

Net income

Net income this fiscal year decreased 2.902 billion yen from the previous year to a net loss of 1.376 billion yen. As a result, our income per share before delusion decreased from 7.95 yen to -7.36 yen, and our return on equity decreased from 3.3% to -3.0%.

SEGMENT ANALYSIS

<Food Operations>

This fiscal year, while sales of products in Food Operations increased from the previous year in terms of the volume sold, sales were affected by the weakness of vegetable oil and corn sweetener product prices and fell 770 million yen, or 0.6%, from the previous year to 136.022 billion yen.

Our operating income decreased 2.279 billion yen, or 73.6%, from the previous year to 817 million yen, having been affected by the increase in costs caused by the weak yen and a surge in the cost of raw materials, and by not yet having reflected the cost increase on some of the product prices.

The following are the sales trends by product for products in our Food Operations.

Flour Milling Division

This fiscal year, our Flour Milling Division engaged in aggressive sales activities amid a climate in which demand for flour was not growing. The sales of flour in terms of volume decreased from the previous year, affected by the increase in flour-adjustment product imports, among other things. On the other hand, sales of premixes and other products, such as those for donuts and bread, increased in terms of volume from the previous year thanks to our aggressive sales activities such as marketing new products and holding promotional campaigns. Sales of wheat bran also increased in terms of volume. Our sales, however, fell 0.9% to 37.279 billion yen due to the drop in the volume of flour sold.

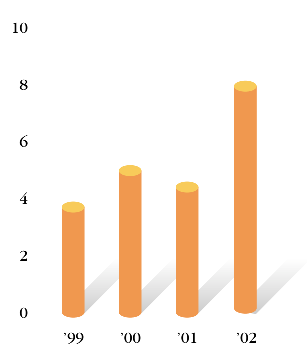
Vegetable Oils Division

This fiscal year, despite a continued intense market competition, the sales volume of vegetable oils increased over the previous year as we focused on expanding sales by setting up mini-tanks. Despite a surge in the market price of rapeseed, the prices of vegetable oil products dropped from the previous year with the market price of our primary raw material, soybeans, remaining steady.

Although the sales of defatted soybeans remained the same as the previous year in terms of volume, the selling price increased over the previous year, affected by the international market price. The sales volume of foods for commercial use also increased over the previous year due to our aggressive efforts to establish new sales channels.

As a result, sales for our Vegetable Oils Division

Capital Expenditure
(¥ Billion)



increased 4.2% to 35.556 billion yen.

Cornstarch and Corn Sweeteners Division

Despite the demand for high-fructose corn syrup for soft drinks dropping, the sales volume of our corn-sweetener products increased over the previous year due to the strong shipment of corn syrup for use in low-malt beer, whose demand is growing. The sales volume of cornstarch also grew from the previous year due to a steady sale of cornstarch for bread and noodles, despite that for beer decreasing. Product prices continued to move on the weaker side despite a strong market price for our primary raw material, corn. As a result, in the Cornstarch and Corn Sweeteners Division, our sales increased 0.8% over the previous year to 24.523 billion yen.

Household Foods Division

The overall sales volume of our household vegetable oils decreased from the previous year amid a continued weak demand, despite strong sales of our healthful vegetable oil, Oleinrich. The sales volume of secondary processed wheat flour products for home use increased over the previous year in a continuous competitive market due to our efforts to expand sales by introducing new products and improving existing products. In particular, Tempura Daisakussen, which we developed to commemorate the 40th year of selling tempura flour, became a huge success. The new hit product is revolutionary in that it is easier to dissolve in water than previous products and that ingredients used in the tempura flour are combined in a single particle, which is nearly uniform in size so that all the particles dissolve at the same speed. On the other hand, the sales volume of gift sets decreased from the previous year due to the prolonged economic recession.

Selling prices also dropped from the previous year due to deflation. As a result, in our Household Foods Division, sales decreased 2.7% from the previous year to 33.520 billion yen.

Frozen Foods Division

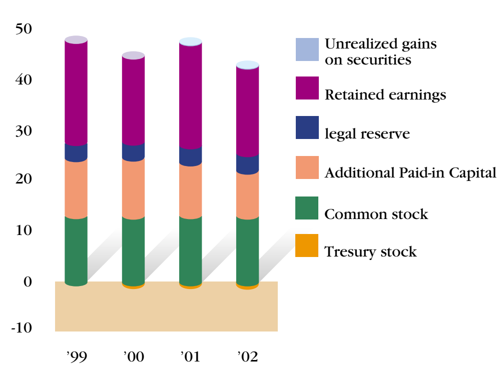
As demand in the restaurant industry decreased and consumer spending continued to drop this fiscal year, we worked hard to expand new sales channels. Our sales volume, however, decreased from the previous year due to the effects of having eliminated unprofitable items. Our sales decreased 18.3% to 5.144 billion yen. Part of the decrease was also due to the elimination of our two consolidated subsidiaries.

<Animal Feed Operations>

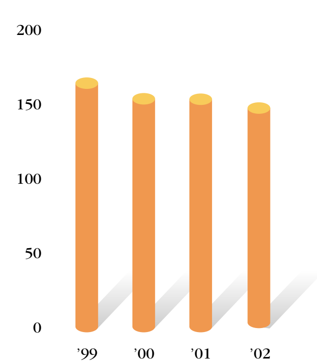
In our Animal Feed Operations, we engaged in aggressive sales activities and achieved a sales increase from the previous year especially in our sales of chicken feed. This was despite an environment of increased livestock imports and declining domestic livestock production, which consequently led to a decrease in the sales volume of mixed animal feed. Due to the prices at commodities exchange remaining steady, selling prices also increased over the previous year. On the other hand, despite an increase in the sales volume of eggs over the previous year, the selling price of eggs decreased from the previous year due to a weak egg market. As a result, our sales increased 628 million yen, or 1.5%, over the previous year to 41.475 billion yen.

Our operating profit increased 53 million yen, or 275.8%, over the previous year to 72 million yen despite a difficult situation in which the raw materials cost increase for mixed animal feed

Shareholder's Equity
(¥ Billion)



Total Assets
(¥ Billion)



caused by the weak yen and other factors had not been reflected on some of the selling prices.

<Other Operations>

In other operations, despite our aggressive marketing activities to gain commodities in a continuously competitive environment, sales at the Warehouse Division decreased from the previous year with smaller cargo volume and storage space.

In our Real Estate Division, despite starting operations at new lease warehouses, sales remained at the same level as the previous year due to declining building operation rates.

As a result, the overall sales from our Other Operations fell 186 million yen, or 2.5%, from the previous year to 7.26 billion yen.

Operating income also declined 227 million yen, or 5.6%, from the previous year to 3.806 billion yen.

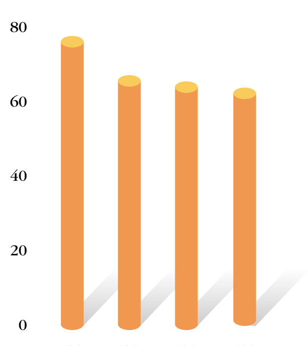
FINANCIAL POSITION

This fiscal year, we used our capital reserves to retire 6,886,000 shares of our stock valued at 1.581 billion yen. The accumulated total to date is 10,806,000 shares, or 2.3 billion yen.

By employing a cash management system (CMS), we have decreased our cash and cash equivalents 1.5 billion yen, and interest-bearing liabilities 1.7 billion yen from the previous year.

As a result, our total assets at the end of this fiscal year decreased 3.9% to 150.930 billion yen.

Interest-bearing liabilities
(¥ Million)



Among assets, our current assets decreased 6.9% to 51.925 billion yen due primarily to the decrease in cash and cash equivalents and trade notes receivable.

Our investments and advances decreased 16.3% this fiscal year to 15.151 billion yen. The decrease was due primarily to the 3.336 billion yen decrease in investment securities from having posted valuation losses caused by falling market prices.

On the other hand, we increased our property, plant and equipment by 0.6% this fiscal year to 83.308 billion yen. The increase was due primarily to the capital investment increasing to 8.1 billion yen from the previous year's 4.6 billion yen. The investments include 1.2 billion yen to renovate Kashima facilities that manufacture corn syrup for use in low-malt beer, 1.2 billion yen for establishing Funabashi Distribution Center, 700 million yen for establishing warehouses for lease in Tsurumi, and 400 million yen for Kobe's co-generation system.

Total liabilities at the end of this fiscal year dropped 1.9% to 106.436 billion yen due primarily to the reduction of long-term loans. Current liabilities increased 17.2% to 74.794 billion yen.

The primary reason for its increase was the straight bonds scheduled to be redeemed within one year that were transferred from fixed liabilities.

Our fixed liabilities this fiscal year decreased 29.2% to 31.642 billion yen due to the reduction of interest-bearing liabilities, in addition to the above transfer of bonds.

Shareholders' equity decreased by 8.8% to 43.072 billion yen this fiscal year due to the posting of 1.376 billion yen in net loss, retiring of 1.581 billion yen in company stock using capital reserves, and dividend payments of 1.126 billion yen. The equity ratio changed from 30.1% to 28.5%.

LIQUIDITY AND CAPITAL RESOURCES

We believe that our ability to generate cash flow from operating activities to continuously invest in growth fields is an important element in raising our corporate value. It is the foundation of the financial strength of the Company. We are also always working to maintain sufficient liquidity to allow for versatile implementations of our business strategies and to respond to changes in our business environment.

In this fiscal year, we generated a free cash flow of 2.596 billion yen. This helped improve our balance sheet by redemption of treasury stocks and by reducing interest-bearing liabilities.

Our cash flow this fiscal year from operating activities came to 8.995 billion yen, up 1.556 billion yen from the previous year. The increase, despite a decrease in income before taxes this fiscal year, is due to the decrease in amount of trade notes receivable, accounts receivable and inventory assets.

The cash flow used in investment activities increased 1.468 billion yen from the previous year to 6.498 billion yen. Primary reasons for this include the strategic investment we made in high-profit fields such as the above-mentioned corn-syrup manufacturing facility in Kashima, and the investment increase in establishing the Funabashi Distribution Center to improve efficiency.

On the other hand, the cash flow used in financial activities increased 815 million yen from the previous year to 4.462 billion yen. This was primarily due to the increase in cash outflow from buying back stock in the market.

Due to such activities, our cash and cash equivalents at the end of this fiscal year fell 1.965 billion yen from the previous year to 4.139 billion yen.

RISK MANAGEMENT

We are exposed to a variety of risks in the course of our normal business operations, including risks arising from currency and interest rate fluctuations. As a means of effectively managing those risks, we engage in derivative trading.

Our use of currency-related derivatives consists of exchange forward contracts to avoid currency fluctuation risks associated with foreign currency-denominated trading, mainly import of raw material grains. Regarding trading of interest-rate derivatives, we use interest-rate swap agreements to reduce the cost of raising funds and to avoid interest-rate fluctuation risks.

We do not engage in such trading for speculative purposes or with the aim of making profits from the trading itself.

Derivative trading itself is accompanied by its own risks.

The most important of these are market risks and credit risks. Market risk refers to the chance that a particular trading position will incur a profit or loss due to changes in the market. The exchange forward contracts used by the Company are vulnerable to currency fluctuations, while our interest-rate swap agreements are subject to risk from changes in interest rates.

Credit risk refers to the possibility that a trading partner will fail to meet its obligations, thereby making it impossible for us to enjoy anticipated future results were we to continue trading with the partner. Because we conduct derivative trading with banks that have appropriate credit ratings, we believe there is negligible risk that our trading partners will fail to meet their obligations.

All the exchange forward contracts that we conclude are hedge transactions in which any of our exchange risks on our balance sheet caused by actual product demand are offset. To determine the total amount of exchange forward contracts related to business transactions, we employ a system in which the head office's Finance Division compiles the total amount of exchange exposures calculated from each operating department's total scheduled transactions, and allows each department to engage in hedge transactions with the hedge ratio not exceeding 75% of each exposure at the time of purchasing commodities. Normally, such hedge transactions are conducted using mainly exchange forward contracts. However, in some cases, in consideration of the exchange market situation at the time, the hedging may be conducted by purchasing currency options.

In doing so, we pay our utmost attention in preventing fraud and error, and arrange superior personnel in terms of integrity and diligence in separate departments, between those who make decisions on placing orders on individual derivative transactions and those who order, execute and manage the contracts. The total amount of concluded exchange forward contracts is always under the management of the Finance Division at the head office.

On the other hand, when currency exchange forward contracts or interest-rate swap agreements are entered into for finance purposes, the Finance Division concludes the deal after the decision is requested in-house and the president gives his transaction approval. The results are then managed by the Finance Division. We do not engage in other derivative transactions. Our consolidated subsidiaries also take the same procedures, with our Finance Division confirming important transactions.

In addition to the risks described above, we may be exposed to non-financial or immeasurable risks in the course of our normal business operations. Such risks include country risks, credit risks and legal risks, but because of their unpredictable nature, we do not address them in this annual report. However, we can say that as of the end of this fiscal year, we were not involved in any ongoing litigation.

Currency Risk

We procure many of our raw material grains from overseas, for which we pay in U.S. dollars.

To this extent, we are vulnerable to the risk of fluctuations in currency markets. To reduce currency rate risks mainly in import of raw material grains, we make use of currency exchange forward contracts and currency options.

All the exchange forward contracts that we use are a hedge position in which risks are offset by all underlying risks on our balance sheet. Thus they have no exposure risks outside of minimal credit risks.

Interest Risk

We are exposed to risks arising from interest-rate fluctuations through our investment activities and cash management activities. We participate in interest-rate swap agreements largely to fix interest rates that apply to our variable-interest obligations. Most of the positions we hold are offset by their underlying risks.

Stock Market Risk

For alliance purposes and investment purposes, we hold shares in various listed and unlisted companies and are therefore exposed to share price fluctuation risk.

According to current-value accounting standard, the total of these listed stocks is posted at 7.628 billion yen. In addition, we have 2.652 billion yen in stocks stated at cost.

Consolidated Balance Sheets

Showa Sangyo Co., Ltd. and Consolidated Subsidiaries

As of March 31, 2001 and 2002

ASSETS	*Millions of yen* 2001	2002	*Thousands of U.S. dollars (Note 1-a)* 2002
Current assets:			
Cash and cash equivalents	¥ 6,104	**¥ 4,139**	**$ 31,064**
Marketable securities	150	**150**	**1,125**
Accounts and notes receivables:			
Trade	29,798	**27,927**	**209,584**
Non-consolidated subsidiaries and affiliates	662	**455**	**3,418**
Less: Allowance for doubtful receivables	(262)	**(241)**	**(1,809)**
Inventories :			
Merchandise and finished goods	6,787	**7,786**	**58,434**
Raw materials and supplies	7,214	**7,021**	**52,690**
Work-in-progress	814	**967**	**7,256**
Short-term loans	927	**275**	**2,066**
Deferred tax assets (Note 5)	1,184	**1,464**	**10,988**
Prepaid expenses and other current assets	2,394	**1,982**	**14,863**
Total current assets	55,772	**51,925**	**389,679**
Investments and advances:			
Investment securities (Note 3)	12,185	**8,849**	**66,405**
Investments in and advances to non-consolidated subsidiaries and affiliates	3,358	**4,054**	**30,425**
Other investments and advances (Note 3 and 5)	3,923	**3,925**	**29,455**
Less: Allowance for doubtful receivables	(1,355)	**(1,677)**	**(12,584)**
Total investments and advances	18,111	**15,151**	**113,701**
Property, plant and equipment (Note 3):			
Land	20,544	**20,578**	**154,430**
Buildings and structures	86,965	**88,003**	**660,432**
Machinery and equipment	111,172	**114,297**	**857,774**
Construction in progress	531	**583**	**4,375**
	219,212	**223,461**	**1,677,011**
Less : Accumulated depreciation	(136,436)	**(140,153)**	**(1,051,811)**
Total property, plant and equipment	82,776	**83,308**	**625,200**
Other assets	470	**546**	**4,102**
Total assets	¥ 157,129	**¥ 150,930**	**$ 1,132,682**

The accompanying notes are integral parts of these statements.

LIABILITIES AND SHAREHOLDERS' EQUITY	Millions of yen 2001	2002	Thousands of U.S. dollars (Note 1-a) 2002
Current liabilities:			
Short-term borrowings (Note 3)	¥ 32,565	**¥ 30,455**	**$ 228,555**
Current portion of long-term borrowings (Note 3)	3,319	**6,110**	**45,856**
Current portion of bonds (Note 3)	-	**10,000**	**75,047**
Accounts payable and notes: (Note 3)			
Trade	17,196	**18,671**	**140,122**
Non-consolidated subsidiaries and affiliates	394	**232**	**1,738**
Accrued taxes on income	351	**201**	**1,507**
Accrued expenses and other current liabilities	9,975	**9,125**	**68,482**
Total current liabilities	63,800	**74,794**	**561,307**
Long-term liabilities:			
Bonds (Note 3)	10,000	**-**	**-**
Long-term borrowings (Note 3)	19,390	**16,970**	**127,356**
Accrued pension and severance costs (Note 4)	4,334	**4,536**	**34,040**
Retirement and severance benefit for directors and statutory auditors (Note 4)	923	**1,109**	**8,322**
Deferred tax liabilities (Note 5)	4,224	**3,593**	**26,968**
Other liabilities (Note 3)	5,829	**5,434**	**40,780**
Total long-term liabilities	44,700	**31,642**	**237,466**
Consolidation adjustment	2	**0**	**1**
Minority interests	1,404	**1,422**	**10,667**
Contingent liabilities (Note 7)			
Shareholders' Equity:			
Common stock:			
Authorized -745,580,000 shares for 2001 and 739,656,000 shares for 2002			
Issued as at 31 March, 2001 - 188,938,898 shares (Note 6)	12,778	**-**	**-**
Issued as at 31 March, 2002 - 182,052,898 shares (Note 6)	-	**12,778**	**95,895**
Additional paid-in capital	10,871	**9,290**	**69,719**
Legal reserve (Note 6)	3,305	**3,305**	**24,801**
Retained earnings	20,228	**17,669**	**132,602**
Unrealized gains on securities	42	**35**	**265**
Less: Treasury stock	(1)	**(5)**	**(41)**
Total shareholders' equity	47,223	**43,072**	**323,241**
Total liabilities and shareholders' equity	¥157,129	**¥150,930**	**$1,132,682**

Consolidated Statements of Income

Showa Sangyo Co., Ltd. and Consolidated Subsidiaries
For the years ended March 31, 2001 and 2002

	Millions of yen		*Thousands of U.S. dollars (Note 1-a)*
	2001	**2002**	**2002**
Net sales	¥185,085	**¥184,757**	**$1,386,543**
Cost of sales	147,732	**149,874**	**1,124,758**
Gross profit	37,353	**34,883**	**261,785**
Selling, general and administrative expenses	32,065	**31,948**	**239,761**
Operating income	5,288	**2,935**	**22,024**
Other income (expenses):			
Interest expenses	(810)	**(652)**	**(4,891)**
Interest and dividend income	205	**188**	**1,412**
Net loss on sale, disposition and revaluation of property, plant and equipment	(443)	**(648)**	**(4,862)**
Net loss on sale and revaluation of marketable securities and investment	(8)	**(3,260)**	**(24,464)**
Foreign currency exchange loss	(87)	**(102)**	**(765)**
Other, net	(1,146)	**(346)**	**(2,599)**
Total	(2,289)	**(4,820)**	**(36,169)**
Income (loss) before income taxes and minority interests	2,999	**(1,885)**	**(14,145)**
Income taxes (Note 5):			
Current	550	**492**	**3,694**
Deferred	954	**(1,045)**	**(7,843)**
Total	1,504	**(553)**	**(4,149)**
Income (loss) before minority interests	1,495	**(1,332)**	**(9,996)**
Minority interests	31	**(44)**	**(328)**
Net income (loss)	¥ 1,526	**¥ (1,376)**	**$ (10,324)**

Per share data (Note 2-i):	*Yen*		*U.S. dollars (Note 1-a)*
Net income (loss)	¥ 7.95	**¥ (7.36)**	**$ (0.055)**
Diluted net income	-	-	-
Cash dividends, applicable to the year	¥ 6.00	**¥ 6.00**	**$ 0.045**

The accompanying notes are integral parts of these statements.

Consolidated Statements of Shareholders' Equity

Showa Sangyo Co., Ltd. and Consolidated Subsidiaries
For the years ended March 31, 2000, 2001 and 2002

	Millions of yen					
	Common stock	Additional Paid-in Capital	Legal reserve	Retained earnings	Unrealized gain on securities	Treasury stock
Balance at March 31, 2000	¥ 12,778	¥ 11,600	¥ 3,185	¥ 17,933	¥ -	¥ (1)
Net income				1,526		
Cash dividends paid				(1,154)		
Bonuses to directors and statutory auditors				(18)		
Transfer from retained earnings (Note 6)			120			
Transfer to legal reserve (Note 6)				(120)		
Increase due to exclusion of consolidated subsidiaries (Note 1-b)				2,061		
Redemption of treasury stock		(729)				
Unrealized gain on securities					42	
Balance at March 31, 2001	¥ 12,778	¥ 10,871	¥ 3,305	¥ 20,228	¥ 42	¥ (1)
Net income (loss)				(1,376)		
Cash dividends paid				(1,126)		
Bonuses to directors and statutory auditors				(57)		
Transfer from retained earnings (Note 6)			0			
Transfer to legal reserve (Note 6)				(0)		
Redemption of treasury stock		(1,581)				
Unrealized gain on securities					(7)	
Treasury stock acquired, net						(4)
Balance at March 31, 2002	¥ 12,778	¥ 9,290	¥ 3,305	¥ 17,669	¥ 35	¥ (5)

	Thousands of U.S. dollars (Note 1-a)					
	Common stock	Additional Paid-in Capital	Legal reserve	Retained earnings	Unrealized gain on securities	Treasury stock
Balance at March 31, 2001	$ 95,895	$ 81,585	$ 24,798	$ 151,806	$ 341	$ (8)
Net income (loss)				(10,324)		
Cash dividends paid				(8,447)		
Bonuses to directors and statutory auditors				(430)		
Transfer from retained earnings (Note 6)			3			
Transfer to legal reserve (Note 6)				(3)		
Redemption of treasury stock		(11,866)				
Unrealized gain on securities					(76)	
Treasury stock acquired, net						(33)
Balance at March 31, 2002	$ 95,895	$ 69,719	$ 24,801	$ 132,602	$ 265	$ (41)

The accompanying notes are integral parts of these statements.

Consolidated Statements of Cash Flows

Showa Sangyo Co., Ltd. and Consolidated Subsidiaries
For the years ended March 31, 2001 and 2002

	Millions of yen		*Thousands of U.S. dollars (Note 1-a)*
	2001	**2002**	**2002**
Cash flows from operating activities:			
Income before income taxes	¥ 2,999	**¥ (1,885)**	**$(14,145)**
Adjustments to reconcile income before income taxes to net cash provided by operating activities:			
Depreciation and amortization	6,774	**6,715**	**50,397**
Amortization arisen from consolidation adjustment	(14)	**(0)**	**(3)**
Accrued pension and severance costs	4,334	**202**	**1,513**
Provision for (reversal of) retirement and severance benefit for employees	(3,714)	**-**	**-**
Provision for (reversal of) retirement and severance benefit for directors and statutory auditors	(176)	**186**	**1,396**
Provision for (reversal of) allowance for doubtful receivables	100	**145**	**1,089**
Interest and dividend income	(205)	**(188)**	**(1,412)**
Interest charges	810	**652**	**4,891**
Foreign currency exchange loss (gain)	87	**102**	**765**
Equity in earning of affiliates	(114)	**(105)**	**(785)**
Net loss (gain) on sale, revaluation and disposition of property, plant and equipment	443	**648**	**4,862**
Net loss (gain) on sale and revaluation of marketable securities	8	**3,260**	**24,464**
Loss on reorganization of affiliated companies	-	**429**	**3,224**
(Increase) decrease in receivables, trade	(944)	**2,078**	**15,591**
(Increase) decrease in inventories	(996)	**(960)**	**(7,202)**
Increase (decrease) in payables, trade	2,108	**(131)**	**(984)**
Bonuses paid for directors and statutory auditors	(25)	**(65)**	**(488)**
	11,475	**11,083**	**83,173**
Interest and dividends received	236	**209**	**1,571**
Interest paid	(788)	**(699)**	**(5,249)**
Income taxes paid	(3,123)	**(642)**	**(4,818)**
Other, net	(361)	**(956)**	**(7,176)**
Net cash provided by operating activities	7,439	**8,995**	**67,501**
Cash flows from investing activities:			
(Increase) decrease in time deposit	(4)	**53**	**400**
Purchases of marketable securities	(0)	**(0)**	**(1)**
Proceeds from sale of marketable securities	8	**-**	**-**
(Increase) decrease in other short-term investments	(104)	**652**	**4,894**
Purchases of investment securities	(1,133)	**(85)**	**(641)**
Proceeds from sale of investment securities	439	**144**	**1,083**
Purchases of property, plant and equipment	(4,917)	**(6,518)**	**(48,919)**
Proceeds from sales and disposition of property, plant and equipment	275	**346**	**2,595**
Loss on disposal of fixed assets	-	**(227)**	**(1,704)**
(Increase) decrease in other long-term investment and advances	406	**(863)**	**(6,474)**
Net cash used in investing activities	(5,030)	**(6,498)**	**(48,767)**
Cash flows from financing activities:			
Increase (decrease) in short-term borrowings	(570)	**(2,110)**	**(15,835)**
Proceeds from long-term borrowings	1,500	**4,000**	**30,019**
Repayment of long-term borrowings	(2,681)	**(3,629)**	**(27,235)**
Dividends paid	(1,154)	**(1,126)**	**(8,447)**
Dividends paid to minority shareholders	(11)	**(11)**	**(80)**
Purchases of treasury stock	(729)	**(1,586)**	**(11,899)**
Net cash used in financing activities	(3,645)	**(4,462)**	**(33,477)**
Net increase (decrease) in cash and cash equivalents	(1,236)	**(1,965)**	**(14,743)**
Cash and cash equivalents at beginning of year	7,340	**6,104**	**45,807**
Cash and cash equivalents at end of year	¥ 6,104	**¥ 4,139**	**$ 31,064**

The accompanying notes are integral parts of these statements.

Notes to Consolidated Financial Statements

Showa Sangyo Co., Ltd. and Consolidated Subsidiaries

Note 1: Basis of Presenting Consolidated Financial Statements

(a) Basis of Presentation

The accompanying consolidated financial statements have been prepared from the consolidated financial statements in accordance with the provisions set forth in the Japanese Securities and Exchange Law and conform with generally accepted accounting principles in Japan. For the convenience of readers, however, the presentation of the financial statements and the information contained therein has been modified in certain respects.

The translations of yen amounts into dollar amounts also have been made solely for the convenience of the readers outside Japan and have been made at the rate of ¥133.25=U.S.$1, the rate of exchange prevailing on March 29, 2002

(b) Principles of Consolidation

The accompanying consolidated financial statements include the accounts of Showa Sangyo Co., Ltd. (hereinafter, the "Company", including consolidated subsidiaries, unless the context otherwise requires) and its 11 significant subsidiaries. Material inter company balances, transactions and profits have been eliminated in consolidation.

Investments in a few affiliates are accounted for by the equity method.

Investment in the remaining subsidiaries and affiliates are stated at cost. If the equity method of accounting had been applied to these investments, the effect of the accompanying consolidated financial statements would not be material. Earnings of these companies are recorded in Showa Sangyo's books only to the extent that cash dividends are received.

The consolidated subsidiaries:

Shosan Shoji Co., Ltd.
Shikishima Starch Co., Ltd.
Kyushu Showa Sangyo Co., Ltd.
Kida Flour Milling Co., Ltd.
Naigai Flour Milling Co., Ltd.
Fukushima Elite Food Co., Ltd.
Niigata Elite Food Co., Ltd.
Shosan Kaihatsu Co., Ltd.
Shourei Co., Ltd.
Showa Keiran Co., Ltd.
Shosan Business Service Co., Ltd.

Note 2: Significant Accounting and Reporting Policies

(a) Cash and Cash Equivalents

For purposes of the statement of cash flows, the Company considers all highly liquid investments purchased with a maturity of three months or less to be cash equivalents.

(b) Marketable Securities and Investment Securities

The Company has adopted the Japanese accounting standard for financial instruments, accordingly they are valuated by market price. Marketable securities and investment securities quoted on market are stated at market price method, its variance of the estimate is included to equity. Other securities such as securities issued by non-public companies are stated at cost, cost being determined by the moving-average method.

(c) Inventories

Inventories such as finished goods, merchandise and work-in-progress are stated at cost, cost being determined by the first-in first-out cost method principally. Raw materials and supplies are stated at cost, cost being determined by the moving-average method principally.

(d) Property, Plant and Equipment

Property, plant and equipment are stated at cost. Depreciation is computed under the declining balance method except for buildings and part of rental equipment, which depreciated by the straight-line method, based on the estimated useful lives of the assets.

(e) Allowance for Doubtful Receivables

The allowance for doubtful receivables is provided in amounts referred to past bad debt losses and the collectibility of specifically identifiable bad debt.

(f) Bonuses

Bonuses to Company's employees, which are paid semiannually, are accrued the amount applied to the current period among the amounts expected to be paid for the following period.

Bonuses to directors and statutory auditors, which are subject to approval at the general meeting of shareholders, are accounted for as an appropriation of retained earnings.

(g) Research and Development Expenses

Research and development expenses are charged to income as incurred.

(h) Foreign Currency Transactions

Foreign currency transactions relate principally to the importation of raw materials through Japanese trading companies, contracted for in U.S. dollars, for which the Company is obliged to bear any exchange risks involved in the transactions.

Foreign currency transactions are translated into Japanese yen using the exchange rate in effect at the time of each transaction or at the applicable exchange rates under forward exchange contracts.

The current and non-current account balances denominated in foreign currencies are translated at the exchange rate in effect at each year-end.

Gains or losses from foreign currency transactions are included in net income.

(i) Per Share Data

Per share amounts are computed by the weighted average number of shares of common stock during each year.

Note 3: Short-term and Long-term Borrowings

Short-term borrowings at March 31, 2002 were as follows:

	Millions of yen	*Thousands of U.S. dollars*
Loan from banks and other	¥ 27,455	$ 206,041
Commercial paper	3,000	22,514
	¥ 30,455	$ 228,555

The principal range of interest rates applicable to short-term borrowings at March 31, 2001 and 2002 were from 0.5 per cent to 1.5 per cent and from 0.3 per cent to 1.3 per cent, respectively.

Long-term borrowings at March 31, 2002 were as follows:	*Millions of yen*	*Thousands of U.S. dollars*
Loans with and without collateral, principally from banks, due 2002 to 2015, with interest ranging from 0.2 per cent to 6.0 per cent.	¥ 23,080	$ 173,212
2.125 per cent bonds due 2002	10,000	75,047
	33,080	248,259
Less: Portion of long-term borrowings due within one year	6,110	45,856
Less: Portion of bonds due within one year	10,000	75,047
	¥ 16,970	$ 127,356

The aggregate annual maturities of long-term borrowings during each of the years ending March 31, 2006 and thereafter were as follows:

	Millions of yen	*Thousands of U.S. dollars*
2003	¥ 6,110	$ 45,856
2004	3,356	25,188
2005	4,460	33,471
2006 and thereafter	¥ 9,154	$ 68,697

At March 31, 2002, property, plant and equipment, net of accumulated depreciation, amounting to ¥49,707 million ($373,033 thousand), investment securities amounting to ¥23 million ($172 thousand) and other asset amounting to ¥10 million ($75 thousand) were pledged as collateral for short-term borrowings, long-term borrowings, repayment obligations of deposits and trade account payable.

Note 4: Retirement and Severance Indemnities

Employees whose service with the Company is terminated are, under most circumstances, entitled to lump-sum severance indemnities determined by reference to current basic rate of pay, length of service and conditions under which the termination occurs.

Showa Sangyo and certain subsidiaries have contributory funded pension plans for employees. Under these plans, part of the total retirement and severance benefits is paid by pension plans.

Net periodic benefit cost for the contributory, funded benefit pension plans and the unfunded lump-sum payment plans of the Company for the year ended March 31, 2002 consisted of the following components:

	Millions of yen	*Thousands of U.S. dollars*
Service cost - benefits earned during the year	¥ 1,034	$ 7,762
Interest cost on projected benefit obligation	779	5,846
Expected return on plan assets	(504)	(3,783)
Amortization of unrecognized net obligation	910	6,833
Amortization of actuarial loss	193	1,445
Net periodic benefit cost	¥ 2,412	$ 18,103

Condition of ending balances of the benefit obligations of the contributory, funded benefit pension plans and the unfunded lump-sum payment plans and the fair value of the plan assets, and actuarial assumptions used at March 31, 2002 are as follows:

	Millions of yen	*Thousands of U.S. dollars*
Benefit obligations at end of year	¥ 24,746	$ 185,712
Fair value of plan assets at end of year	(10,448)	(78,408)
Unrecognized prior service cost	276	2,069
Unrecognized actuarial loss	(2,755)	(20,673)
Unrecognized net obligation as of April 1, 2000 being recognized over a period of 10 years	(7,283)	(54,660)
Accrued pension and severance costs on consolidated balance sheets	¥ 4,536	$ 34,040

Discount rate	3.5%
Expected return on plan assets	5.0%

The Company has adopted the policy of accruing lump-sum severance indemnities for directors and statutory auditors.

Note 5:

Income Taxes

The Japanese statutory tax rates applicable to income before income taxes for the fiscal years ended March 31, 2001 and 2002 were 42.0%, respectively. The difference between the statutory tax rates and effective tax rates reflects future tax effects of temporary differences as shown below.

	2001	**2002**
Statutory tax rate	42.0%	-42.0%
Other non deductible expenses not qualifying for deduction	6.4	11.0
Dividends and other non taxable income	-2.2	-2.8
Residents tax per capital basis	1.8	2.6
Others	2.1	1.8
Effective tax rate	50.1	-29.4

The tax effects of temporary differences that give rise to significant portions of the deferred tax assets and deferred tax liabilities at March 31, 2001 and 2002 are presented below.

	Millions of yen		Thousands of U.S. dollars
	2001	**2002**	**2002**
Current:			
Deferred tax assets			
Net operation loss carried forward	¥ 880	¥ 1,147	$ 8,604
Accrued bonus	273	298	2,236
Others	31	19	148
	¥ 1,184	¥ 1,464	$ 10,988
Fixed:			
Deferred tax assets			
Accrued pension and severance costs	¥ 440	¥ 487	$ 3,651
Others	20	113	852
	¥ 460	¥ 600	$ 4,503
Deferred tax liabilities			
Reserve for advanced depreciation	¥ 5,667	¥ 5,399	$ 40,518
Accrued pension and severance costs	(382)	(488)	(3,665)
Allowance for doubtful receivables	(405)	(443)	(3,322)
Retirement and severance benefit for directors and statutory auditors	(307)	(361)	(2,707)
Others	(349)	(514)	(3,856)
	¥ 4,224	¥ 3,593	$ 26,968

Note 6: Shareholders' Equity

Under the Japanese Commercial Code, the entire amount of the issue price of shares is required to be accounted for as common stock, although companies may, by the resolution of board of directors, account for an amount not exceeding one-half of the issue price of the new shares as additional paid-in capital.

Prior to the recent amendments to the Code, the Code provided that an amount equivalent to at least 10% of any amount paid out as appropriation of retained earnings shall be appropriated to the legal reserve until this reserve equals 25% of the common stock.

Effective October 1, 2001, the Code provides that an amount equal to at least 10% of any amount paid out as appropriation of retained earnings shall be appropriated to the legal reserve until the total amount of legal reserve and additional paid-in capital equals 25% of the common stock.

The legal reserve and additional paid-in capital may be used to eliminate or reduce a deficit by resolution of the stockholders' meeting or may be capitalized by resolution of the board of directors. On condition that the total amount of legal reserve and additional paid-in capital remains equal to or exceeds 25% of common stock, the exceeded amount is available for distributions and buying back treasury stocks by the resolution of the shareholders' meeting.

The maximum amount that the Company can distribute as dividends is calculated based on the unconsolidated financial statements of the Company in accordance with the Code.

The Company bought back and retired 3,920,000 treasury stocks from April 1, 2000 to March 31, 2001 and 6,886,000 treasury stocks from April 1, 2001 to March 31, 2002 and 1,403,000 treasury stocks from April 1, 2002 to June 27, 2002.

Note 7: Contingent Liabilities

Contingent liabilities at March 31, 2001 and 2002 for loans guaranteed in the ordinary course of business amounted to ¥2,047 million and ¥1,430 million ($10,734 thousand), respectively.

Note 8: Leases

L e s s o r

Shosan Shoji Co., Ltd. leases industrial machinery and equipment, vehicles and tools, which are classified as direct financing leases.

Net investments in direct financing leases at March 31, 2002, included in "Property, plant and equipment" in the accompanying consolidated balance sheets, were as follows:

	Millions of yen	Thousands of U.S. dollars
Gross investment in direct financing leases	¥ 554	$ 4,158
Accumulated depreciation	(424)	(3,186)
Net investment	¥ 130	$ 972

At March 31, 2002, the future lease payment to be received for each of the fiscal years were as follows: ¥69 million (US$516 thousand) in 2003 and ¥78 million (US$582 thousand) in 2004 and thereafter.
The income and accumulated depreciation of the leased property at March 31, 2002 were ¥98 million (US$736 thousand) and ¥52 million (US$392 thousand), respectively.

L e s s e e
Finance leases, which do not transfer ownership to lessees, are accounted for in the same manner as operating leases under accounting principles generally accepted in Japan.

Leases qualifying as capital leases at March 31, 2002 were as follows:
Acquisition costs, accumulated depreciation and net book value of the major leased are as follows:

	Millions of yen	*Thousands of U.S. dollars*
Machinery, vehicles and tools	¥ 1,750	$ 13,130
Accumulated depreciation	(1,079)	(8,096)
	¥ 671	$ 5,034

At March 31, 2002, the future minimum leases payments were as follows: ¥230 million (US$1,726 thousand) in 2003 and ¥441 million (US$3,307 thousand) in 2004 and thereafter.

Note 9: Segment Information

Provided below is certain information in respect of the consolidated net sales and operating income of the Company segmented into three business categories “Foods,” “Feed” and “Others.” “Foods” includes flour, mixes, pasta, vegetable oil, defatted soybeans, cornstarch, cornstarch-based sweeteners and frozen foods. “Feed” includes formula and other animal feeds, eggs and livestock. “Others” includes warehousing, leasing of commercial buildings and insurance business.

Information by industry segment for the year ended March 31, 2002 is summarized as follows:

	Millions of yen					
	Foods	*Feed*	*Others*	*Total*	*Elimination*	*Total*
Net sales:						
Outside customers	¥ 136,022	¥ 41,475	¥ 7,260	¥ 184,757	¥ -	¥ 184,757
Intersegment	2,839	304	2,146	5,289	(5,289)	-
Total	138,861	41,779	9,406	190,046	(5,289)	184,757
Operating expenses	138,044	41,707	5,600	185,351	(3,529)	181,822
Operating income	817	72	3,806	4,695	(1,760)	2,935
Assets	96,553	15,990	33,948	146,491	4,439	150,930
Depreciation	4,582	429	1,531	6,542	174	6,716
Capital expenditures	5,990	260	1,711	7,961	201	8,162

	Thousands of U.S. dollars					
	Foods	*Feed*	*Others*	*Total*	*Elimination*	*Total*
Net sales:						
Outside customers	$ 1,020,798	$ 311,259	$ 54,486	$ 1,386,543	$ -	$ 1,386,543
Intersegment	21,305	2,282	16,108	39,695	(39,695)	-
Total	1,042,103	313,541	70,594	1,426,238	(39,695)	1,386,543
Operating expenses	1,035,977	312,997	42,029	1,391,003	(26,484)	1,364,519
Operating income	6,126	544	28,565	35,235	(13,211)	22,024
Assets	724,608	119,997	254,766	1,099,371	33,311	1,132,682
Depreciation	34,383	3,216	11,491	49,090	1,306	50,396
Capital expenditures	44,956	1,948	12,837	59,741	1,510	61,251

Note 10: Derivative Financial Instruments

The Company enters into foreign currency forward, foreign currency options and interest rate swaps primarily to manage risks associated with the exposures of its assets and liabilities. The Company does not use derivative financial instruments for trading purposes. Because of their hedging purposes and high correlation between the hedging instruments and the underlying exposure, all profits and losses of derivatives financial instruments are deferred to offset reciprocal changes in the value of underlying exposure.

The Company has adopted the Japanese accounting standard for financial instruments. Accordingly, the derivatives that are not hedges must be adjusted to fair value through income. If the derivative is a hedge, depending on the nature of the hedge, change in the fair value of derivatives will either be offset against the change in fair value of the hedged assets, liabilities, or firm commitments through earnings or recognized in other current assets or in other current liabilities until the hedge item is recognized in earning.

Foreign Currency Forward and Foreign Currency Options Agreement

Upon purchases of raw materials, the Company use foreign currency forward or options agreements to reduce exposures against adverse fluctuations in foreign currency market. Most of these agreements have maturity of less than six months.

The aggregate principal amount in the foreign currency forward agreements was ¥6,972 million ($52 million) at March 31,2002. The fair value of the contact was estimated based on the market quotes.

The Company has entered into purchased foreign currency option contracts in the notional principal amounts of ¥4,397 million ($33 million) at March 31,2002. The fair value of such foreign currency options were estimated based on values quoted by brokers.

Interest Rate Swaps

The Company enter into interest rate swaps for the purposes of lowering its funding costs, accessing to a variety of fund resources and locking yields while investing in fixed income markets.

All the outstanding positions in such agreements have their maturity before the end of 2010. As of March 31, 2002, the aggregate notional amounts of interest rate swaps was ¥17,466 million ($131 million).

Note 11: Subsequent Event

The following appropriations of retained earnings were approved at the general meeting of shareholders of the Company held in June 27, 2002:

	Millions of yen	*Thousands of U.S. dollars*
Appropriations:		
Cash dividends (¥3.0 per share)	¥ 546	$ 4,098

The following proposals were also approved.

A:
The Company may acquire up to a total not exceeding 20 million outstanding shares of its common stock at an amount in a total not exceeding ¥5 billion ($38million) until after the general meeting of shareholders to be held for the year ending March 31,2003.

B:
Additional paid-in capital ¥5,700 million ($43million) and legal reserve ¥3,195million ($24 million) are to be transferred to retained earnings available for dividends.

Report of Independent Public Accountants

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Certified Public Accountants
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To the Board of Directors of Showa Sangyo Co., Ltd.

We have audited the consolidated balance sheets of Showa Sangyo Co., Ltd. and its consolidated subsidiaries as of March 31, 2001 and 2002, and the related consolidated statements of income, shareholders' equity, and cash flows for the years then ended, all expressed in Japanese yen. We conducted our audit in accordance with auditing standards generally accepted 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 mentioned above, expressed in Japanese yen, present fairly the financial position of Showa Sangyo Co., Ltd. and its consolidated subsidiaries as of March 31, 2001 and 2002, and the results of their operations and their cash flows for the years then ended in conformity with accounting principles generally accepted in Japan.

We have also recomputed the translation of the statements mentioned above at March 31, 2002 and for the year then ended into U.S. dollars on the basis described in Note 1 (a) of the Notes to Consolidated Financial Statements of the Company.

27th June, 2002
Tokyo, Japan

Kenshin Audit Corp.

Kenshin Audit Corp.