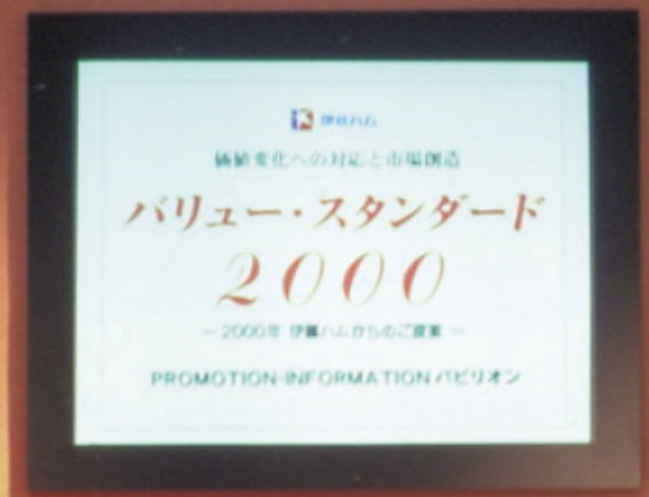


ITO HAM FOODS INC.

ANNUAL REPORT 2000

Promotion & Information Pavilion



プロフィール PROFILE

伊藤ハムグループは「事業を通じて社会に奉仕する」という社是のもと、お客様から「信頼のブランド」としての高い評価を頂いております。また、ハム・ソーセージ業界において高いシェアを築き、業界の発展に貢献してまいりました。そして、真心を込めたサービスと最高の品質で、お客様の健康と豊かな食文化に貢献することを経営理念に掲げ、長期的な企業価値の向上を目指しております。さらに今後もベーシック商品のさらなる美味しさの向上を図るとともに、お客様に新しい価値と食生活を提案する商品を開発してまいります。

By basing its operations on the corporate philosophy of “service to society through business,” the Itoham Group has earned a position as a widely trusted brand. A high market share in hams and sausages in Japan testifies to this trust and Itoham’s contribution to the Japanese meat industry as a whole. Management’s philosophy is to supply high-quality products and consumer-centric services that embody its commitment to contributing to healthy lifestyles and a rich food culture. By doing so, the company also aims to create long-term corporate value. Itoham also intends to build more value into existing products and at the same time develop new products offering consumers new value and utility.

目次

CONTENTS

5年間の主要財務数値	FIVE-YEAR CONSOLIDATED FINANCIAL HIGHLIGHTS	1
社長メッセージ	MESSAGE FROM THE PRESIDENT	2
トピックス:環境問題への取り組み	TOPIC: COMMITTED TO ENVIRONMENTAL CONSERVATION	6
事業一覧	AT A GLANCE	8
ハム・ソーセージ部門	HAM AND SAUSAGE DIVISION	10
生肉部門	FRESH MEAT DIVISION	12
調理加工食品ほか部門	PROCESSED FOODS AND OTHER PRODUCTS DIVISION	14
販売力強化のための戦略	STRATEGIES TO BOLSTER SALES CAPABILITIES	16
主要財務指標	CONSOLIDATED FINANCIAL SUMMARY	18
企業情報	CORPORATE INFORMATION	20
	FINANCIAL SECTION	21
	MANAGEMENT AND COMPANY NETWORK	35

5年間の主要財務数値

FIVE-YEAR CONSOLIDATED FINANCIAL HIGHLIGHTS

Years ended March 31

		Millions of yen					Thousands of U.S. dollars
		1996	1997	1998	1999	2000	2000
売上高	Net sales	¥477,725	¥465,536	¥468,947	¥450,105	¥470,453	\$4,431,964
売上原価	Cost of sales	384,616	374,381	370,406	350,386	364,362	3,432,520
販売費及び一般管理費	Selling, general and administrative expenses	86,045	85,761	90,649	92,199	93,418	880,056
営業利益	Operating income	7,064	5,394	7,892	7,520	12,673	119,388
営業外損益	Non-operating income (loss)	(261)	(418)	(891)	(572)	206	1,940
経常利益	Ordinary income	6,803	4,976	7,001	6,948	12,879	121,328
特別損益	Special profit (loss)	(1,399)	(435)	(1,084)	(986)	(1,689)	(15,911)
税金等調整前当期純利益	Income before income taxes	5,404	4,541	5,917	5,962	11,190	105,417
法人税、住民税及び事業税	Income taxes	2,369	3,544	2,670	4,383	4,781	45,040
法人税等調整額	Deferred income taxes	—	—	—	(951)	27	255
少数株主損益	Minority interest	(83)	24	60	55	3	28
当期純利益	Net income	3,118	973	3,187	2,475	6,379	60,094
潜在株式調整後 一株当たり当期純利益	Diluted net income per share (in yen and U.S. dollars)	13.51	4.26	13.80	10.87	27.61	0.260
総資産	Total assets	231,251	227,082	229,056	236,867	241,655	2,276,543
運転資本	Working capital	70,039	57,753	36,927	51,963	57,038	537,334
減価償却費	Depreciation	9,887	9,867	9,840	9,935	9,426	88,799
一株当たり株主資本	Shareholders' equity per share (in yen and U.S. dollars)	548.96	542.49	545.68	545.19	567.33	5.34
株主資本利益率	Return on equity	2.5%	0.8%	2.6%	2.0%	5.1%	
営業活動による キャッシュ・フロー	Cash flows from operating activities	—	—	—	—	20,125	189,590
投資活動による キャッシュ・フロー	Cash flows from investing activities	—	—	—	—	(1,353)	(12,746)
財務活動による キャッシュ・フロー	Cash flows from financing activities	—	—	—	—	(11,613)	(109,402)
現金および現金同等物 期末残高	Cash and cash equivalents at end of year	28,276	20,846	18,768	28,451	35,717	336,476

注記: 1. 為替換算は2000年3月31日における為替レート(1ドル=106円15銭)で計算しております。

2. 法人税等調整額につきましては、1999年度より税効果会計を適用しております。

3. 2000年度より「連結キャッシュ・フロー計算書」を作成しているため、「営業活動」「投資活動」及び「財務活動」による各キャッシュ・フローについては、過去4年の数値は掲載しておりません。

Notes: 1. Dollar amounts represent translation of Japanese yen, for convenience only, at the rate of ¥106.15=US\$1, the rate prevailing on March 31, 2000.

2. The company adopted deferred tax accounting commencing in the year ended March 31, 1999.

3. The company started preparing a "Consolidated Statement of Cash Flows" in the year ended March 31, 2000. Figures for cash flows from operating, investing and financing activities are not available for the previous four years.

MESSAGE FROM THE PRESIDENT



2000年3月期の業績について

当期のわが国経済は、景気浮揚政策の実施や情報技術の発展により、景気は回復基調にありますものの、先行きの雇用不安や所得の伸び悩みから情報関連を除いた個人消費は依然低迷したまま、厳しい状況が続いております。

当業界におきましては、消費が前年を下回り、販売単価の下落基調が続く中、販売競争が激化し、厳しい経営を強いられております。

このような状況の中で当社グループは、生肉部門の販売力強化を積極的に進め、拡販を図りました。また、ハム・ソーセージのアイテム数の削減を進め、重点商品の絞込みによる上位集中化を図るとともに、生産拠点の集約化等により、生産コスト及び販売費及び一般管理費の低減に鋭意努力してまいりました。

この結果、当期の売上高は4,704億5千3百万円(前期比4.5%増)となり、利益は原料価格が安定的に推移したこともあって、経常利益は128億7千9百万円(前期比85.3%増)、当期純利益は63億7千9百万円(前期比157.7%増)となりました。

中長期的な経営戦略について

当社は、設立以来、常に業界のリーダーとして、ボールウインナーやプレスハムなど食肉加工業界の発展に貢献する製品を開発してまいりました。今後もこの商品開発力と、これを支える技術力の優位性を活かし、採算性を重視した経営を推進してまいります。

このような基本戦略のもと、各事業部門の中長期的な経営戦略を次のように計画しております。

ハム・ソーセージ部門におきましては、現在スピードを上げてアイテム数の削減を行っております。平成11年4月現在で約1,500あったアイテム数を売上に影響の少ないアイテムから順次削減して、1年半で750に半減していくと同時に、アイテム別に生産の集約化を進めて生産効率を高めて行く計画です。

この結果、当期末現在のアイテム数は880となっております。

また、物流・販売の面でも、販売拠点の統廃合を進めるとともに、重点商品に絞り込んだ宣伝・販売活動を展開し、効率性の向上を図ってまいります。

生肉部門では、販売力を強化し、拡販戦略を進めてまいります。消費者の購買傾向は、高級品から値頃感のある商品に変化してきています。こうした傾向から、輸入商品は品質や規格の向上と値頃感から今後もかなりの伸びが期待されます。当社は、すでに海外に生産基地を配備しており、輸入肉の自社ブランド化による差別化を進める中で、コストと品質面での優位性がいっそう顕著になると考えられます。

こうした中で生肉部門は、量販店を中心にした大量販売は自社で行い、小売店などへの販売は効率化を図るため、生

Fiscal 2000 Business Results

The Japanese economy got onto a recovery footing during the year thanks to two main growth drivers: the government's economic stimulus measures, and advances in information technology (IT). But in all areas, other than information-related products and services, personal consumption remained lackluster due to worries about employment and stagnant income levels. Thus conditions continued to be difficult.

The Japanese meat industry could not escape the effects. Consumption fell below last year's level and in a situation characterized by falling sales prices, sales competition intensified, creating a difficult operating environment.

Set against this backdrop, we strengthened our sales capabilities and attempted to expand sales in the Fresh Meat Division. Furthermore, we reduced the number of items in our ham and sausage lineup as we focused on core products, growing them into major pillars of sales. At the same time, we worked assiduously to cut production costs and to pare selling, general and administrative expenses. One action we took was to consolidate production bases.

We reaped the rewards of our efforts. Net sales increased 4.5% to ¥470,453 million. On the profit front, ordinary income surged 85.3% to ¥12,879 million due to continuing stability in the prices of raw materials. And, net income soared 157.7% to ¥6,379 million.

Medium-Term Management Strategy

Since our establishment, we have developed products, including pole wieners and pressed ham, which have contributed to progress in the meat industry. Leveraging our product development capabilities and the technological expertise underpinning them, we are pushing ahead with a management strategy focused on profitability.

Based on this basic strategy, we formulated medium-term management strategies for each of our divisions.

In the Ham and Sausage Division, we are currently stepping up the pace at which we are reducing the number of items in our product lineup. We set ourselves the target of halving our lineup from approximately 1,500 items as of April 1999 to 750 within 18 months, by eliminating lines that were contributing little to sales. As of March 31, 2000, we had gotten the number down to 880 items. At the same time, we plan to raise production efficiency by consolidating production bases for each item. On the distribution and sales front also we are aiming to raise efficiency. This will be achieved by reducing and consolidating sales bases and developing advertising and sales activities targeted at core products.

In the Fresh Meat Division, we are strengthening our sales capabilities and trying to expand sales. Consumer preferences are shifting away from luxury items to reasonably priced products. Reasonably priced, quality imported meats are expected to be in greater demand as a result. That bodes well for us. Itoham already has in place overseas production bases and we are distinguishing our imported meats through a corporate branding drive. I expect the quality and cost superiority of our products to give us a competitive edge moving forward.

In this division, Itoham will concentrate on large-volume customers, mainly major supermarkets, while responsibility for sales to smaller retail outlets will be transferred to subsidiaries specializing in the fresh

MESSAGE FROM THE PRESIDENT

肉販売子会社に移管していくとともに、営業拠点拡充と販売人員の増強を図ってまいります。

調理加工食品部門は、食肉加工業界だけでなく、広く食品業界全体と競合する市場競争の激しい分野です。したがって、この部門の戦略は、チキン、ハンバーグ、焼肉商材など、食肉を使ったベーシックな商品の販売に注力してまいります。

また、この部門では、商品サイクルや価格競争の状況から、自社製造と社外製造委託の見極めが重要な課題となっており、今後、商品ごとに適性を判断し、最適化を図ってまいります。

当社はまた、地球環境問題への取り組みを積極的に進めてまいります。まず営業部門におきまして、1998年初めより、他に先がけて環境にやさしい天然ガス(CNG)自動車の導入を都市部を中心に進めてまいりました。昨年は、全社的な環境基本方針を定め、生産活動に伴う諸エネルギーの削減と廃棄物の減量を図り、本社西宮工場において、2000年2月に環境マネジメントの国際規格である「ISO14001」の認証を取得しており、他工場においても順次取得の計画を進めております。

また、海外においても、豪州の肉牛の生産肥育および処理加工を行っているロックデールビーフ社が1998年の「ISO9002」取得に続き、2000年3月には「ISO14001」を豪州でのフィードロット/ミートワークス複合体では初の認証を取得するなど、自社ブランド商品の安全性をアピールし、市場において差別化を図るべき体制を着実に整えつつあります。

会社の経営管理組織の整備等について

当社は、長期的にみた企業価値の向上を目指した収益構造の改善と利益水準の向上を実現するために、組織・機構を意思決定のスピードを重視したものに変わっていく必要があると考え、経営と業務執行を分離してその両面の質を高めるために、経営会議の充実を図るとともに、本年4月に執行役員制度を導入いたしました。

対処すべき課題について

当社は、本部・間接部門のスリム化、スピーディーな意思決定システムの構築等の機構改革を進め、「経営目標の達成」を目的に、公正な業績中心の評価制度を基本とした人事制度の改革を推進し、活力ある新しい企業文化を創ってまいります。

また、連結経営を重視し、資金調達や資産効率においてグループ全体の最大効率・最大利益を追求する経営の強化を推進してまいります。

meat market, in order to improve sales efficiency. Further, sales bases are being upgraded and we are reinforcing sales personnel.

In the Processed Foods and Other Products Division, competition is intense across the whole food industry, not just the meat industry. In light of this, we are concentrating on sales of basic products such as chicken, hamburgers and charcoal-roasted meats. Furthermore, an important issue in this division is deciding whether to produce products ourselves or consign production to other companies. Moving forward, we will look at each product individually in terms of such matters as product cycles and price competition and decide on the approach that best uses our resources.

Confronting environmental issues is another theme at Itoham. In our sales division, we took the lead over our competitors at the start of 1998 when we introduced cars running on environmentally friendly CNG (compressed natural gas), mainly in major cities. Last year, we formulated a company-wide basic environmental policy to reduce energy consumed by production activities as well as reduce industrial waste. In February 2000, Itoham's Nishinomiya Plant obtained ISO 14001 certification, an international standard for environmental management. Work is moving ahead at other plants to obtain the same qualification.

Overseas, in 1998, Rockdale Beef Pty. Ltd., a beef feedlot and meatworks in Australia, gained ISO 9002 certification. In March 2000, it became the first combined feedlot and meatworks in Australia to be ISO 14001 certified. These are just a few examples of how we are demonstrating the safety of our branded products and putting in place a system to set Itoham apart in the marketplace.

Management and Organizational Reforms

To improve our earnings structure and raise profitability with a view to raising our long-term corporate value, I believe we must place greater emphasis on changing our organization and systems to speed up decision-making. As a step in this direction we introduced in April 2000 a corporate executive officer system, which separates management and administrative functions. I believe this will improve the quality of both functions and make our management meetings more productive.

Pressing Issues

While pushing ahead with reforms to streamline headquarters and peripheral divisions and to build a speedy decision-making system, we are also revamping our personnel system. The new system will stress fairness and performance to revitalize the organization and catalyze a new, vibrant corporate culture. These reforms are aimed at enabling us to achieve our management objectives.

Finally, we are placing emphasis on consolidated management. We are strengthening management to optimize efficiency and profitability of the Itoham Group in respect of both fund procurement and asset efficiency.



Kenichi Ito President
伊藤 研一 取締役社長

TOPIC: COMMITTED TO ENVIRONMENTAL CONSERVATION

環境基本理念

当社では地球規模の環境保全が、人類共通の最重要課題の一つであることを認識し、事業活動を通じて環境に配慮し、その保全と社会との共生をはかる努力を持続的に実践していくことを基本理念とします。

Basic Environmental Philosophy

Itoham recognizes environmental conservation as an important issue for everyone. Based on this recognition, the company factors the environment into its corporate activities. Itoham is committed to building a harmonious relationship with the environment and society.

環境行動指針

1. 環境影響に十分配慮した商品、及びサービスの開発推進を行ないます。
2. 開発から使用廃棄に至るすべての過程で、環境影響を評価し負荷を低減します。
3. 省エネルギー、省資源に努め、廃棄物の減量化を推進します。
4. 廃棄物の資源リサイクル化を推進します。(包装設計・包装材料の見直し改良)
5. 環境監査を実施し、自主管理の徹底を図ります。
6. 海外事業活動において、当事国における環境保全に配慮します。
7. 社内外教育を通じて、従業員の環境保全意識を高め、自覚をもって行動できるように指導します。

Environmental Action Points

1. Itoham is continuing to develop products and services that take into account environmental impact.
2. Itoham is evaluating and reducing the environmental impact of its activities at all stages from development to disposal.
3. Itoham is promoting energy and resource conservation and reduction of industrial waste volumes.
4. Itoham is promoting recycling of industrial waste. This includes a review of packaging materials and redesign of packaging to facilitate recycling.



環境マネジメントの国際規格
「ISO 14001」の認定証
ISO 14001 certificate of
Registration

5. Itoham is conducting environmental audits and thoroughly implementing a policy of self-governance.
6. Itoham is factoring environmental conservation considerations into overseas operations.
7. Itoham is raising consciousness among its employees of environmental conservation and fostering a culture of initiative in respect of environmental activities through education inside and outside the company.

VIROENVIRONMENTAL

西宮工場が「ISO14001」を取得

2000年2月10日に西宮工場が、環境マネジメントの国際規格である「ISO14001」の認証を取得しました。

これまで西宮工場では、「ISO14001」の認証取得に向け、環境マネジメントシステムを構築し、改善目標及び活動計画を策定するとともに「地球にやさしい環境に配慮する工場」をスローガンとして掲げ、工場長以下、全従業員が一丸となって努力してきました。

環境改善テーマは、電力の削減、都市ガスの削減、用水の削減、動植物性残渣の削減、廃プラスチックの削減、事業系一般廃棄物の削減です。これまでの実績としては、生産原単位でそれぞれ電力5.5%、都市ガス3.3%、用水14.7%を削減し

ました。動植物性残渣、廃プラスチック、一般廃棄物の削減については、総合評価したリサイクル率が67%まで向上するなど、著しい活動成果をもたらした生産コスト面にも大きく貢献しました。



「ISO14001」の認証を取得した
西宮工場
The ISO 14001-certified
Nishinomiya Plant

2000年度の主な環境活動としては、省エネ対策の一環として500 KWのコージェネシステムの導入や、廃棄物対策として動植物性残渣のコンポスト化や廃プラスチックの再資源化等を計画しています。

今後、当社の生産工場は全て環境マネジメントシステムを構築し、2年以内に「ISO14001」の認証取得を目指します。

Nishinomiya Plant Obtains ISO 14001 Certification

On February 10, 2000, Itoham's Nishinomiya Plant obtained ISO 14001 certification, an international standard for environmental management.

The certification is a tribute to the hard work of all the plant's employees under the direction of its manager. With the aim of creating an "environmentally friendly facility," Nishinomiya Plant introduced an environmental management system, set targets and formulated an action plan.

Nishinomiya Plant adopted several

themes for improving the environment in and around its facility. Those themes were electricity conservation; reduction of city gas use, residues from production processes, waste plastic and industrial waste; and water conservation. This drive has yielded 5.5%, 3.3% and 14.7% reductions in electricity consumption, city gas use and water consumption, respectively, in terms of unit (per ton) energy consumption. In respect of residues from production processes, waste plastic and industrial waste,

Itoham has improved its recycling rate to 67%. Significantly, this drive has also made a significant contribution to lowering production costs.

The main environmental activities planned for fiscal 2001 include the introduction of a 500KW cogeneration system as part of the plant's energy conservation measures, composting of residues from production processes and recycling of waste plastic.

In addition, Itoham intends to put in place environmental management systems at all of its other plants with a view to gaining ISO 14001 certification for them within 2 years.

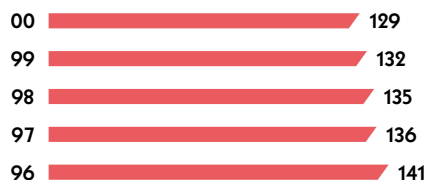
業務内容

過去5年間の市場の動向と業績の推移

ハム・ソーセージ部門 HAM AND SAUSAGE DIVISION

売上高 NET SALES

¥ Billion



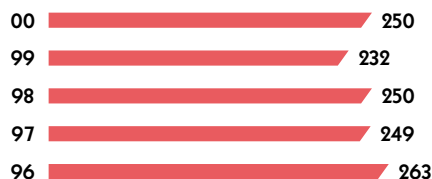
当部門ではハム、ベーコン、ソーセージの製造販売を行っており、高い技術力のもと安全で品質の高い優れた商品を提供し続けています。製造に関しては、HACCPシステムを整えた工場を国内8ヶ所に設けています。また販売に関しては、大手百貨店やスーパーとの信頼関係によって、ハム・ソーセージのギフト市場では業界No.1の座を獲得しています。

ハム・ソーセージ市場の成熟化に加え、雇用環境の悪化による先行き不安から個人消費は低迷し、販売競争は激化しています。この状況下で「アルトパイエルン」「あらびきグルメ」「さわやかパックうすぎり」「朝のフレッシュ」シリーズ等を重点商品として、売上の上位集中化を図りました。しかし、低価格志向の強い販売環境の中で、売上数量は増加しましたが売上高は伸び悩んでいます。

生肉部門 FRESH MEAT DIVISION

売上高 NET SALES

¥ Billion



国内及び海外に直営牧場や契約牧場を有し、生体搬入時から最終商品になるまで殺菌・消毒・洗浄などHACCPに対応した厳しい管理体制のもとで、安全・安心を追求した商品を生産しています。海外の直営牧場で生産していることから、他社より低コストで生産でき、相場の影響を受けにくいことより高品質で低価格の商品の供給を実現しています。さらに国内産の高級商品も豊富に取り揃えており、あらゆるお客様のニーズに対応しています。

牛肉については1996年の狂牛病やO-157の影響で消費量が一時的に減少しました。1997年からは落ち着きを取り戻し回復傾向にあるものの、販売単価は依然低迷しています。豚肉については、関税制度の改定による過去3度のSG発動や台湾の口蹄疫発生が市場の混乱を招きました。こうした中、当社では新規得意先の開拓及び既存得意先の深耕開拓を積極的に実施し、その結果、今期は売上高を伸ばすことに成功しました。

調理加工食品ほか部門 PROCESSED FOODS AND OTHER PRODUCTS DIVISION

売上高 NET SALES

¥ Billion



当部門では、ミールソリューションやホームミールリプレイメントの概念から、簡便性が高く、かつ高品質の商品を開発しています。チキン惣菜をはじめ、ハンバーグ、ピザ類、焼肉商材、乳製品などハイクオリティ・ハイコンビニエンスの商品の品揃えを強化することによって、多様化するお客様の嗜好に合った商品を提供しています。

当部門は消費者のライフスタイルの変化と流通・生産技術の発展がマッチして、急速に拡大を遂げました。当社は「元祖あぶり焼チキン」「備長炭焼やきとり」などのチキン加工品や「豚角煮」及び焼肉商品群などを中心に、優れた技術力と企画力で消費者ニーズにマッチした商品の開発・販売に成功し、売上高を拡大しています。

BUSINESS OVERVIEW

This division produces and sells hams, bacon and sausages. Backed by sophisticated technology, it consistently turns out safe, high-quality products. In production activities, the HACCP system has been implemented at the division's 8 domestic plants. On the sales front, strong relationships built on trust with major department stores and supermarkets have lifted Itoham to the No. 1 position in the market for ham and sausage gift products.

FIVE-YEAR REVIEW AND BUSINESS RESULTS

In addition to maturation of the market for hams and sausages, personal consumption is languishing due to pessimism about the future aroused by a worsening employment picture. These factors have sparked intense competition. Set against this backdrop, Itoham is focusing on core products, which include *Alt Bayern*, *Arabiki Gourmet Wiener*, the *Sawayaka Thin-Slice Pack* series and the *Morning Fresh* series of sliced ham packs, to grow them into major pillars of sales for this division. However, in a market leaning toward lower prices, sales volumes increased, but sales in monetary terms were stunted.



Itoham owns directly managed and contract feedlots in Japan and overseas. Based on a strict management system that conforms with HACCP—including sterilization, disinfecting and cleaning—and extends from the transport of live-stock to the final product, Itoham is producing safe and reliable products at these feedlots. By producing fresh meat at directly managed feedlots overseas, Itoham's production costs are lower and operations are much less susceptible to fluctuations in market prices for meat. That means Itoham can consistently supply high-quality products at reasonable prices. Moreover, Itoham has a powerful lineup of high-quality, domestically produced products to respond to the needs of consumers.

Beef consumption dipped temporarily in 1996 due to an outbreak of mad cow disease and an E. coli O-157 bacteria-related food poisoning scare. Although demand has been recovering since 1997, sales prices remain low. In pork, the imposition of safeguards on three occasions caused higher tariffs, leading to higher costs. This, and an outbreak of foot-and-mouth disease in Taiwan, impacted the marketplace. In this climate, Itoham worked to cultivate new customers and deepen relationships with existing ones. Thanks to these efforts, the division posted a year-on-year increase in sales.



Activities in this division are guided by two core concepts: "meal solutions" and "home meal replacement." One of Itoham's aims is to develop high-quality products that are easy to prepare. Starting with chicken side dishes, Itoham has built a strong selection of high-quality, time-saving products. Other offerings for consumers on the run include hamburger patties, pizza meals, charcoal-roasted meat, and dairy products. Through this diverse lineup, Itoham is confident that it can cater to disparate tastes.

By matching advances in distribution and production technology with changing consumer lifestyles, this division has grown rapidly. The division has focused on processed chicken foods like *Ganso Aburiyaki Chicken* (slow-roasted chicken) and *Binchotanyaki Yakitori* (charcoal-roasted chicken) in addition to *Butakakuni* (soya-cooked pork cubes) and charcoal-roasted meat. Leveraging superior technology and innovation, Itoham is successfully developing products that match consumers' lifestyles. Sales continue to expand.



HAM AND SAUSAGE DIVISION



当社は確かな技術に裏付けされた安全で高品質な商品を提供し続けています。また、独自の技術を駆使し、差別化商品の開発と既存商品の改善を進めていますが、その中でも重点的商品である「アルトバイエルン」は、肉そのものの旨み、風味、ジューシーさに優れた特定JAS商品としてウインナーの主役の座に定着しつつあります。そして、発売以来12年の「あらびきグルメウインナー」もトップシェアを続けています。さらに「さわやかパックうすぎり」「朝のフレッシュ」シリーズ等、オリジナルの基軸商品も消費者の支持を得て市場をリードしています。

また、強力な基軸商品の育成と製造アイテムの上位集中化を進め、これと平行して生産工場の最適生産ラインによる人時生産性の向上にも努めて、積極的な営業活動とともに一定の成果を上げています。

ギフトについては、厳しい市場環境ながら、長年培ってきたブランドへの信頼のもとに、「熟成」シリーズ等の高品質商品と当社独自のスービッド製法によるローストビーフの美味しさが広く認知され堅調に推移しました。

今後もさらなる飛躍を目指して主力ブランドの強化を図り、また、新しい消費者のニーズに対応した生活提案型商品の開発に努めていきます。



Backed by sophisticated, proprietary technology, Itoham continues to turn out safe, high-quality products. This technology enables Itoham to come up with distinctive new products and add value to existing brands.

Alt Bayern is a prime example of the former. Full of meat flavor, juicy and with an enticing aroma, this wiener, which meets specified Japanese Agricultural Standards (JAS) regulations, is fast gaining ascendancy in the wiener market. *Arabiki Gourmet Wiener* is another strong performer. Released 12 years ago, the *Arabiki Gourmet Wiener* continues to hold down the top share of the wiener market. Other original core products that garner strong support from consumers and give us a market lead include the *Sawayaka Thin-Slice Pack* series and the *Morning Fresh* series of sliced ham packs.

As well as nurturing powerful core products and growing them into major pillars of sales, Itoham has also endeavored to raise the gross profit margin per man-hour by installing optimal production lines at its plants. Combined with aggressive marketing activities, the company has staked out a strong market position.

In gift products, the company has overcome difficult market conditions and is building ever-stronger brand equity. Brand trust built up over a number of years underpins high-quality products such as the *Jyukusei* series. And the deliciousness of Itoham's roast beef owes much to the company's proprietary *Sous Vide* vacuum sealing and cooking technology.

Itoham wants to build on these successes. Moving forward, Itoham intends to strengthen brand equity in flagship brands and develop original products bursting with value that are in step with emerging consumer needs and changing lifestyles.

FRESH MEAT DIVISION



当社はオーストラリアのロックデールビーフ社及びニュージーランドのファイブスタービーフ社を中心に海外での牛肉生産事業を展開しています。ロックデールビーフ社は1998年の「ISO9002」の取得に続き、2000年3月には同国のフィードロット/ミートワークス複合体では初の「ISO14001」の認証を取得しました。またファイブスタービーフ社は素牛牧場から肉の出荷に至る全過程について政府認証の「セーフティ・ビーフ・マネジメント」を導入し、同国食肉産業のモデル企業となっています。

また、北米産豚肉では当社直営での養豚事業を行うワイオミング・プレミアム・ファームズ社が、クリーンで健康な豚を育てるMD農法によって生産した「健康豚」をはじめ、厳選品質の「デルファイ・ポーク」、さらに麦主体の飼料にこだわったカナダ産豚肉の「麦仕立て」等、ブランドの品揃えが整いました。

国内においても生産から製品に至るまでの一貫した体制により、品質、鮮度の優れた牛肉、豚肉をお届けできるシステムを整えています。とくに鹿児島純粋黒豚は、同県内の黒豚出荷頭数において高いシェアを占めていますが、2000年度は、さらに増産体制を整えるべく新農場の建設に着手しています。牛肉も、最新鋭HACCP対応工場で徹底した衛生管理のもとに生産され、他に比べ鮮度保持期間が長いという評価にも繋がっています。

消費低迷の中でも、こうした「安全・安心」と「本物指向」のニーズは高まっており、牧場から食卓まで一貫した「生産者の顔が見える食肉」がますます強く求められています。2000年度については、このニーズに合った生産・供給体制を一層強化し、きめ細かいスピーディーなサービスの確立へ向けチャレンジして行きます。



鹿児島純粋黒豚生産農場
Itoham's Kagoshima Pure Berkshire pork feedlot



ロックデールビーフ社
Rockdale Beef Pty. Ltd.

Itoham has set up an overseas production system for beef centered on Rockdale Beef in Australia and Five Star Beef in New Zealand. In 1998, Rockdale Beef gained ISO 9002 certification. In March 2000, it became the first combined feedlot and meatworks in Australia to be ISO 14001 certified. Five Star Beef, meanwhile, has implemented Safety Beef Management, a government certified and inspected system for quality and management that covers the total process from the feedlot to meat shipment. This company's operations serve as a model for the meat industry in New Zealand.

Itoham is also active overseas in pork production. Itoham raises hogs at the directly operated Wyoming Premium Farms, LLC. in the U.S. Operations are run in compliance with the MD (Minimum Disease) agricultural method, which aims to raise healthy hogs in a hygienic environment. Major brands produced in the U.S. are *Kenkobuta* and *Delphi Pork*. In Canada, Itoham raises hogs primarily on barley to produce the distinctive *Mugijitate* brand.

In Japan, Itoham has built an integrated production system from production to the final product. This system enables the company to supply quality fresh beef and pork. Itoham's *Kagoshima Pure Berkshire* pork accounts for a high share of Berkshire pork shipments in Kagoshima Prefecture. Presently, the company is constructing a new feedlot to raise pork production capacity. With regards to beef, production is carried out at state-of-the-art, HACCP-compliant plants and strict hygiene management is enforced. Itoham's products have built a reputation for retaining their freshness longer.

Set against a backdrop of sluggish personal spending, consumers are demanding greater safety and reliability as well as "the real thing." They are demanding fresh meat that they can trust. That means they want to know who handled what they eat throughout the total supply chain from the farm to the table. In fiscal 2001, the company plans to strengthen its product and supply system reflecting these needs and deliver detailed services in a speedy manner.

PROCESSED FOODS AND OTHER PRODUCTS DIVISION



女性の社会進出、単身世帯の増加による個食化などのライフスタイルの変化にともない消費者の簡便・省力志向が高まっています。こうしたニーズに対応して、味覚に優れ、かつ調理時間の短縮につながる商品の開発は、食品業界の大きなテーマとなっています。

当社は調理加工食品に対する消費者の多様なニーズに対応するため、HACCP管理手法を取入れ、徹底した温度管理のもと、スピーディーな生産ができるシステムを自社工場に配備するとともに、日本国内はもとよりタイ・中国の現地工場とも提携し、当社の技術指導のもと、鶏の加工食品や手作りの惣菜などを委託生産しています。これら国内外で生産された当社商品は種類も多く、品質・規格とも一段と向上していることからその販売量は順調に拡大しています。

この分野では、焼きチキンのナンバーワンブランドに成長した「元祖あぶり焼」シリーズがハーブ鶏を原料に、こだわりと簡便性・美味しさでお客様の支持を得ました。また「備長炭焼やきとり」、「豚角煮」、「チキンナゲット」および焼肉商品群など、いずれもバリューアップしたベーシック商品が好調に推移しました。さらに、業務用の調理済ならびにHMR(ホームミールリプレイスメント)商品についても、多くのお得意先とパートナーシップに基づく取り組みをし、その中で当社商品ならびに当社独自の高度な技術が活用されています。

2000年度も、変化する生活者の価値水準に視点を合わせ、当社独自の技術力と開発力をもとに新しい価値提案を行なっていきます。



In line with changing lifestyles and dietary habits caused by the advancement of women in society and an increase in the number of people living alone, consumers have shown greater interest in convenience and ways to save time when cooking. Development of delicious products to match these needs has emerged as a major theme for the food industry.

Itoham is responding to this trend. Itoham has equipped its plants in Japan with extremely efficient production systems that are HACCP compliant and utilize thorough temperature management technology. Moreover, the company has forged alliances with companies in Thailand and China to produce processed chicken products, handmade side dishes and other products under consignment. Production is performed under the technical direction of Itoham. The result is an extensive array of quality products from Japan and overseas suppliers—and the steady expansion of sales volumes.

This division has grown the number one brand in roasted chicken with the *Ganso Aburiyaki Chicken* (slow-roasted chicken) series. Made from herb-fed chickens, the series has won strong support from consumers for taste, convenience and its pursuit of excellence. *Binchotanyaki Yakitori* (charcoal-roasted chicken), *Butakakuni* (soya-cooked pork cubes), *Chicken Nuggets* and charcoal-roasted meat have been strong performers, too. The reason: Itoham added value to these basic products. Moreover, regarding processed food products for foodservice use and home meal replacement (HMR) products, Itoham has forged strong partnerships with a host of companies. These partnerships take advantage of Itoham's products and its sophisticated technologies.

In fiscal 2001, Itoham will align itself more closely to the changing values of consumers to create new value rooted in proprietary technology and the company's product development strengths.

STRATEGIES TO BOLSTER SALES CAPABILITIES



総合的営業支援システム「アイビス」
IVISS—Itoham's Comprehensive Sales Support System

総合的営業支援システム「アイビス」

1998年7月からスタートしたパソコンによる総合的営業支援システム「アイビス(Itoham Virtual Selling System)」が一段と整備されてきたことによって、販売の活性化と提案力の向上が図られており、充実した質の高い営業活動を実現させています。

IVISS—Comprehensive Sales Support System

In July 1998, Itoham brought online IVISS (Itoham Virtual Selling System), a comprehensive PC-based sales support system. IVISS is designed to invigorate sales activities and enhance the company's ability to offer meal solutions to customers. Already the company has seen a marked improvement in the quality of its marketing activities.



2000年伊藤ハムからのご提案
"Meal Ideas From Itoham 2000"

「2000年伊藤ハムからのご提案」の開催

当社では毎年、「ご提案の会」を開催しており、お取引先を招待して新商品の紹介や陳列方法・販売促進の提案、流通情報の提供などを行っています。

変化する生活者の価値水準に視点を合わせ、当社独自の技術力と開発力をもとに商品・売場・情報の新しい価値提案を行うことを目指した「バリュー・スタンダード2000」を今年のテーマに生活者の食卓から発信される購買・消費行動やメニュー情報に基づく売場への提案を大きく取り上げ、関西・東京の2会場で開催しました。

"Meal Ideas From Itoham 2000"

Every year, Itoham holds exhibitions to introduce new products to business partners and customers, to make proposals for spurring sales and displaying products better and to provide the latest sales information. This year's exhibition was held in two locations, Kansai and Tokyo. The main theme was Value Standard 2000, which aims to tap Itoham's proprietary technologies and product development capabilities to deliver new value that is in step with changing lifestyles and consumer preferences. One topic discussed in detail was proposing ideas to retailers based on purchasing and consumption trends and feedback from consumers.



関連事業の展開について

当社は、2000年2月1日の組織機構の変更にもない、新たに「関連事業本部」を発足させました。このことは、会計基準の変更に際し、グループ経営の一層の強化を図るとともに、関連事業の収益確保と基盤強化を主な目的としたものです。

具体的には、子会社のレストラン事業と商事事業を集中管理する「商事事業部」を設け、また、現中央研究所の健康食品事業、医薬品事業を集約し「ヘルスサイエンス事業部」とします。医薬品事業については、「注射用グルカゴン・イトウ」に加え、開発部門で組み換えインスリンの製法を確立するなど基礎研究の成果があらわれているところです。

この事業本部の設置により、第四の柱としての事業を育成することと、評価の厳格化を狙っています。

Developing Related Businesses

Itoham established the Related Businesses Department on February 1, 2000 as part of measures taken to realign the organization. In line with changes in accounting standards, Itoham has heightened its focus on group management. At the same time, the company is aiming to generate more earnings from related businesses as well as fortify its operating base.

Specifically, the Trading Operations Division was established to centralize management of restaurants run by subsidiaries and trading operations. In another move, Itoham has brought two businesses managed by its Central Research Institute—health foods and pharmaceuticals—under the umbrella of the Health and Science Division. The pharmaceuticals business is starting to reap the fruits of its labors. Basic research by this business has already led to the establishment of a production method for recombinant insulin and *Glucagon Ito*, a peptidic hormone pharmaceutical agent used in injection medications, for example.

Itoham hopes the Related Businesses Department will eventually establish itself as a fourth pillar of earnings for the company, and will apply stricter standards to evaluate its businesses.

主要財務指標

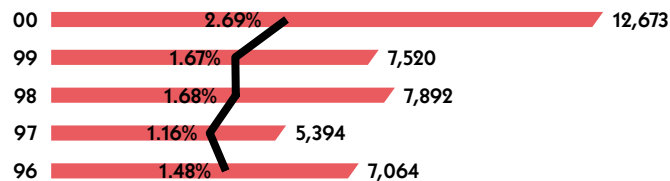
CONSOLIDATED FINANCIAL SUMMARY

売上高 NET SALES



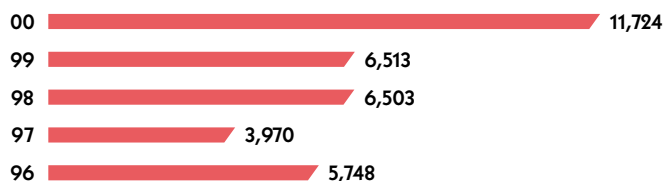
(十億円 / billions of yen)	Mar. 1996	97	98	99	2000
売上高 Net sales	477	465	468	450	470

営業利益、売上高営業利益率 OPERATING INCOME, RATIO OF OPERATING INCOME TO NET SALES



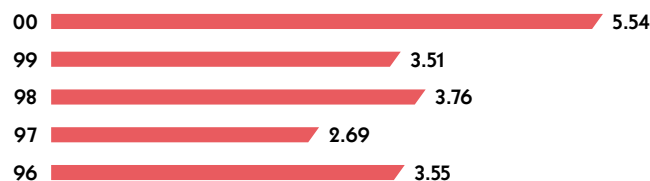
(百万円 / millions of yen, %)	Mar. 1996	97	98	99	2000
営業利益 Operating income	7,064	5,394	7,892	7,520	12,673
売上高営業利益率 Ratio of operating income to net sales	1.48	1.16	1.68	1.67	2.69

利払後事業利益 OPERATING INCOME, INCLUDING INTEREST AND DIVIDEND INCOME, NET OF INTEREST AND DISCOUNT EXPENSES



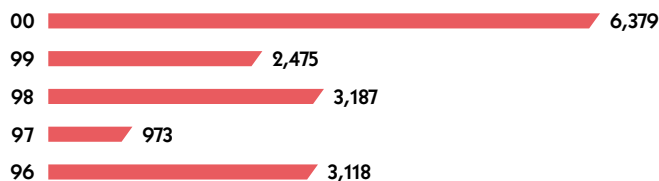
(百万円 / millions of yen)	Mar. 1996	97	98	99	2000
利払後事業利益 Operating income, including interest and dividend income, net of interest and discount expenses	5,748	3,970	6,503	6,513	11,724

使用総資本事業利益率 RATIO OF OPERATING INCOME, INCLUDING INTEREST AND DIVIDENDS, TO AVERAGE TOTAL CAPITAL



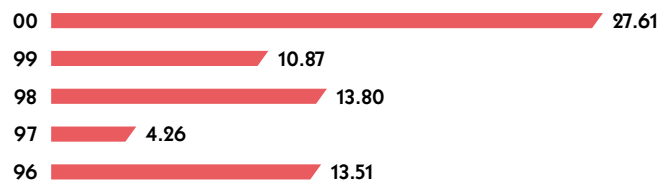
(%)	Mar. 1996	97	98	99	2000
使用総資本事業利益率 Ratio of operating income, including interest and dividends, to average total capital	3.55	2.69	3.76	3.51	5.54

当期純利益 NET INCOME



(百万円 / millions of yen)	Mar. 1996	97	98	99	2000
当期利益 Net income	3,118	973	3,187	2,475	6,379

潜在株式調整後一株当たり当期純利益 DILUTED NET INCOME PER SHARE



(円 / yen)	Mar. 1996	97	98	99	2000
潜在株式調整後一株当たり当期純利益 Diluted net income per share	13.51	4.26	13.80	10.87	27.61

注記: 2000年度より「連結キャッシュ・フロー計算書」を作成しているため、「フリーキャッシュ・フロー」「一株当たりフリーキャッシュ・フロー」については、過去4年の数値は掲載しておりません。
Note: The company started preparing a "Consolidated Statement of Cash Flows" in the year ended March 31, 2000. Figures for Free Cash Flows and Free Cash Flows per Share are not available for the previous four years.

フリーキャッシュ・フロー
FREE CASH FLOWS



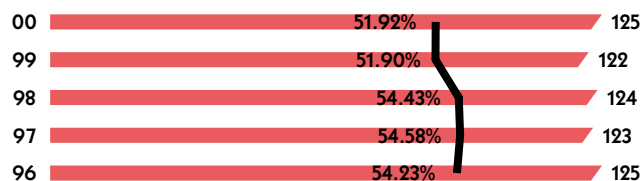
(百万円 / millions of yen)	Mar. 1996	97	98	99	2000
フリーキャッシュ・フロー Free cash flows	—	—	—	—	18,772

一株当たりフリーキャッシュ・フロー
FREE CASH FLOWS PER SHARE



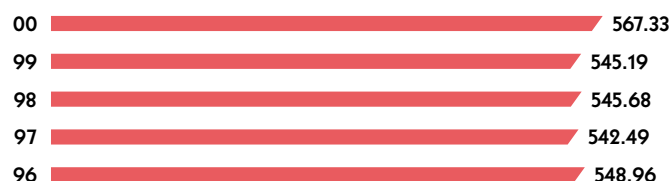
(円 / yen)	Mar. 1996	97	98	99	2000
一株当たりフリー・キャッシュ・フロー Free cash flows per share	—	—	—	—	83.54

株主資本、株主資本比率
SHAREHOLDERS' EQUITY, RATIO OF SHAREHOLDERS' EQUITY TO
TOTAL ASSETS



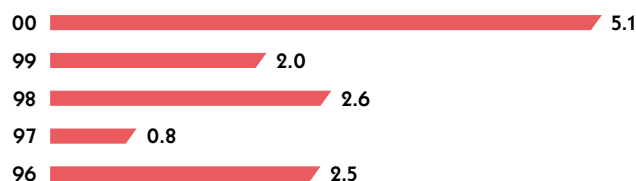
(十億円 / billions of yen, %)	Mar. 1996	97	98	99	2000
株主資本 Shareholders' equity	125	123	124	122	125
株主資本比率 Ratio of shareholders' equity to total assets	54.23	54.58	54.43	51.90	51.92

一株当たり株主資本
SHAREHOLDERS' EQUITY PER SHARE



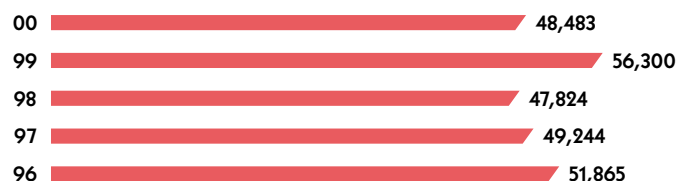
(円 / yen)	Mar. 1996	97	98	99	2000
一株当たり株主資本 Shareholders' equity per share	548.96	542.49	545.68	545.19	567.33

株主資本利益率
RETURN ON EQUITY



(%)	Mar. 1996	97	98	99	2000
株主資本利益率 Return on equity	2.5	0.8	2.6	2.0	5.1

有利子負債
INTEREST BEARING DEBT



(百万円 / millions of yen)	Mar. 1996	97	98	99	2000
有利子負債 Interest bearing debt	51,865	49,244	47,824	56,300	48,483

CORPORATE INFORMATION

企業データ
CORPORATE DATA

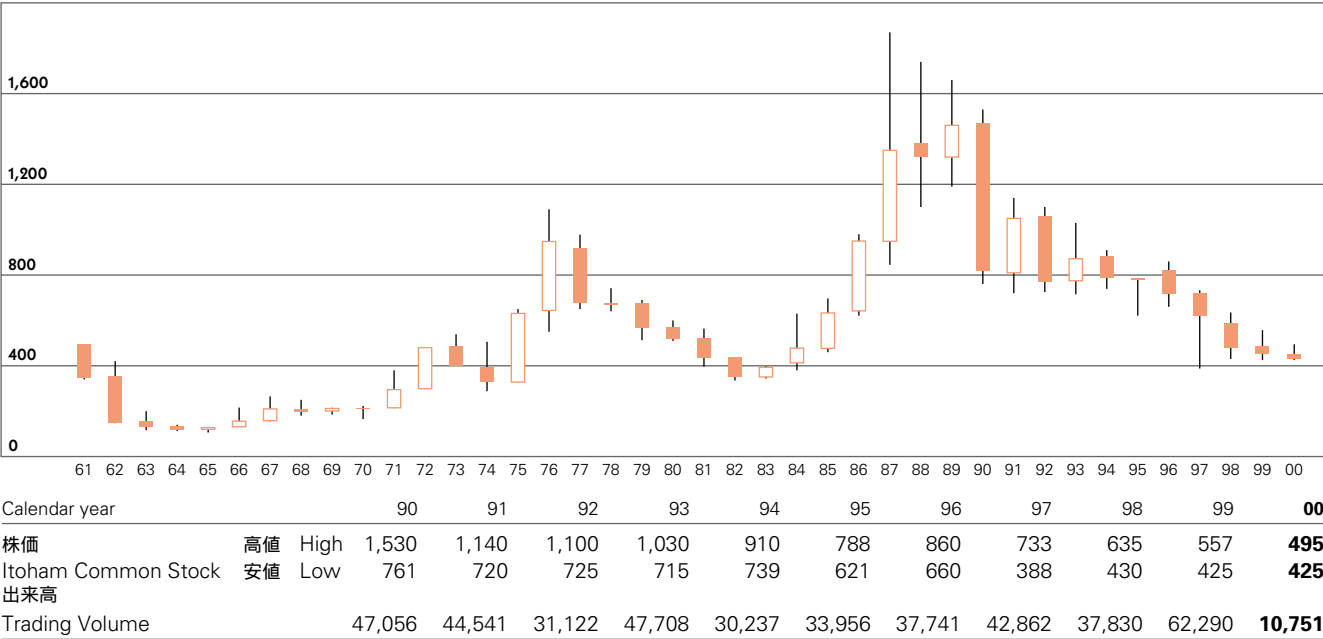
会社名: 伊藤ハム株式会社
本社所在地: 〒663-8586
兵庫県西宮市高畑町4番27号
Tel: 0798-66-1231
当社株式は証券会社で取扱われる株式累積投資の対象銘柄となっています。
株主優待制度
1) 優待基準 所有株式数1,000株以上の株主
2) 優待内容 当社製品引換券2,000円

Company Name: ITOHAM FOODS INC.
Address: 4-27, Takahata-cho, Nishinomiya City
Hyogo 663-8586, Japan
Tel: 0798-66-1231
Itoham's shares are included in the stock accumulation investment plans of securities companies.
Shareholder Coupon System:
1. Qualification Shareholders with 1,000 or more shares
2. Coupon amount Itoham product coupons worth ¥2,000

社債明細表
CORPORATE BONDS

(百万円 / millions of yen)						
銘柄 Bond	発行年月日 Issue Date	発行総額 Amount	利率(%) Interest Rate	未償還残高 Outstanding Amount	償還期限 Due Date	
第7回無担保社債	7th unsecured bond	April 15, 1997	3,000	2.000	3,000	April 15, 2002
第8回無担保社債	8th unsecured bond	June 8, 1998	10,000	2.175	10,000	June 8, 2005
第9回無担保社債	9th unsecured bond	October 9, 1998	5,000	2.110	5,000	October 9, 2008
第3回転換社債	3rd convertible sinking fund debentures	December 18, 1987	20,000	1.800	19,655	February 28, 2003

株価の推移
COMMON STOCK PRICE RANGE



00年度のみ1～3月までのデータを反映させております。
Note: The figures for the 2000 calendar year only are for the 3-month period from January 2000 through March 2000.

FINANCIAL SECTION

CONTENTS

FINANCIAL REVIEW	22
CONSOLIDATED BALANCE SHEETS	24
CONSOLIDATED STATEMENTS OF INCOME	26
CONSOLIDATED STATEMENTS OF SHAREHOLDERS' EQUITY	27
CONSOLIDATED STATEMENT OF CASH FLOWS	28
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS	29
REPORT OF INDEPENDENT PUBLIC ACCOUNTANTS	34

Net Sales

The Japanese economy got onto a recovery footing in fiscal 2000, the year ended March 31, 2000, thanks to the government's economic stimulus measures and progress in information technology (IT). Even so, conditions were still difficult as personal consumption, excluding spending on information-related products and services, remained lackluster, amid concerns about employment and stagnant income levels.

The Japanese meat industry could not escape the effects. Consumption fell below last year's level, and in a situation characterized by falling sales prices, sales competition intensified, creating a difficult operating environment.

In this climate, Itoham aggressively strengthened its sales capabilities and sought to expand sales in the Fresh Meat Division. Also, Itoham reduced the number of items in its ham and sausage lineup as it focused on core products, growing them into major pillars of sales. At the same time, Itoham worked to cut production costs by, among other actions, consolidating production bases, and to pare selling, general and administrative expenses. Net sales rose 4.5% to ¥470.5 billion.

By division, in the Ham and Sausage Division sales decreased 2.0% year on year to ¥129.4 billion. Although sales volumes increased, this was outweighed by a decline in sales in monetary terms in a market leaning toward lower prices.

In the Fresh Meat Division, sales increased 7.6% to ¥249.8 billion. This was the result of efforts to expand sales by opening up new sales channels and strengthening relationships with existing customers. Through these actions the division was able to overcome the effects of sluggish market conditions and a strong yen which resulted in declining sales prices.

In the Processed Foods and Other Products Division, sales rose 6.3% to ¥91.2 billion due to the division's success in delivering products that match consumers' diversifying needs.

Costs, Expenses and Earnings

The cost of sales increased 4.0% to ¥364.4 billion. But the cost of sales ratio improved to 77.4%. Gross profit increased 6.4% to ¥106.1 billion and the ratio of gross profit to net sales increased 0.4 of a percentage point to 22.6%.

Selling, general and administrative (SGA) expenses rose 1.3% to ¥93.4 billion, but the ratio of SGA expenses to net sales improved to 19.9%. Operating income climbed 68.5% to ¥12.7 billion and the ratio of operating income to net sales increased 1.0 percentage point to 2.7%.

In non-operating items, net financial income and expenses improved slightly from a year ago. This was due to a decline in interest expense following the redemption of bonds, which offset lower interest income as market rates declined. In other non-operating items, Itoham generated a ¥0.1 billion gain on sale of marketable and investment securities, net. During the year, Itoham booked a ¥0.4 billion loss on disposal of property, plant and equipment and a write-down of securities of ¥1.3 billion due to application of the lower of cost or market value method. As a result, net other income (expense) was ¥1.5 billion, ¥0.1 billion lower than the previous year.

Income before income taxes climbed 87.7% to ¥11.2 billion. Diluted net income per share improved sharply from ¥10.87 to ¥27.61.

COSTS AND EXPENSES

¥ Billion

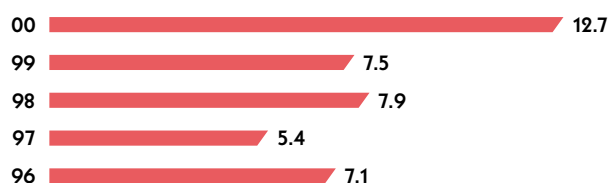


■ Cost of sales

■ Selling, general and administrative expenses

OPERATING INCOME

¥ Billion



Financial Position

Total assets at March 31, 2000 stood at ¥241.7 billion, ¥4.8 billion higher than a year ago. Current assets increased ¥10.3 billion to ¥125.9 billion. Establishment of an MMF (Money Management Fund) account to retain a high level of liquidity resulted in a ¥7.2 billion increase in cash and cash equivalents. Trade notes and accounts receivable increased ¥3.8 billion. Inventories increased ¥3.2 billion due to an increase in finished products and resale inventories. Time deposits decreased ¥4.5 billion.

Capital investments totaled ¥7.5 billion, reflecting improvements at existing factories and replacement of vehicles. Property, plant and equipment, excluding land, decreased ¥4.3 billion to ¥54.9 billion due to disposals, sales and depreciation. Land was almost unchanged at ¥24.2 billion. As a result, property, plant and equipment at the year's end was ¥79.1 billion.

On the other side of the balance sheet, current liabilities increased ¥5.2 billion to ¥68.9 billion. This was primarily the result of an ¥8.4 billion increase in trade payables and a ¥3.6 billion decrease in short-term bank loans. Long-term debt decreased ¥3.7 billion to ¥43.5 billion due to the redemption of bonds.

Regarding equity, Itoham decided to use additional paid-in capital to purchase and retire ¥2.0 billion of treasury stock as this was judged to be an effective action due to present economic conditions and the company's financial position. This was offset by the increase in net income, resulting in a ¥2.5 billion increase in shareholders' equity to ¥125.5 billion. The ratio of shareholders' equity to total assets was unchanged at 51.9% and the current ratio was 1.83.

The company's listed and quoted securities have a book value of ¥15.3 billion. The market value of such securities was ¥33.6 billion at year's end, implying unrealized gains of ¥18.3 billion.

Cash Flows

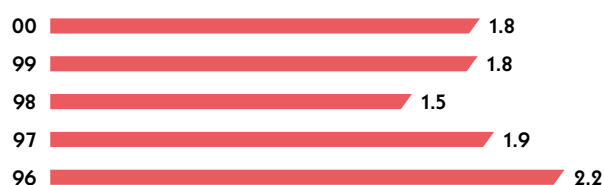
Cash and cash equivalents increased ¥7.2 billion, or 25.4%, to ¥35.7 billion due to the high level of income before income taxes for the year, which came in at ¥11.2 billion. This offset a decrease in borrowings and outgoings for increasing property, plant and equipment and for purchasing treasury stock.

Net cash provided by operating activities was ¥20.1 billion. This mainly represented the previously mentioned high level of income before income taxes due to the continuation of stable raw material prices. Investing activities used net cash of ¥1.4 billion, reflecting mainly cash provided by the sale of idle land and the maturity of large investments in time deposits offset by ¥4.6 billion in expenditures for upgrading existing plants at the parent company. Financing activities used net cash of ¥11.6 billion. In addition to repaying loans of a liquidated subsidiary, Itoham redeemed ¥3.0 billion in bonds and purchased and retired treasury stock.

A "Consolidated Statement of Cash Flows" was prepared for the first time in the fiscal year ended March 31, 2000. Comparative figures for cash flows from operating activities, investing activities and financing activities for the prior fiscal year are not available.

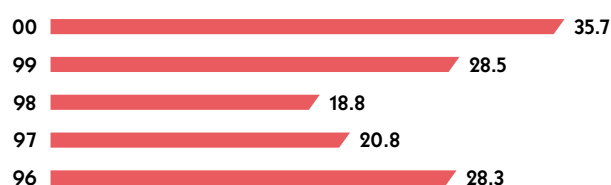
CURRENT RATIO

Times



CASH AND CASH EQUIVALENTS

¥ Billion



CONSOLIDATED BALANCE SHEETS

ITOHAM FOODS INC. – March 31, 2000 and 1999

	Millions of yen		Thousands of U.S. dollars (Note 1)
ASSETS	2000	1999	2000
Current assets:			
Cash and time deposits (Note 3, 7)	¥ 16,467	¥ 20,450	\$ 155,130
Marketable securities	19,536	12,664	184,042
Receivables:			
Trade notes and accounts	47,390	43,559	446,443
Other	331	500	3,118
Allowance for doubtful receivables	(391)	(353)	(3,683)
	47,330	43,706	445,878
Fund trust investments	540	–	5,087
Inventories (Note 5)	39,587	36,368	372,935
Deferred tax assets (Note 12)	835	812	7,866
Other current assets	1,608	1,635	15,148
Total current assets	125,903	115,635	1,186,086
Investments and non-current assets:			
Investments in:			
Unconsolidated affiliates	3,037	4,056	28,610
Other (Note 4)	18,161	19,139	171,088
Loans to:			
Unconsolidated affiliates	409	440	3,853
Other	1,841	1,897	17,343
Other	10,940	10,572	103,062
Long-term deferred tax assets (Note 12)	530	277	4,993
Allowance for doubtful receivables	(580)	(212)	(5,463)
	34,338	36,169	323,486
Property, plant and equipment:			
Land	24,173	24,274	227,725
Buildings and structures	64,937	66,959	611,747
Machinery and equipment	92,990	93,483	876,024
Breeding livestock	227	405	2,139
Construction in progress	701	262	6,604
	183,028	185,383	1,724,239
Accumulated depreciation	(103,964)	(101,907)	(979,406)
	79,064	83,476	744,833
Intangible assets	775	497	7,301
Foreign currency translation adjustments	1,575	1,090	14,837
	¥ 241,655	¥ 236,867	\$2,276,543

See accompanying notes.

LIABILITIES AND SHAREHOLDERS' EQUITY	Millions of yen		Thousands of U.S. dollars (Note 1)
	2000	1999	2000
Current liabilities:			
Bank loans	¥ 4,640	¥ 8,253	\$ 43,712
Long-term debt due within one year (Note 6)	355	901	3,344
Notes and accounts payable:			
Trade	42,255	33,870	398,069
Construction	2,095	1,483	19,736
Other	10,603	9,932	99,887
	54,953	45,285	517,692
Accrued expenses	4,456	4,529	41,978
Income taxes payable	2,955	3,137	27,838
Deferred tax liabilities (Note 12)	77	94	726
Other	1,429	1,472	13,462
Total current liabilities	68,865	63,671	648,752
Long-term debt due after one year (Note 6)	43,488	47,146	409,684
Employees' retirement benefits (Note 8)	2,204	1,930	20,763
Directors' and statutory auditors' retirement benefits	778	612	7,329
Long-term deferred tax liabilities (Note 12)	560	242	5,276
Minority interests	284	336	2,676
Contingent liabilities (Note 9)			
Shareholders' equity (Note 13):			
Common stock, par value ¥50 per share;			
Authorized—352,701,000 shares			
(357,013,000 shares—1999)			
Issued—221,170,533 shares			
(225,482,533 shares—1999)	22,415	22,415	211,163
Additional paid-in capital	28,852	30,841	271,804
Retained earnings	74,210	69,675	699,105
Treasury stock, at cost	(1)	(1)	(9)
Total shareholders' equity	125,476	122,930	1,182,063
	¥241,655	¥236,867	\$2,276,543

See accompanying notes.

CONSOLIDATED STATEMENTS OF INCOME

ITOHAM FOODS INC. – Years ended March 31, 2000 and 1999

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2000	1999	2000
Net sales	¥470,453	¥450,105	\$4,431,964
Cost and expenses:			
Cost of sales	364,362	350,386	3,432,520
Selling, general and administrative expenses	93,418	92,199	880,056
Operating income	12,673	7,520	119,388
Other income (expenses):			
Interest and dividend income	591	664	5,568
Interest expense	(1,540)	(1,671)	(14,508)
Gain on sale of marketable and investment securities, net	104	318	980
Gain (loss) on disposal of property, plant and equipment	(397)	279	(3,740)
Write-down of securities	(1,326)	(1,267)	(12,492)
Loss on disposal of fund trust investments	–	(181)	–
Other, net	1,085	300	10,221
	(1,483)	(1,558)	(13,971)
Income before income taxes	11,190	5,962	105,417
Income taxes – current	4,781	4,383	45,040
– deferred	27	(951)	255
Minority interests	3	55	28
Net income	¥ 6,379	¥ 2,475	\$ 60,094
	Yen		U.S. dollars
Net income per share	¥28.39	¥10.87	\$0.267
Diluted net income per share	27.61	10.87	0.260
Dividends per share	8.00	8.00	0.075

See accompanying notes.

CONSOLIDATED STATEMENTS OF SHAREHOLDERS' EQUITY

ITOHAM FOODS INC. – Years ended March 31, 2000 and 1999

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2000	1999	2000
Common stock:			
Balance at beginning of year	¥22,415	¥22,415	\$211,163
Balance at end of year	¥22,415	¥22,415	\$211,163
Additional paid-in capital:			
Balance at beginning of year	¥30,841	¥32,340	\$290,542
Treasury stock retired	(1,989)	(1,499)	(18,738)
Balance at end of year	¥28,852	¥30,841	\$271,804
Retained earnings:			
Balance at beginning of year	¥69,675	¥69,390	\$656,383
Cumulative effect of adopting deferred income tax accounting	–	262	–
Net income for year	6,379	2,475	60,094
Cash dividends paid — ¥8.00 per share (¥10.50 per share–1999)	(1,804)	(2,398)	(16,995)
Bonuses to directors	(40)	(54)	(377)
Balance at end of year	¥74,210	¥69,675	\$699,105
Number of shares of common stock issued:	2000	1999	
At beginning of year	225,482,533	228,469,533	
Treasury stock retired	(4,312,000)	(2,987,000)	
At end of year	221,170,533	225,482,533	

See accompanying notes.

CONSOLIDATED STATEMENT OF CASH FLOWS

ITOHAM FOODS INC. – Year ended March 31, 2000

	Millions of yen	Thousands of U.S. dollars (Note 1)
	2000	2000
Cash flows from operating activities:		
Income before income taxes	¥ 11,190	\$ 105,417
Adjustments to reconcile income before income taxes to net cash provided by operating activities:		
Depreciation and amortization	9,426	88,799
Increase in employees' retirement benefits	440	4,145
Increase in allowance for doubtful receivables	405	3,815
Interest and dividend income	(591)	(5,567)
Interest expense	1,541	14,517
Equity in earnings of associated companies	(293)	(2,760)
Write-down of investment securities	1,326	12,492
Gain on sale of property, plant and equipment	(651)	(6,133)
Loss on disposal of property, plant and equipment	1,047	9,863
Increase in notes and accounts receivable	(4,059)	(38,238)
Increase in inventories	(3,646)	(34,348)
Increase in notes and accounts payable	9,053	85,285
Decrease in accrued consumption taxes	(237)	(2,233)
Increase in other assets	(207)	(1,950)
Increase in other liabilities	1,336	12,586
	26,080	245,690
Interest and dividends received	595	5,605
Interest paid	(1,590)	(14,979)
Income taxes paid	(4,960)	(46,726)
Net cash provided by operating activities	20,125	189,590
Cash flows from investing activities:		
Investments in time deposits	(3,733)	(35,167)
Proceeds from time deposits	8,110	76,401
Acquisitions of property, plant and equipment	(7,423)	(69,929)
Proceeds from sale of property, plant and equipment	2,054	19,350
Acquisitions of intangible assets	(172)	(1,620)
Payments for purchases of investment securities	(296)	(2,788)
Proceeds from sales of investment securities	788	7,423
Disbursement of loans receivable	(850)	(8,008)
Collection of loan receivables	1,105	10,410
Other	(936)	(8,818)
Net cash used in investing activities	(1,353)	(12,746)
Cash flows from financing activities:		
Payments of short-term bank loans, net	(3,612)	(34,027)
Proceeds from long-term debt	1,445	13,613
Repayments of long-term debt	(2,649)	(24,955)
Repayments of bonds	(3,000)	(28,262)
Payments for purchase of treasury stock	(1,989)	(18,738)
Dividends paid	(1,804)	(16,995)
Dividends paid to minority shareholders in consolidated subsidiaries	(4)	(38)
Net cash used in financing activities	(11,613)	(109,402)
Effect of exchange rate changes on cash and cash equivalents	80	754
Net increase in cash and cash equivalents	7,239	68,196
Cash and cash equivalents at beginning of year	28,451	268,026
Effect of changes in consolidated subsidiaries	27	254
Cash and cash equivalents at end of year (Note 3)	¥ 35,717	\$ 336,476

See accompanying notes.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1. BASIS OF PRESENTING CONSOLIDATED FINANCIAL STATEMENTS

ITOHAM FOODS INC. (the "Company") and its consolidated domestic subsidiaries maintain their accounts and records in accordance with the provisions set forth in the Japanese Commercial Code and the Securities and Exchange Law and in conformity with accounting principles and practices generally accepted in Japan, which are different from the accounting and disclosure requirements of International Accounting Standards. The accounts of overseas consolidated subsidiaries are based on their accounting records maintained in conformity with generally accepted accounting principles and practices prevailing in the respective countries of domicile.

The accompanying consolidated financial statements are a translation of the audited consolidated financial statements of the Company which were prepared in accordance with accounting principles and practices generally accepted in Japan from the accounts and records maintained by the Company and its consolidated subsidiaries and were filed with the Minister of Finance ("MOF") as required by the Securities and Exchange Law.

In preparing the accompanying consolidated financial statements, certain reclassifications have been made in the consolidated financial statements issued domestically in order to present them in a form which is more familiar to readers outside Japan. The consolidated cash flow statement for 1999 is not included in these financial statements because it was not required to be prepared and filed with MOF prior to 2000.

The translations of Japanese yen amounts into U.S. dollars are included solely for the convenience of the readers, using the prevailing exchange rate at March 31, 2000, which was ¥106.15 to U.S.\$1.00. The convenience translations should not be construed as representations that the Japanese yen amounts have been, could have been, or could in the future be, converted into U.S.dollars at this or any other rate of exchange.

2. SIGNIFICANT ACCOUNTING POLICIES

(1) Consolidation

The accompanying consolidated financial statements include the accounts of the Company and significant companies, over which the Company has power of control through majority voting rights or existence of certain conditions evidencing control by the Company. Investments in non-consolidated affiliates, over which the Company has the ability to exercise significant influence over operating and financial policies of the investees, are accounted by the equity method.

In accordance with the revised Accounting Principles for Consolidated Financial Statements effective from the year ended March 31, 2000, a company which is substantially controlled by the Company is considered subsidiary and included in the consolidation for 2000. In the prior years only majority-owned subsidiaries were consolidated.

Eight of the Company's subsidiaries are consolidated using a fiscal period ending December 31. Significant transactions occurring during the January 1 to March 31 period are adjusted in these consolidated financial statements.

In the elimination of investments in subsidiaries, the assets and liabilities of the subsidiaries, including the portion attributable to minority shareholders, are evaluated using the fair value at the time the Company acquired control of the respective subsidiaries.

All significant intercompany transactions and accounts have been eliminated. The difference between the cost of investments and equity in their net assets at dates of acquisition is amortized over five years.

(2) Cash and cash equivalents

Cash and cash equivalents include all highly liquid investments, with original maturities of three months or less, that are readily convertible to known amounts of cash and are so near maturity that they present insignificant risk of changes in value because of changes in interest rates.

(3) Allowance for doubtful receivables

The allowance for doubtful receivables of the Company and domestic subsidiaries is provided in amounts sufficient to cover possible losses on collection. It is determined by adding individually estimated uncollectible amounts to an amount calculated by formula as permitted by the Corporation Tax Law of Japan with respect to the remaining receivables.

The allowance for doubtful receivables of overseas consolidated subsidiaries is determined by estimates of management.

(4) Investment securities

Listed and quoted securities are valued at the lower of cost or market. Recoveries of write-downs to market are recorded in subsequent periods. Other securities, including investments in unconsolidated affiliates, are valued at cost. Cost is calculated based on the moving average method.

(5) Inventories

Inventories of the Company and domestic subsidiaries are stated at cost. Cost is determined by the first-in, first-out method for finished products and resale inventories (except meat), the specific identification method for real estate for sale and breeding cattle and the moving average method for remaining inventories.

Inventories of overseas subsidiaries are stated at the lower of cost or market.

(6) Property, plant and equipment

Property, plant and equipment are carried at cost. Depreciation is mainly provided on a declining balance method over estimated useful lives. Buildings acquired after March 31, 1998 are depreciated using the straight-line method.

Overseas subsidiaries depreciate their property, plant and equipment using the declining balance method and the straight-line method.

(7) Bonuses

The Company and its domestic subsidiaries follow the Japanese practice of paying bonuses to employees in July and December. Accrued bonus liabilities as of the balance sheet date are based on estimated amounts to be paid in the subsequent period. Bonuses to directors and statutory auditors, which are subject to approval at the shareholders' meeting, are accounted for as an appropriation of retained earnings.

(8) Employees' retirement benefits

Under the terms of the Company's retirement plan, substantially all employees of the Company and certain subsidiaries are entitled to a lump-sum payment at the time of retirement. The amount of the retirement benefit is, in general, based on the length of service, base salary at the time of retirement and cause of retirement. The liability for lump-sum payments is stated, at 40 percent of the amount which would be required if all eligible employees voluntarily retired as of the balance sheet date.

The Company and certain subsidiaries participate in a contributory funded pension plan which covers substantially all employees. Annual contributions are charged to income when paid.

(9) Directors' and statutory auditors' retirement benefits

The liability for directors' and statutory auditors' retirement benefits of the Company and certain subsidiaries is provided in the amount which would be required if they retired at the balance sheet date.

(10) Research and development expenses

Research and development expenses for the improvement of existing products or the development of new products, including basic research and fundamental development costs, which were ¥922 million (\$8,686 thousand) for the year ended March 31, 2000, are charged to operations in the period incurred.

(11) Finance leases

Finance leases which do not transfer ownership are accounted for in the same manner as operating leases under generally accepted accounting principles in Japan.

(12) Income taxes

Deferred income taxes are recorded to reflect tax effects of temporary differences between the carrying amounts of assets and liabilities for tax and financial reporting. The asset and liability approach is used to recognize deferred tax assets and liabilities for the expected future tax consequences of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for income tax purposes.

(13) Translation of foreign currencies

Current receivables and payables denominated in foreign currencies are translated at current exchange rates. Other assets and liabilities denominated in foreign currencies are translated at historical exchange rates, except, when there are significant losses due to fluctuations in foreign exchange rates, the current exchange rates are applied.

Financial statements of overseas subsidiaries are translated into Japanese yen at the year-end exchange rates for all assets and liabilities and at historical exchange rates for other balance sheet accounts. All income statement accounts are translated at the year-end exchange rates.

Differences arising from such translations are shown as foreign currency translation adjustments in the accompanying consolidated financial statements.

(14) Amounts per share

The computations of net income per share of common stock shown on the statements of income are based on the weighted average number of shares outstanding during each fiscal year.

Diluted net income per share is calculated assuming the conversion of all dilutive convertible bonds at the beginning of the year.

Cash dividends per share shown in the statements of income are the amounts applicable to the respective years.

3. STATEMENT OF CASH FLOWS

The reconciliation of cash and time deposits in the consolidated balance sheet and cash and cash equivalents in the consolidated statement of cash flows as of March 31, 2000 is as follows:

	Millions of yen	Thousands of U.S. dollars
Cash and time deposits on the consolidated balance sheet	¥16,467	\$155,130
Time deposits with maturities exceeding 3 months	(286)	(2,695)
Highly liquid investments whose original maturities are within 3 months	19,536	184,041
Cash and cash equivalents on the consolidated statement of cash flows	¥35,717	\$336,476

4. INVESTMENTS IN SECURITIES

Listed and quoted securities included in investments in securities at March 31, 2000, consisted of the following:

	Millions of yen	Thousands of U.S. dollars
Listed corporate shares	¥14,680	\$138,295
Listed bonds and debentures	303	2,854
Other	280	2,638
	¥15,263	\$143,787

The aggregate market values of the listed securities shown above at March 31, 2000, were as follows:

	Millions of yen	Thousands of U.S. dollars
Market values	¥33,572	\$316,269

5. INVENTORIES

Inventories at March 31, 2000 and 1999 consisted of the following:

	Millions of yen	Thousands of U.S. dollars
	2000	1999
Finished products and resale inventories	¥24,531	¥20,469
Raw materials and cattle	¥15,056	¥15,899
	¥39,587	¥36,368
	\$231,098	\$141,837
	\$372,935	

6. LONG-TERM DEBT

Long-term debt at March 31, 2000 and 1999 consisted of the following:

	Millions of yen	Thousands of U.S. dollars
	2000	1999
Secured:		
Banks, 1.625%–2.375%, maturing serially through 2005	¥ 1,165	¥ –
	\$ 10,975	
Unsecured:		
Banks, 0.8%–7.4%, maturing serially through 2007	5,023	7,392
1.8% convertible sinking fund debentures due 2003	19,655	19,655
3.7% bonds due 2000	–	3,000
2.0% bonds due 2002	3,000	3,000
2.175% bonds due 2005	10,000	10,000
2.11% bonds due 2008	5,000	5,000
	43,843	48,047
Less amounts due within one year	355	901
	¥43,488	¥47,146
	\$409,684	

The 1.8 percent convertible sinking fund debentures due 2003 are convertible into common stock at the option of the holders at a conversion price, at March 31, 2000, of ¥1,439 (\$13.56) per share. The debentures are also redeemable, commencing on March 1, 2000, at the option of the Company at prices ranging from 102 percent to 100 percent of the principal amount.

The conversion price of the convertible debentures is subject to adjustment as provided in the issuing agreement. If on March 31, 2000 all convertible debentures were converted to common stock, 13,659 thousand shares of stock would be issuable.

The aggregate annual maturities of long-term debt outstanding at March 31, 2000, are as follows:

March 31	Millions of yen	Thousands of U.S. dollars
2001	¥ 355	\$ 3,344
2002	2,906	27,376
2003	23,293	219,435
2004	1,225	11,540
2005 and thereafter	16,064	151,333
	¥43,843	\$413,028

At March 31, 2000 assets pledged as collateral for bank loans of ¥1,151 million (\$10,843 thousand) and secured long-term debt were as follows:

	Millions of yen	Thousands of U.S. dollars
Land	¥ 442	\$ 4,164
Buildings and structures net of accumulated depreciation	1,448	13,641
Investment securities	27	254

7. PLEDGED ASSETS

At March 31, 2000, time deposits of ¥110 million (\$1,036 thousand) were pledged for transaction guarantees.

8. EMPLOYEES' RETIREMENT BENEFITS

Total pension assets under the contributory funded pension plan amounted to ¥29,689 million (\$279,689 thousand) at March 31, 1999, the most recent valuation date.

9. CONTINGENT LIABILITIES

At March 31, 2000 the Company was contingently liable as follows:

	Millions of yen	Thousands of U.S. dollars
As guarantor of indebtedness of:		
Affiliates	¥1,315	\$12,388
Other companies	1,587	14,951
	¥2,902	\$27,339

10. DERIVATIVE TRANSACTIONS

The Company and its consolidated subsidiaries enter into forward currency exchange contracts and other derivative contracts to manage risk relating to market fluctuations affecting its importing activities. It is the Company's policy not to use derivatives for speculation.

The Company and its consolidated subsidiaries also enter interest swap agreements, but only to control and reduce borrowing costs.

Outstanding positions at March 31, 2000 were as follows:

Forward currency exchange transactions

	Millions of yen			Thousands of U.S. dollars
	Contracted amount	Current market amount	Unrealized losses	Unrealized losses
Purchase U.S. dollars	¥9,943	¥9,779	¥164	\$1,545

The market value amount is based on the year end forward rates.

11. FINANCE LEASES

Information for non-capitalized finance leases at March 31, 2000 and 1999 was as follows:

	Millions of yen			Thousands of U.S. dollars
	Furniture and fixtures	Other	Total	Total
March 31, 2000				
Original lease obligation (including finance charges)	¥8,074	¥2,149	¥10,223	\$96,307
Payments remaining:				
Payments due within one year			¥ 1,153	\$10,862
Payments due after one year			4,939	46,528
Total			¥ 6,092	\$57,390

	Millions of yen			Thousands of U.S. dollars
	Furniture and fixtures	Other	Total	Total
March 31, 1999				
Original lease obligation (including finance charges)	¥5,532	¥2,058	¥7,590	\$71,503
Payments remaining:				
Payments due within one year			¥1,154	\$10,871
Payments due after one year			2,816	26,529
Total			¥3,970	\$37,400

Total lease payments, including finance charges, under non-capitalized finance leases for the years ended March 31, 2000 and 1999 were ¥1,223 million (\$11,521 thousand) and ¥1,052 million, respectively.

12. INCOME TAXES

Significant components of the Company's deferred tax assets and liabilities as of March 31, 2000 and 1999 are as follows:

	Millions of yen		Thousands of U.S. dollars
	2000	1999	2000
Deferred tax assets:			
Allowance for doubtful receivables	¥ 170	¥ -	\$ 1,602
Bonuses accrued	423	192	3,985
Enterprise taxes	235	275	2,214
Directors retirement benefits	328	274	3,090
Write-down of investment securities	353	-	3,325
Employees' retirement benefits	315	-	2,967
Accumulated loss	1,113	1,074	10,485
Unrealized gain of land	245	245	2,308
Write-down of investments in subsidiaries	-	763	-
Other	320	422	3,015
	3,502	3,245	32,991
Less valuation allowance	(1,129)	(917)	(10,636)
Total deferred tax assets	2,373	2,328	22,355
Deferred tax liabilities:			
Deferred gains on real properties	(1,520)	(1,441)	(14,320)
Adjustment of allowance for doubtful receivables	-	(134)	-
Other	(125)	-	(1,178)
Total deferred tax liabilities	(1,645)	(1,575)	(15,498)
Net deferred tax assets	¥ 728	¥ 753	\$ 6,857

13. SHAREHOLDERS' EQUITY

The Company purchased and retired 4,312,000 shares of its common stock in accordance with resolutions of the directors' meetings held on June 29 and December 14, 1999. As a result, the number of the Company's registered authorized common stock was reduced to 352,701,000 shares at March 31, 2000. The cost of the retired shares was charged to additional paid-in capital in the amount of ¥1,989 million (\$18,738 thousand).

The Commercial Code of Japan provides that at least 50% of the issue price of new shares, with a minimum of the par value thereof, is required to be designated as common stock. The Commercial Code also provides that at least 10% of cash distributions of retained earnings be appropriated as legal reserve until such reserve equals 25% of common stock. Legal reserve is included in retained earnings.

Both additional paid-in capital and legal reserve may be used to reduce a deficit by resolution of the shareholders, or may be capitalized by resolution of the Board of Directors. Retained earnings may also be transferred to common stock, subject to approval by the general shareholders' meeting.

The Company may issue, by resolution of the Board of Directors, new shares to shareholders without compensation, in respect of the portion of common stock in excess of the aggregate amount of the par value of the shares already issued.

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 Commercial Code of Japan.

14. SOFTWARE COSTS

In accordance with the provisional rule of the JICPA's Accounting Committee Report No.12 "Practical Guidance for Accounting for Research and Development Costs" (the "Report"), the Company continues to account for internal use software, which was included in other non-current assets in 1999, in the same manner as in 1999. Pursuant to the Report, however, the Company included such software in intangible assets in 2000 and depreciated it using the straight-line method over the estimated useful lives (five years). The amount for 1999 has not been reclassified to conform to the 2000 presentation.

15. RELATED PARTY TRANSACTIONS

Principle transactions between the Company and related parties for the year ended March 31, 2000 are summarized as follows:

	Millions of yen	Thousands of U.S. dollars
Insurance premium paid	¥147	\$1,385
Purchase of cardboard boxes	34	320

16. SUBSEQUENT EVENT

At the ordinary shareholders' meeting of the Company held on June 29, 2000, the appropriation of the Company's retained earnings for the year ended March 31, 2000 was duly approved as follows:

	Millions of yen	Thousands of U.S. dollars
Appropriation:		
Cash dividends		
(¥8.00 per share)	¥1,769	\$16,665
Bonuses to directors	50	471
Total	¥1,819	\$17,136

REPORT OF INDEPENDENT PUBLIC ACCOUNTANTS

To the Shareholders and the Board of Directors
ITOHAM FOODS INC.

We have audited the accompanying consolidated balance sheets of ITOHAM FOODS INC. (a Japanese corporation) and subsidiaries as of March 31, 2000 and 1999, and the related consolidated statements of income and shareholders' equity for the years then ended, and the consolidated statement of cash flows for the year ended March 31, 2000, expressed in Japanese yen. Our audits were made in accordance with generally accepted auditing standards in Japan and, accordingly, included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

In our opinion, the consolidated financial statements referred to above present fairly the consolidated financial position of ITOHAM FOODS INC. and subsidiaries as of March 31, 2000 and 1999, and the consolidated results of their operations for the years then ended and their cash flows for the year ended March 31, 2000, in conformity with accounting principles generally accepted in Japan applied on a consistent basis during the periods, except as noted in the following paragraph.

As explained in Note 2 (1), in the year ended March 31, 2000, ITOHAM FOODS INC. and subsidiaries prospectively adopted the new Japanese accounting standard for consolidated financial statements.

Also, in our opinion, the U.S.dollar amounts in the accompanying consolidated financial statements have been translated from Japanese yen on the basis set forth in Note 1.

Osaka, Japan
June 29, 2000



Asahi & Co.
(Member Firm of Andersen Worldwide SC)

Statement on Accounting Principles and Auditing Standards

This statement is to remind users that accounting principles and auditing standards and their application in practice may vary among nations and therefore could affect, possibly materially, the reported financial position and results of operations. The accompanying financial statements are prepared based on accounting principles generally accepted in Japan, and the auditing standards and their application in practice are those generally accepted in Japan. Accordingly, the accompanying consolidated financial statements and the auditors' report presented above are for users familiar with Japanese accounting principles, auditing standards and their application in practice.

MANAGEMENT AND COMPANY NETWORK

Board of Directors

President
Kenichi Ito

Vice President
Kyoji Ito

Senior Managing Directors
Masami Ito
Naotada Tano
Hironobu Takagi

Managing Directors
Shigeo Takahashi
Yoshio Hayashi
Chikara Kasai*
Haruo Ito*

Directors
Kaichi Mutaguchi*
Nario Ishida*
Michitaka Sakai*
Kotaro Kikuchi*
Minoru Nose*

Standing Auditors
Kiyoshi Kuboi
Takao Kobayashi

Auditors
Shigeki Okuyama
Kenichiro Kensho

**Corporate Executive Officer*

Corporate Executive Officers

Shozaburo Hirasawa
Toyoo Nakamura
Shinichi Yamada
Takashi Ninomiya
Yoshitaka Tanaka
Shingo Iwamoto
Tsuguharu Kawano
Reiji Nakano
Atsuji Katayama
Toshiyuki Fujiyama
Akio Mito

(As of June 29, 2000)

Headquarters

3-2-1, Bingo-cho, Nada-ku
Kobe City, Hyogo

Head Office

4-27, Takahata-cho
Nishinomiya City, Hyogo
Tel: 0798-66-1231

Tokyo Office

1-6-21, Mita
Meguro-ku, Tokyo
Tel: 03-5723-6204

Plants

Nishinomiya, Tokyo,
Toyohashi, Kyushu,
Rokko, Otaru,
Tohoku, Hokushin,
Funabashi, Tsukuba

Meat Centers

Tokyo, Toyohashi,
Yokkaichi, Saga

Subsidiaries

Itoham Daily Inc.
HW Delicatessen Inc.
Itoham Shokuhin Inc.
Itoham Sales Inc.
Okinawa Itoham Inc.
Toei Farm Inc.
Sankyo Meat Packers Inc.
Hoei & Co., Ltd.
Kikusui Inc.
Itoham Kansai Meat Sales Inc.
Itoham Kanto Meat Sales Inc.
Itoham Chubu Meat Sales Inc.
Itoham Kyushu Meat Sales Inc.

Overseas Network

Ito Cariani Sausage Co., Inc.
3190 Corporate Place
Hayward, California 94545, U.S.A.
Tel: 510-887-0882

Itoham Foods (Australia) Pty. Ltd.

Level 25, St. Martin's Tower 31
Market Street, Sydney
N.S.W. 2000, Australia
Tel: 02-9283-6333

Five Star Beef Ltd.

Seaside Road, Wakanui
P.O. Box 42, Ashburton
New Zealand
Tel: 03-308-1599

American Peptide Company, Inc.

777 E. Evelyn Avenue
Sunnyvale, California 94086, U.S.A.
Tel: 408-733-7604

Domaine de la Lauzade Kinu-Ito

Paris Office
4, Rue de Ventadour
75001 Paris France
Tel: 33-1-42-60-40-60



ITO HAM FOODS INC.

4-27, Takahata-cho, Nishinomiya City, Hyogo 663-8586, Japan

Tel: 0798-66-1231

<http://www.itoham.co.jp>