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# ITO HAM FOODS INC.

ANNUAL REPORT 2002

# THE ITOHAM GROUP'S MANAGEMENT POLICY

## グループ経営の基本方針

The Itoham Group's management policy is to create corporate value over the long term. Since its establishment, the Itoham Group has promoted a corporate philosophy of "Service to society through business."

Our basic philosophy embodies our commitment to "Supply high-quality products and consumer-centric services that contribute to healthy lifestyles and foster a rich food culture." The following five points represent the basic approach we have adopted to realize our aims.

- (1) Achieve greater corporate transparency through disclosure of business information to create corporate value over the long term.
- (2) Provide the "safe and reliable, fresh and high quality" products that consumers deserve.
- (3) Prepare to respond with ever-increasing speed to our customers' needs and raise our ability to offer value proposals that satisfy them.
- (4) Remain conscious of the environment and consistently strive for a harmonious balance between the environment and society.
- (5) Create a vibrant workplace environment where all individuals can strive to improve themselves, aware that their business activities should contribute to society.

Based on this basic approach, the Itoham Group will move forward as a vibrant and active company and develop a Group management style capable of making a meaningful contributing to society.

伊藤ハムグループは、長期的な企業価値の向上を目指すことを経営の基本方針とし、創業以来の社は「事業を通じて社会に奉仕する」のもとに、『真心を込めたサービスと高品質で、お客様の健康と豊かな食文化の創造に貢献する』ことを基本理念に掲げ、それを実現するために以下の5項目を経営の基本姿勢としております。

- (1) 長期的な企業価値の向上を目指し、透明な経営情報を開示します。
- (2) お客様が求める「安全・安心」と「品質・鮮度」の高い商品をお届けします。
- (3) お客様に対する提案力の向上とスピーディーな対応を実践します。
- (4) 環境に配慮し、その保全と社会との共生を図る努力を持続的に実践します。
- (5) 一人ひとりが企業活動を通じ社会への貢献を認識し、自己実現できる活力ある職場を創造します。

以上の基本姿勢のもと、伊藤ハムグループは「活力ある魅力的な企業として躍進し、社会に貢献できるグループ経営」を推進します。

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# FIVE-YEAR CONSOLIDATED FINANCIAL HIGHLIGHTS

## 5年間の主要財務数値

Years ended March 31

		Millions of yen					Thousands of U.S. dollars
		1998	1999	2000	2001	2002	2002
Net sales	売上高	¥468,947	¥450,105	¥470,453	¥475,519	¥465,639	\$3,494,477
Cost of sales	売上原価	370,406	350,386	364,362	370,946	372,775	2,797,561
Selling, general and administrative expenses	販売費及び一般管理費	90,649	92,199	93,418	93,369	91,862	689,396
Operating income	営業利益	7,892	7,520	12,673	11,204	1,002	7,520
Non-operating income (loss)	営業外損益	(891)	(572)	206	803	1,276	9,576
Ordinary income	経常利益	7,001	6,948	12,879	12,007	2,278	17,096
Special profit (loss)	特別損益	(1,084)	(986)	(1,689)	(8,975)	(2,088)	(15,670)
Income before income taxes	税金等調整前						
	当期純利益	5,917	5,962	11,190	3,032	190	1,426
Income taxes—current	法人税、住民税及び事業税	2,670	4,383	4,781	5,442	1,510	11,332
—deferred	法人税等調整額	—	(951)	27	(4,181)	(611)	(4,585)
Minority interests	少数株主損益	(60)	(55)	(3)	(13)	2	15
Net income (loss)	当期純利益(損失)	3,187	2,475	6,379	1,758	(707)	(5,306)
Net income (loss) per share	一株当たり当期純利益						
(in yen and U.S. dollars)	(損失)	13.95	10.87	28.39	8.08	(3.32)	(0.025)
Total assets	総資産	229,056	236,867	241,655	245,531	235,362	1,766,319
Working capital	運転資本	36,927	51,963	57,038	58,171	33,544	251,737
Depreciation	減価償却費	9,840	9,935	9,426	8,707	8,520	63,940
Shareholders' equity per share	一株当たり株主資本						
(in yen and U.S. dollars)		545.68	545.19	567.33	578.04	570.15	4.28
Return on equity	株主資本利益率	2.6%	2.0%	5.1%	1.4%	(0.6)%	
Cash flows from operating activities	営業活動によるキャッシュ・フロー	—	—	20,125	9,381	(6,515)	(48,893)
Cash flows from investing activities	投資活動によるキャッシュ・フロー	—	—	(1,353)	(5,239)	(6,686)	(50,176)
Cash flows from financing activities	財務活動によるキャッシュ・フロー	—	—	(11,613)	(6,061)	(1,981)	(14,867)
Cash and cash equivalents at end of year	現金及び現金同等物 期末残高	18,768	28,451	35,717	33,836	18,807	141,141

Notes: 1. Dollar amounts represent translation of Japanese yen, for convenience only, at the rate of ¥133.25=US\$1, the rate prevailing on March 31, 2002.

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 two years.

注記: 1. 為替換算は2002年3月31日における為替レート(1ドル=133円25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2年の数値は掲載しておりません。

## MESSAGE FROM THE PRESIDENT

### 社長メッセージ



Kenichi Ito President »

#### FISCAL 2002 BUSINESS RESULTS

During fiscal 2002, ended March 31, 2002, the Japanese economy witnessed deteriorating business results by leading companies due to the impact of the slump in the IT sector in the U.S., the key country driving growth in the global economy. This slowdown was exacerbated by increasing deflationary pressures, a weakening labor market and continued anemic personal consumption in Japan. During fiscal 2002, the unemployment rate touched the 5% mark as banks, seeking to clean up bad loans on their balance sheets, triggered bankruptcies at a number of major companies.

This difficult operating environment combined with falling sales prices and a series of events in the meat industry to make the going even harder. These events included the first domestic incident of bovine spongiform encephalopathy (BSE) and an outbreak of foot-and-mouth disease in Europe in March 2001. The latter was followed by the implementation of import safeguards on pork from August 2001, causing a steep rise in the price of raw pork material. Furthermore, outbreaks of chicken influenza in China and the U.S. resulted in a temporary ban on chicken imports. Even in this severe climate, industry production volumes of ham, sausage and processed foods remained steady, although the effect of the BSE outbreak resulted in a fall in beef supply volumes by approximately 20% compared to the previous period.

Against this backdrop, the Itoham Group placed top priority on providing the “safe and reliable, fresh and high quality” products that consumers deserve. At the same time, we endeavored to win the trust of consumers.

#### 2002年3月期の業績について

当期におけるわが国の経済は、世界景気を牽引してきた米国経済のIT不況の影響により、主要企業の業績が悪化するとともにデフレ傾向が進行しました。また、不良債権処理に伴う大型企業の倒産等の影響で雇用環境がさらに悪化し、完全失業率は5%台となり、個人消費も依然として低調に推移しております。

当業界を取り巻く市場環境におきましても、販売単価の下落基調に加え、国内におけるBSE(牛海綿状脳症)の発生、昨年3月に欧州で発生した口蹄疫と、これに起因した8月からの豚肉のセーフガード発動による原料価格の高騰、また中国・米国での鳥インフルエンザ等による鶏肉の一時輸入停止措置など、非常に厳しい経営環境が続いております。このような中で、業界全体における食肉加工品の生産量は、ほぼ前年並みとなりましたが、食肉の推定出回り量は、BSEの影響により牛肉が約2割減少しております。

このような状況の中で当社グループは、お客様に「安全・安心」で「品質・鮮度」の高い商品をお届けすることを第一に考え、お客様の信頼を得るべく努めてまいりました。

The Itoham Group has been actively strengthening sales capabilities and attempting to expand sales in the Fresh Meat Division and the Processed Foods Division. We focused on core products in our ham and sausage lineup, in line with our program to cut production costs and pare selling expenses. Despite these efforts, difficulties persisted in our operating environment.

As a result, net sales decreased 2.1% to ¥465,639 million. The pressure of decreased earnings and the steep rise in prices of raw materials resulted in a 91.1% drop in operating income to ¥1,002 million, and an 81.0% fall in ordinary income to ¥2,278 million. Meanwhile, the company posted a net loss of ¥707 million, due to a special loss of ¥3,630 million. This primarily resulted from a valuation write-down of investment securities caused by declining share prices.

## ITO HAM GROUP'S MEDIUM-TERM MANAGEMENT STRATEGY

The Itoham Group will promote three themes in accordance with its basic philosophy.

### 1. Remain a company driven by high-quality management

We are cultivating a vibrant corporate culture that emphasizes profits and ongoing management reforms that lead to more efficient asset utilization and improved cost performance, while fostering human resources on a performance based approach that provides equal opportunities for both men and women.

### 2. Construct a company with a strong corporate brand

In addition to enhancing marketing and strengthening brand equity, both quality and safety are essential elements of our management focus. Our corporate image is enhanced by both a high level of environmental consciousness and communication with people on a local level.

### 3. Value our shareholders and stress a high level of corporate transparency

We will establish strong corporate governance to raise the quality of management, clarify specific management indicators and ensure timely disclosure of information while seeking to raise market capitalization.

In May 2001, Itoham formulated a Group Medium-Term Plan for the three-year period from 2001 through 2003 based on the Group's management vision. The entire Group is pushing ahead with the plan. The basic strategy contained in this Medium-Term Plan is described on pages 6-7.

また、生肉部門と調理加工食品部門の販売力強化を積極的に進め、拡販を図るとともに、ハム・ソーセージは、重点販売商品の上位集中化を図ることにより、生産コストおよび販売費の低減に鋭意努力してまいりました。

しかしながら、このような経営環境の中、当社グループにおいても厳しい経営状況が続きました。

この結果、当期の売上高は4,656億3千9百万円(前期比2.1%減)となりました。利益につきましては、この減収の影響と原料価格の高騰により、営業利益は10億2百万円(前期比91.1%減)、経常利益は22億7千8百万円(前期比81.0%減)となりました。また、株式市場の下落に伴う投資有価証券評価損等、特別損失を36億3千万円計上したことから当期純損失は7億7百万円となりました。

## 中長期的なグループ経営戦略

伊藤ハムグループの基本理念に基づき、将来の姿として以下の3項目を目指します。

### (1) 経営品質の高い会社

利益を重視し、資産効率とコストパフォーマンスを高める経営改革の継続的な実行と、人材育成・成果主義・女性の活用などを通じて活力ある企業風土・文化を創造します。

### (2) コーポレートブランド(企業イメージ)の高い会社

マーケティング機能を充実させ、商品ブランド力を高めるとともに、品質と安全性を重視した経営を行います。また、地球環境への配慮と地域社会との交流を大切にして企業イメージを高めてまいります。

### (3) 株主を重視した透明性の高い会社

経営の品質を高めるために、コーポレートガバナンスの確立、経営指標の明確化、タイムリーな情報開示を行い、株式の時価総額を高めます。

以上のグループ経営ビジョンに基づき、2001年5月に2001年から2003年までの3ヶ年のグループ中期経営計画を策定し、グループ全体を挙げて中期経営計画の推進を図っております。中期経営計画の基本戦略につきましては6、7頁に記載しております。

## OUTLOOK FOR FISCAL 2003

In the year ahead, a recovery in the global economy is far from assured and we expect the situation in the Japanese economy to remain difficult. In Japan, levels of capital investment are expected to fall significantly, while high levels of bankruptcies and unemployment are forecasted as banks take steps to further clean up their bad loans. Personal consumption will also remain lackluster. The meat industry will have to work hard to allay the fears of Japanese consumers, increasingly concerned about food safety since the BSE outbreak. These factors will combine to make fiscal 2003 another difficult year.

Against this backdrop, Itoham will look to boost profitability and enhance efficiency across the whole Group based on its Medium-Term Plan. This is aimed at raising the corporate value of the company over the long term. The Itoham Group will remain committed to its mission to provide the “safe and reliable, fresh and high quality” products that consumers deserve, thereby winning consumers’ trust.

### 1. Ham and Sausage Division

In the Ham and Sausage Division, we will work on two fronts to raise profitability: creating products that ascend to No.1 in the market, and concentrating sales on core product lines.

On the sales promotion front, we will introduce a number of initiatives and provide support to improve sales areas. This will include a series of weekly meals each with their own theme that reflects the changing seasons, under the banner of the TSP52 (Table Scene Promotion 52) program.

In production, Itoham will work to enhance cost competitiveness by reviewing the domestic production structure, including its relationship with overseas production centers and contract businesses, and reducing materials costs. At the same time, we will maintain and raise quality levels in all processes, from the procurement of raw materials through to shipment.

### 2. Fresh Meat Division

The BSE outbreak and other issues in the meat industry mean consumers are expected to remain reluctant to buy certain meat products. For the Fresh Meat Division therefore, the most important issue will be to win the trust of consumers and customers by emphasizing the safety of Itoham products.

## 2003年3月期の見通し

次期の見通しにつきましては、海外経済の回復に不確実な要素があり、わが国の経済情勢も設備投資が大幅に減少し、不良債権処理に伴う企業の倒産や失業率も高水準で推移することが予想され、個人消費も横ばいになるものと推測されます。さらに、BSEを発端としたお客様の「食」の安全性に関する意識の高まりなどへの対処など、引き続き厳しい経営環境になると予想されます。

このような事業環境の中、伊藤ハムグループは中期経営計画に基づき、採算と効率に重点を置いたグループ経営に取り組み、長期的な企業価値の向上を目指します。また、当社グループのミッション(使命)に基づき、お客様が求める「安全・安心」と「品質・鮮度」の高い商品をお届けし、伊藤ハムに対する信頼を獲得してまいります。

ハム・ソーセージ部門については、シェアNo.1戦略に基づく強い商品づくりと重点販売商品の集中販売に取り組み、収益力の向上に努めます。

販促面では、TSP(テーブル・シーン・プロモーション)52を軸に、季節感と週間の歳時記の食をテーマとしたメニューを提案し、売れる売場づくりをサポートしてまいります。

生産面では、コスト競争力をさらに強化するために、海外を視野に入れた国内の生産体制の見直しと、原料・資材コストの削減を行います。また、原材料の調達から製品に至るまでのプロセス全般での高いレベルの品質の維持・向上を図ります。

生肉部門については、BSE等による食肉市場でのお客様の買い控えによる影響も暫く残るものと思われますが、当社の取り扱う商品の安全性を全面的に押し出し、お客様、お得意先の信頼を得ることが最も重要であると考えております。この考えを基本として、安全・安心をテーマに、衛生管理と環境面での国際基準に適合した自社ファームで生産肥育した牛肉および黒豚を中心にブランド力をさらに強化してまいります。また、「トレーサビリ

Consequently, we will stress the themes of safety and reliability in line with our overall strategy of building brand equity through core products. These include, ensuring international standards on hygiene management and environmental protection are applied at our own feedlots overseas where we feed stock for beef, as well as for Berkshire Pork. Moreover, with the aim of ensuring the safety of meat products, we are actively introducing a Traceability System that provides consumers with a detailed history of individual meat products.

### 3. Processed Foods and Other Products Division

In this division we will drive sales and earnings growth with a targeted product strategy for foodservice channels, notably large-volume customers, such as major supermarkets, convenience stores and restaurants. At the same time, we will actively suggest seasonal retail concepts to our customers.

In production, we will review our domestic production system, reinforce our relationship with overseas suppliers, reduce purchasing costs for materials and streamline our product lineup.

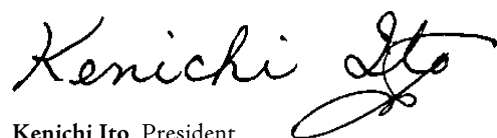
In line with the above strategies, we are projecting a 2.3% decrease in net sales to ¥455,000 million, a 399.0% increase in operating income to ¥5,000 million, a 163.4% increase in ordinary income to ¥6,000 million, and net income of ¥3,000 million for fiscal 2003, ending March 31, 2003.

ティシステム（個体履歴情報システム）にも積極的に取り組み、より一層、安全な食肉を供給する体制づくりを目指してまいります。

調理加工食品部門については、量販店の惣菜・日配部門、コンビニエンスストア、外食などのチャネル毎に木目細かな商品政策と季節性のある売場提案を強化して売上と利益の拡大を目指します。

生産面では、国内生産体制の見直しと海外供給先の拡充、原料・資材の調達コストの削減、アイテム数の削減を推進します。

以上により次期の業績につきましては、売上高は、4,550億円（前期比2.3%減）、営業利益50億円（前期比399.0%増）、経常利益60億円（前期比163.4%増）、当期純利益は30億円を予定しております。



Kenichi Ito President

伊藤研一 取締役社長



## MEDIUM-TERM PLAN (THREE-YEAR PLAN)

### 中期経営計画(3ヶ年計画について)

In May 2001, Itoham formulated a Group Medium-Term Plan for the three-year period from 2001 through 2003, based on the Group's management vision. The entire Group has adopted the basic strategy contained in this Plan. The basic elements of the strategy are as follows:

#### 1. Group management focused on profitability and efficiency by concentrating on hams and sausages, fresh meat and processed foods

To enhance the Group's corporate value, Itoham is pushing forward with a program of selection and concentration in its business spheres. This involves cutting back or withdrawing from unprofitable business activities. In response to falling sales prices in the maturing ham, sausage and processed foods market, Itoham will also strive to enhance competitiveness. This will include a review of the domestic production structure, including its relationship with overseas production centers and contract businesses, and a consolidation and reduction of sales bases within the Group.

#### 2. Strengthen sales capabilities

Itoham will strengthen both its marketing functions and its product planning and development structure, to enhance its position in the markets for hams and sausages, fresh meat and processed foods—products that make up its core business. Itoham has clearly identified promising segments with growing markets and expanding sales channels. To capture demand in these areas, the organization will be revamped and resources reallocated to grow products that stand out in the marketplace. Moreover, an IT-based support system will be instrumental in achieving greater efficiency in supply and sales systems, enabling the company to offer more products to customers.

#### 3. Reform profit structures

To construct a strong, highly profitable operating base, Itoham will reduce Interest bearing debt, streamline peripheral divisions and eliminate excess production capacity to lower both fixed costs such as its personnel expenses and distribution costs.

当社は、グループ経営ビジョンに基づき、2001年5月に2001年から2003年までの3ヶ年のグループ中期経営計画を策定し、グループ全体を挙げて中期経営計画の推進を図っております。中期経営計画の基本戦略は以下のとおりです。

#### (1) 食肉・食肉加工品を中心として、採算と効率に重点を置いたグループ経営

グループとしての企業価値を高めるため、事業領域の「選択と集中」を推進し、不採算事業の縮小・撤退を行います。また、食肉加工品市場の成熟化と販売単価の下落に対応し、海外での協力体制を視野に入れた国内の生産体制の見直しと、グループ内の販売拠点の統廃合を行い、事業競争力の強化を図ってまいります。

#### (2) 販売力の向上

コアビジネスとしての食肉・食肉加工品事業の基盤強化のために、マーケティング機能を強化し、商品の企画・開発体制の強化を目指します。また、伸長する市場・チャネルなどの有望セグメントを明確に選定して、組織の再編と差別化商品育成のため、経営資源の重点配分を行います。さらに、効率的な供給・販売体制を構築するために、IT活用によるサポートシステムを整備し、お客様への提案営業を推進します。

#### (3) 利益構造の改善

収益率の高い強固な経営基盤をつくり上げるために、有利子負債の圧縮、間接部門の集約化、過剰な生産設備の解消を行い、人件費などの固定費及び物流コストの削減に取り組みます。



#### 4. Other business initiatives

Itoham is pushing ahead with the following initiatives to create corporate value, increase competitiveness and build a harmonious relationship with society.

- (1) Realigning the organization to facilitate the more efficient implementation of business strategy.
- (2) Reducing costs and streamlining peripheral divisions.
- (3) Reforming personnel systems to raise the ability of each and every employee.
- (4) Improving ROA and ROE.
- (5) Reducing distribution costs.
- (6) Using IT to coordinate purchasing activities and increase efficiency.
- (7) Implementing environmentally conscious management policies.
- (8) Strengthening quality and risk management systems.
- (9) Conducting highly transparent public relations (PR) and investor relations (IR) activities.

The following table lays out specific numerical targets for the year ending March 31, 2004, the final year of Itoham's Medium-term Plan.

Net sales	¥500,000 million
Operating income	¥13,500 million
Ordinary income	¥14,500 million
Net income	¥7,800 million
ROA	6.3%
ROE	5.8%

#### (4)その他の経営施策

グループの企業価値の向上、競争力強化、そして社会との共生を目的に以下の施策を進めてまいります。

事業戦略実行型への組織の再編

間接部門の業務の効率化とコストダウン

人的資産価値の向上を目指した人事制度の改革

資産(ROA)と資本(ROE)効率の改善

物流コストの削減

ITによる購買業務の集中と効率化

環境マネジメントへの対応

品質・危機管理体制の強化

透明性の高い広報・IR活動

なお、具体的な数値目標として、この中期経営計画の最終年度に当たる2004年3月期の連結経営指標を以下のとおり設定しております。

売上高	5,000億円
営業利益	135億円
経常利益	145億円
当期純利益	78億円
ROA	6.3%
ROE	5.8%

## AT A GLANCE

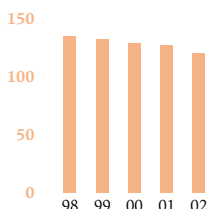
### 事業一覧

#### HAM AND SAUSAGE DIVISION

##### ハム・ソーセージ部門



Net Sales/売上高  
billions of yen



#### BUSINESS OVERVIEW

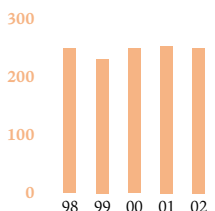
This division produces and sells hams, sausages and bacon. Backed by sophisticated technology, it consistently turns out safe, high-quality products. In production activities, the Hazard Analysis and Critical Control Point (HACCP) system has been implemented at the division's 8 domestic plants. On the 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.

#### FRESH MEAT DIVISION

##### 生肉部門



Net Sales/売上高  
billions of yen



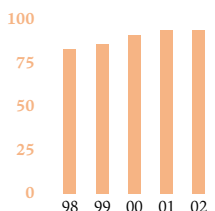
Itoham owns directly managed and contract feedlots in Japan and overseas. Their hygiene management standards conform with HACCP ensuring that from the transport of livestock through to the final product, all procedures at these feedlots are geared toward the production of safe and reliable products. 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. This means Itoham can consistently supply high-quality products at competitive prices. Moreover, Itoham has a powerful lineup of high-quality, domestically produced products to respond to the needs of consumers.

#### PROCESSED FOODS AND OTHER PRODUCTS DIVISION

##### 調理加工食品ほか部門



Net Sales/売上高  
billions of yen



In the Processed Foods Division, activities 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 dishes, Itoham has built a strong selection of high-quality, timesaving 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 consumers' changing needs. Itoham is also developing its in the pharmaceutical products and restaurant businesses.

## FIVE-YEAR REVIEW AND BUSINESS RESULTS

In a maturing market, the industry has been faced with anemic personal consumption and intensifying competition. Consumers have been reluctant to spend as the employment situation has worsened and concerns about the future direction of the economy have come to the fore. Against this backdrop, we have focused on sales of core products such as *Alt Bayern* and the *Morning Fresh* series of sliced ham packs. In a difficult operating environment, characterized by shrinking demand for gift products and fallout from the BSE outbreak, we aggressively marketed gift ham products such as *Densyo no Aji Jyukusei* and *Houjyun*. Despite these efforts, net sales remained stunted in a market where the trend toward lower priced products has been pronounced.

During the last five years, the fresh meat market has experienced instability due to the imposition of import safeguards on pork, and fallout from the BSE outbreak in Europe. In this climate, Itoham vigorously worked to expand sales channels and strengthen relationships with existing business partners and retailers. These efforts have paid off with rising sales in recent years. However, the first domestic case of BSE in September 2001 had a significant impact on the fresh meat market in Japan during the year under review. Although we worked to boost sales of alternatives such as pork and chicken, this could not cover the substantial drop in beef sale volumes, leading to an overall decline in sales during fiscal 2002.

The Processed Foods Division has steadily increased sales through a number of initiatives. The division has successfully matched advances in distribution and production technology with the needs of consumers. And, in a rapidly expanding market, it has focused its efforts on core products such as the *Binchotanyaki Yakitori* (charcoal-roasted chicken) series. However, during the year under review, net sales saw a decline, due to intensifying competition in the sales frontline, and the effects of chicken influenza in China and the U.S. This was exacerbated by the impact of the BSE outbreak in Japan. However, sales across the division as a whole expanded slightly, thanks mainly to an increase in sales in the pharmaceutical products and restaurant businesses.

## 業務内容

当部門ではハム、ソーセージ、ベーコン等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。

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HACCPに基づく厳しい衛生管理基準により、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に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。

調理加工食品部門では、ミールソリューションやホームミールリプレイスメントの概念から、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し、変化するお客様のニーズに合った商品を提供しています。また、ほかに医薬品事業、外食事業なども展開しています。

## 過去5年間の市場の動向と業績の推移

市場の成熟化に加え、雇用環境の悪化など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「アルトバイエルン」「朝のフレッシュ」等の重点商品を中心に売上の上位集中化を図りました。ギフトについては需要の縮小に加え、BSEの影響を受けるなど厳しい環境の中、「伝承の味熟成」や「芳醇」ハムギフトを積極展開しました。しかし、低価格志向の強い販売環境の中で売上高は伸び悩んでいます。

豚肉の過去のSG発動や、欧州でのBSE問題などによる不安定な市況が続く中、販路の拡大と既存取引先との関係強化に積極的に取り組み、近年は売上高を伸ばしていました。しかし、2001年9月に国内で発生したBSEの影響は大きく、以降は代替需要である豚肉・鶏肉の販売の拡大に努めたものの、牛肉の販売量の落ち込みをカバーできず、当期の売上高は減少しました。

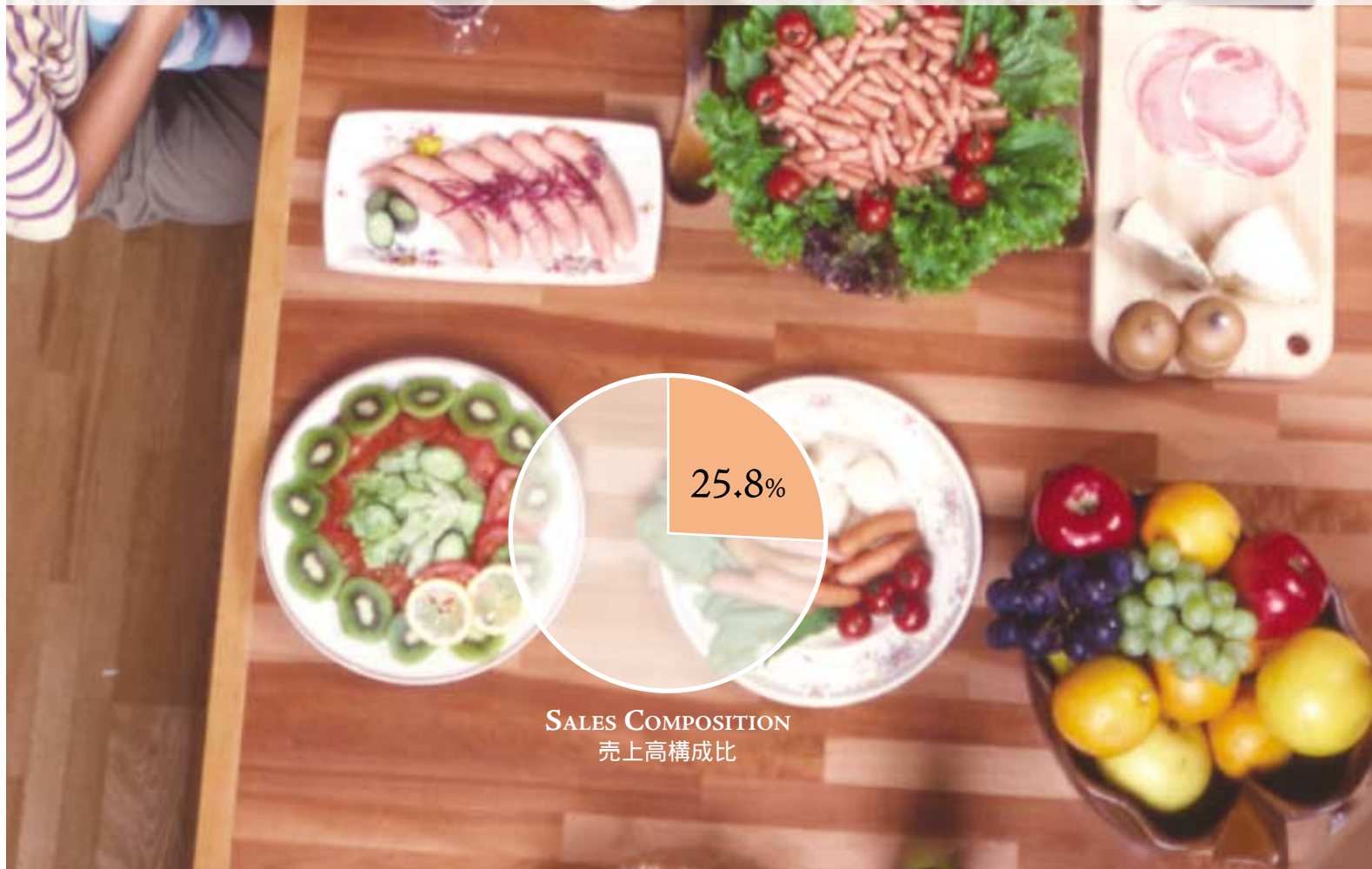
調理加工食品部門は消費者のニーズと流通・生産技術の発展がマッチして、市場が急速に拡大する中で、「備長炭焼やきとり」シリーズを中心とする重点販売商品の集中販売により、順調に売上高を伸ばしてきました。しかし、年々販売競争が激化する状況に加え、当期は中国や米国での鳥インフルエンザやBSEの影響等を受けて、売上高は減少しました。部門全体の売上高は、医薬品事業、外食事業など、その他の事業の売上高の増加により、微増となりました。





## HAM AND SAUSAGE DIVISION

ハム・ソーセージ部門





ALT BAYERN  
アルトバイエルン



MORNING FRESH SERIES  
朝のフレッシュシリーズ



CHEESE-IN  
チーズイン



DENSYO NO AJI JYUKUSEI  
伝承の味熟成

Using advanced technology and proprietary development capabilities, Itoham has consistently produced safe, high-quality products. One of our hit products is the core *Alt Bayern* wiener range, which meets specified Japanese Agricultural Standards (JAS) regulations. *Alt Bayern* is made from top quality pork, which has been cured for over 72 hours using traditional techniques. This juicy and aromatic wiener sausage preserves the full flavor of the original pork. Moreover, *Cheese-In*, a sausage with a cheese filling, claimed the Minister for Education, Culture, Sports, Science and Technology prize in 2001, the 42nd time this prize has been awarded. Itoham, only the ninth food manufacturer to receive the honor, was awarded the prize in recognition of the product's excellent sales and the highly innovative technology used in its manufacture. *Cheese-In*, first launched in 1979, is manufactured using technology developed in-house that prevents the sausage and cheese ingredients from becoming mixed in the heating and hardening process. Other core products that performed well during the year included *Arabiki Gourmet Wiener*, *Pork Bits*, the *Morning Fresh* series, and the *Sawayaka Thin-Slice Pack* series.

Despite a substantial decline in sales of our gift product *Kobe Rokko Roast Beef* during the winter gift-giving season, due to the impact of the BSE outbreak, the company captured top position in the market for ham and sausage gift products. This was primarily due to aggressive marketing, centered on *Densyo no Aji Jyukusei* and *Houjyun*. This helped us to capture strong demand from consumers.

Itoham will continue to bring to market safe, reliable and delicious products. To this end, the company is strengthening quality control, particularly at HACCP-certified plants, developing original products and providing services that are in step with the changing lifestyles of the consumer.

当社は、確かな技術力と独自の開発力を生かした安全で高品質な商品を一貫して提供し続けています。なかでも重点商品である特定JAS熟成規格のウインナー「アルトバイエルン」が好評です。上質の豚肉を伝統の技術で72時間以上熟成させた「アルトバイエルン」は、肉本来の旨みと風味が生きたジューシーで香り豊かなウインナーソーセージです。さらに、チーズが入ったソーセージ「チーズイン」が2001年度（第42回）文部科学大臣賞を受賞しました。「チーズイン」は1979年の発売で、粘度の違うチーズとソーセージを混合させずに加熱、固化させる独自の技術を利用しています。技術の革新性に加え、販売実績も評価され、食品メーカーとして9例目の受賞となりました。その他にも「あらびきグルメウインナー」「ポークビッツ」「朝のフレッシュ」「さわやかパックうすぎり」などの重点商品が好調に推移しています。

ギフトにつきましては、BSEの影響により、歳暮期に「神戸六甲ローストビーフ」ギフトの落ち込みが大きく響きましたが、「伝承の味熟成」や「芳醇」ハムギフトを中心として積極展開を図り、お客様の強い支持を受け業界トップの地位を堅持しました。

当社は、これからも安全・安心・美味しさを追求した商品をお届けするため、HACCPの認証を受けた製造工場を中心にさらに品質管理体制の強化に努めつつ、お客様のライフスタイルの変化に対応した商品の開発やサービスの提供を目指します。





FRESH MEAT DIVISION

生肉部門







ROCKDALE BEEF PTY. LTD.  
ロックデールビーフ社



FIVE STAR BEEF LTD.  
ファイブスタービーフ社



ITOHAM'S PURE KAGOSHIMA  
BERKSHIRE PORK FEEDLOT  
純粋鹿児島黒豚生産農場

Itoham has been pursuing a brand strategy built around the concept of safe and reliable products. This is designed to ease the food safety concerns of Japanese consumers, evident since last year's outbreak of BSE in Japan.

Itoham has set up an overseas production system for beef, centered on Rockdale Beef in Australia and Five Star Beef in New Zealand. Both feedlots have already gained the ISO 9001 and ISO 14001 certifications for quality and environmental management, signifying that they have attained the highest international standards. At present, 50,000 head of cattle are ordinarily fed at Rockdale Beef and 15,000 at Five Star Beef. In Japan, Itoham is also introducing a Traceability System that provides a detailed history of individual meat products. This is aimed at furthering ensuring the safety of Itoham beef produced in Japan. It is also part of our efforts to create a system that provides consumers with detailed information on individual meat producers.

Pure Kagoshima Berkshire pork is one of the company's popular domestic pork products. Our Pure Berkshire pork is mainly produced by an Itoham Group company, Sankyo Meat Packers Inc., at a specialized, state-of-the-art feedlot in Kagoshima Prefecture, the biggest feedlot for Kagoshima Berkshire pork of its kind in Japan. The pigs are reared on high-grade feed for 240 days to bring out the renowned flavor of Berkshire pork. Itoham is also active in overseas pork production. Major brands produced in the U.S. include *Kenkobuta* and *Delphi Pork*, and the *Mugijitate* brand of barley fed pork in Canada.

With ever-growing demand for safe, reliable and high-quality meat products, Itoham will work to strengthen its sales capabilities and provide attentive customer service, underpinned by a production and supply system that reflects customer needs.

当社は、昨年のBSE発生による消費者の不安を払拭するためにも「安全・安心」をテーマとするブランド戦略を推進しています。

海外では、オーストラリアのロックデールビーフ牧場とニュージーランドのファイブスタービーフ牧場を中心に牛肉生産・加工事業を行なっています。両牧場共に品質管理と環境管理の国際規格ISO9001とISO14001の認証を取得しており、品質と環境面で一歩進んだ生産・加工を行なっています。現在、ロックデールビーフ牧場では常時5万頭規模、ファイブスタービーフ牧場では1万5千頭規模の飼育事業を展開しています。また、自社で生産した国産牛肉についてもより一層安全な食肉を供給するため「トレーサビリティシステム（個体履歴情報システム）」を導入し、生産者の顔が見えるシステムづくりに取り組んでいます。

国内産豚肉では「純粋鹿児島黒豚」が好評です。鹿児島県のグループ会社サンキョーミートを中心に鹿児島黒豚肥育頭数日本一を誇る最新鋭の専用農場で肥育した黒豚です。飼料にこだわり、240日間じっくり育て上げることで黒豚本来のうまみとコクを引き出しています。また、海外でもアメリカ産の「健康豚」「デルファイポーク」、カナダ産の「麦仕立て」などブランドの品揃えが整っています。

当社は、これからも食肉の「安全・安心」と「高品質」が求められる中で、お客様のニーズに合った生産・供給体制により、販売力を強化し、きめ細かなサービスを行なっています。



## PROCESSED FOODS AND OTHER PRODUCTS DIVISION

調理加工食品ほか部門







GANSO ABURIYAKI CHICKEN  
元祖あぶり焼きチキン



CHICKEN NUGGETS  
チキンナゲット



CHICKEN BON BON  
チキンボンボン

Japanese lifestyles are witnessing massive change as more women choose to remain in the labor market, people to decide to have fewer children, and an increasing number of the elderly live alone. As a result, demand is growing for the development of food products that satisfy emerging values and lifestyles, irrespective of whether they are for meals made at home, ready-made meals or food for restaurants. Amidst these developments, the processed food products sector is becoming an increasingly important part of the food products market, leading to a new level of competition on quality and prices.

Itoham is responding to these trends. The company has created a range of consumer products that preserve the natural flavor of the raw materials in the final product. Free of preservatives, these products meet consumers' needs for products that are both safe and healthy. Itoham has added value to the *Ganso Aburiyaki Chicken* (slow-roasted chicken) series, a leading brand of roasted chicken. This core product is made from herb-fed chickens, slowly roasted after being cured in *hakata no shio*, a Japanese brand of salt. *Chicken Nuggets* and *Chicken Bon Bon* are also herb-fed chicken products. Another of our core products is *Binchotanyaki Yakitori* (charcoal-roasted chicken) series, made from chickens reared on plant feed that include vitamin E and amino acid additives. This healthy, high-quality chicken is charcoal-roasted over a unique combination of powerful and gentle flames. All these products have been popular with consumers since their launch on the market.

Based on changes in consumer lifestyles, Itoham will focus not only on food and services, but also on providing a wide range of products that give pleasure to the consumer, whether in purchasing or in eating food. In this way, Itoham is aiming to become a Total Meal Producer, offering a comprehensive range of food products and related services.

働く女性の増加や少子化の進行、高齢単身世帯の増加などを背景に生活者のライフスタイルは大きく変化しています。そこで、内食・中食・外食を問わず、すべての食の場で生活者の新しい価値観に対応した商品の開発が求められています。こうした中、調理加工食品市場は広く食品業界と競合しているため、品質と価格での競争がより一層激化しています。

このような環境のもと、当社は消費者の健康・安全志向に合わせて、保存料を使用せず、素材の美味しさを大切に生かした商品づくりを行なっています。焼きチキンNo.1ブランドの「元祖あぶり焼き」シリーズはこだわりの原料であるハーブ鶏のもも肉を原料に伯方の塩を使って熟成させ、直火でじっくり焼き上げた逸品です。ほかにも「チキンナゲット」「チキンボンボン」なども100%ハーブ鶏使用の商品です。また重点販売商品である「備長炭焼やきとり」シリーズは、ビタミンE・アミノ酸を添加した植物性の飼料で育てた、臭みが無く肉質の良い健康な鶏肉を備長炭特有のソフトな炎と強力な火力で焼き上げたこだわりの逸品です。これらの商品は発売以来消費者からの絶大な支持を受けています。

これからは、消費者の食行動、食スタイルの変化を踏まえ、食品やサービスだけでなく、それを購入・喫食する場、更には食の楽しさや歓びまで、幅広く提供していくことが重要であると考えます。当社はこのような包括的な食ビジネスの展開によって“トータル・ミール・プロデューサー”を目指していきます。

## ITOHAM'S ANTI-BSE MEASURES

— FOR BEEF YOU CAN TRUST —

### BSE(牛海綿状脳症)対策について

— 伊藤ハムの牛肉はすべて安全・安心です —

After the first outbreak of bovine spongiform encephalopathy (BSE) in Japan, Itoham quickly took action. We initiated an extensive analysis of beef-derived ingredients—beef extract, gelatine and collagen—used in Itoham products. The results confirmed that the four specified risk materials (SRM) in cattle—the brain, eyes, spinal cord and the lowest section of the small intestine, are not used in our beef-derived ingredients. SRM are parts of the cow that are most likely to contain the BSE agent. Itoham also uses sheep intestines in its wiener sausage casings, and we make sure this ingredient is only imported from countries that have had no outbreaks of BSE.

In domestic beef production, we are also implementing rigorous anti-BSE measures. All stages of meat distribution are verified, meat-and-bone meal is never used in cattle feed, and stringent checks are carried out to ensure SRM has been removed and incinerated. Moreover, all cattle shipped from farms in Japan are tested by the government to confirm they are free of BSE.

In fall 2001, an Itoham Group company, Sankyo Meat Packers Inc., completed development of a new suction device that uses a hose to remove cow spinal cords in two and a half minutes. Previously, during meat processing, the carcass was simply separated into two halves along the spine, meaning there was a possibility spinal cord residue could adhere to the meat. Sankyo's new method prevents this.

Itoham's foreign beef brands—mainly, *Leeton Beef* and *Canterbury Beef*—are produced in Australia and New Zealand, both BSE-free countries. Our directly operated stock farms in Australia only purchase feeder cattle from farms that are registered in the Cattle Care System. This system, developed in line with ISO 9002, an international standard for quality assurance, sets out 15 items producers must abide by to guarantee the quality of their cattle. Similarly, at our directly operated stock farms in New Zealand, we have introduced a Safety Beef Management System to ensure the production of beef that poses no danger to the consumer. Recognized by the government, the system covers the entire production process, from feedlots through to final meat shipments. Standards are rigorous—recertification is carried out by the government every six months based on a range of checks, including agrichemical residual testing. At all our cattle farms in Australia and New Zealand, feed is mixed on-site, eliminating the possibility of meat-and-bone meal or other animal-based feeds being fed to our cattle.

Due to these and other stringent quality checks, we can give absolute guarantees to consumers that our ham, sausage and processed food products that include beef materials, and our domestic beef and imported beef products, are safe to eat.

日本でのBSE発生を受けて、当社製品に使用している牛由来原材料(ビーフエキス、ゼラチン、コラーゲン)について調査した結果、特定危険4部位(牛の脳・眼・脊髄・回腸遠位部)を使用していないことが判明しています。また、ウイナーソーセージの皮に使用している羊腸に関してもBSE非発生国からの輸入品です。

国産牛肉は、流通経路が明確で、肉骨粉は一切使用せず、特定危険4部位はと畜場で除去の上すべて焼却処分し、BSE全頭検査で「陰性」と確認されたもののみを出荷しています。2001年秋にはグループ会社のサンキョーミートが「吸引式脊髄除去システム」を完成させました。従来は枝肉を背骨に沿って切り分ける作業の際、背骨ごと切断するため、脊髄が肉に付着する可能性がありましたが、このシステムは、背骨にホースを差し込み、2分半で脊髄を空気で吸い出し、他の部位に付着するのを防ぐことができます。

輸入牛肉では、「リートンビーフ」「カンタベリービーフ」などのオリジナルビーフはBSE清浄国であるオーストラリア、ニュージーランドで生産されています。オーストラリアの直営牧場ではISO9002に従って開発された「キャトルケア制度」に登録されている農家からのみ素牛を買付けしています。この制度は、生産者が順守しなければならない15項目が設定され、その実行によって素牛の品質が保証される仕組みになっています。また、ニュージーランドの直営牧場で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「セーフティービーフ品質管理システム」を導入しています。この管理システムは残留検査結果等を踏まえ、半年単位で承認が更新される極めて厳格なものです。どちらの牧場でも給与飼料は牧場内で混合され、肉骨粉、その他動物性飼料が混入する可能性はありません。

以上のような徹底した管理体制により、当社のハム・ソーセージや調理食品などの牛肉を使用した加工品、国産牛肉、輸入牛肉はすべて安全・安心をお約束する商品です。

## COMMITTED TO ENVIRONMENTAL CONSERVATION

### 環境問題への取り組み

In February 1999, Itoham established its basic environmental philosophy. This included a public commitment to incorporate environmental conservation in all its business activities and to build a harmonious relationship with the environment and society. The company clarified how it would tackle environmental issues and initiated a conservation program.

Itoham has implemented an environmental management system to incorporate environmental concerns into its manufacturing activities and ensure consistent improvements to all aspects of its operations from an environmental standpoint. This system has gained official approval with ISO 14001 certification, a respected international standard for environmental management, being given to a number of Itoham's operations. By March 2002, five of Itoham's domestic plants, in Nishinomiya, Tokyo, Toyohashi, Rokko and Kyushu, and an Itoham Group company, Sankyo Meat Packers Inc., had all obtained ISO 14001 certification. Overseas, Itoham's feedlot at Rockdale Beef in Australia, and Five Star Beef in New Zealand, have already obtained the same certification. These achievements demonstrate clearly that the Itoham Group's environmental management systems are operating at an internationally recognized level.

Itoham has incorporated its environmental philosophy into its sales and distribution operations by implementing measures that help to prevent global warming and atmospheric pollution. Since 1998, Itoham has been upgrading its fleet of sales vehicles by introducing models that run on compressed natural gas (CNG). As of March 2002, Itoham had 25 such vehicles in its fleet. Itoham has also implemented a company-wide program to ensure its sales and distribution personnel reduce engine idle times by turning off their vehicles when stationary for long periods.

Itoham's environmental philosophy has been extended to its offices, reflected both in paperless office procedures that minimize paper usage and a strict separation of waste materials. In purchasing, Itoham gives priority to environmentally friendly products. The company also publishes an annual environmental report that details the Itoham Group's conservation activities.

The 21<sup>st</sup> century is being called the "Century of the environment". Efforts to prevent global warming and to create a recycling-oriented society are becoming increasingly important. "Toward an environmentally friendly company" is the watchword directing Itoham's approach to these issues, illustrating the spirit in which it approaches these challenges one step at a time, constantly asking what it can do to help the environment.

当社は、1999年2月に環境基本方針を制定し、その中で地球環境の保全と自然との調和・共生に配慮した事業活動を展開することを宣言し、地球環境問題への取り組みを明確にした環境保全活動に取り組んできました。

環境に配慮した生産活動と継続的な改善を行なうため、環境マネジメントシステムを構築し、環境管理の国際規格であるISO 14001の認証を取得しています。2002年3月までに国内では西宮、東京、豊橋、六甲、九州の5工場及びグループ会社のサンキョーミート が認証を取得しました。海外の生産拠点についてもオーストラリアのロックデールビーフ社とニュージーランドのファイブスタービーフ社が同認証を取得しており、国際レベルでの環境管理体制が評価されています。

営業・物流においては、地球温暖化と大気汚染の防止に貢献するため、1998年度より営業車輛に天然ガス車（CNG車）の導入を進め、2002年3月現在25台が走行しています。また、アイドリングストップ運動を全社に展開し、環境にやさしい営業・物流に取り組んでいます。

オフィスにおいては、ペーパーレス化を進めるとともに、排出物の分別を徹底しています。また、グリーン購入基本方針を制定し、環境にやさしいグリーン商品の購入に取り組んでいます。さらに、毎年「環境報告書」を発行し、環境保全活動に関する情報を開示しています。

「環境の世紀」といわれる21世紀に入り、地球温暖化防止や循環型社会の形成など環境保全への取り組みがますます重要となってきています。～地球にやさしい会社をめざします～を合言葉に、私たちにできることは何なのかを常に考え、一步一步取り組んでいます。



COMPRESSED NATURAL  
GAS VEHICLE  
天然ガス車（CNG車）



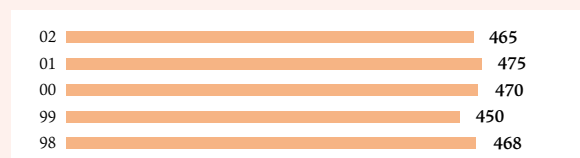
ISO 14001 CERTIFICATE  
OF REGISTRATION  
環境マネジメントの国際規格  
「ISO 14001」の認定証

## CONSOLIDATED FINANCIAL SUMMARY

### 主要財務指標

#### NET SALES

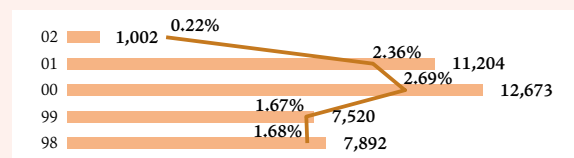
##### 売上高



(billions of yen / 十億円)	Mar. 1998	99	00	01	2002
Net sales					
売上高	468	450	470	475	465

#### OPERATING INCOME, RATIO OF OPERATING INCOME TO NET SALES

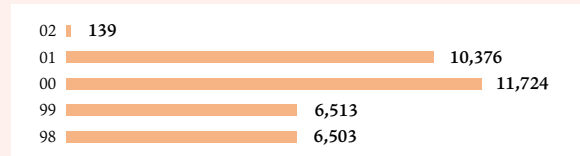
##### 営業利益、売上高営業利益率



(millions of yen, % / 百万円)	Mar. 1998	99	00	01	2002
Operating income					
営業利益	7,892	7,520	12,673	11,204	1,002
Ratio of operating income to net sales					
売上高営業利益率	1.68	1.67	2.69	2.36	0.22

#### OPERATING INCOME, INCLUDING INTEREST AND DIVIDEND INCOME, NET OF INTEREST AND DISCOUNT EXPENSES

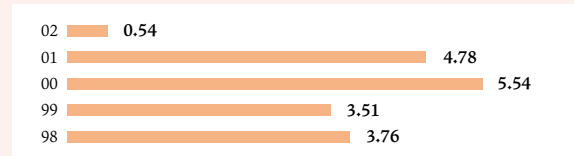
##### 利払後事業利益



(millions of yen / 百万円)	Mar. 1998	99	00	01	2002
Operating income, including interest and dividend income, net of interest and discount expenses					
利払後事業利益	6,503	6,513	11,724	10,376	139

#### RATIO OF OPERATING INCOME, INCLUDING INTEREST AND DIVIDENDS, TO AVERAGE TOTAL CAPITAL

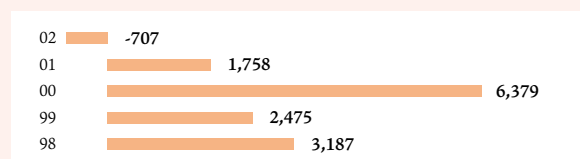
##### 使用総資本事業利益率



(%)	Mar. 1998	99	00	01	2002
Ratio of operating income, including interest and dividends, to average total capital					
使用総資本事業利益率	3.76	3.51	5.54	4.78	0.54

#### NET INCOME (LOSS)

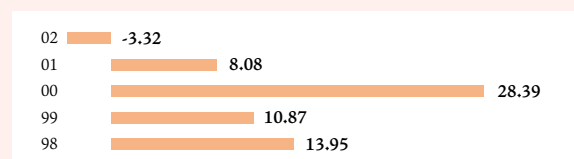
##### 当期純利益(損失)



(millions of yen / 百万円)	Mar. 1998	99	00	01	2002
Net income (loss)					
当期純利益(損失)	3,187	2,475	6,379	1,758	(707)

#### NET INCOME (LOSS) PER SHARE

##### 一株当たり当期純利益(損失)

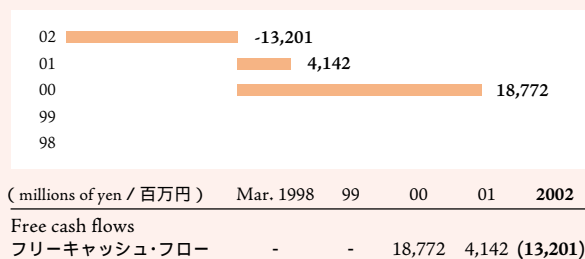


(yen / 円)	Mar. 1998	99	00	01	2002
Net income (loss) per share					
一株当たり当期純利益(損失)	13.95	10.87	28.39	8.08	(3.32)



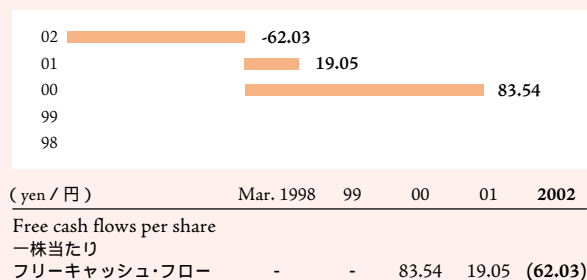
## FREE CASH FLOWS

### フリーキャッシュ・フロー



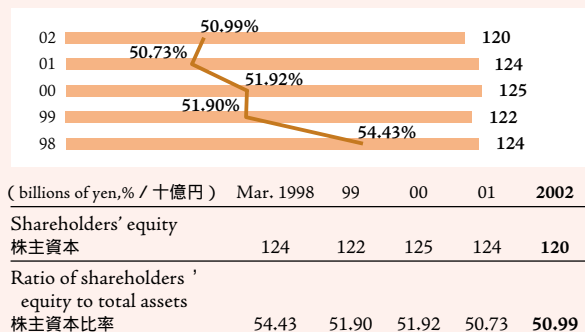
## FREE CASH FLOWS PER SHARE

### 一株当たりフリーキャッシュ・フロー



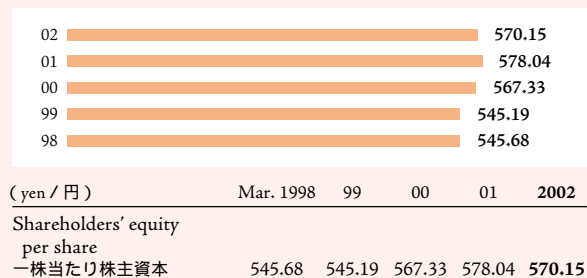
## SHAREHOLDERS' EQUITY, RATIO OF SHAREHOLDERS' EQUITY TO TOTAL ASSETS

### 株主資本、株主資本比率



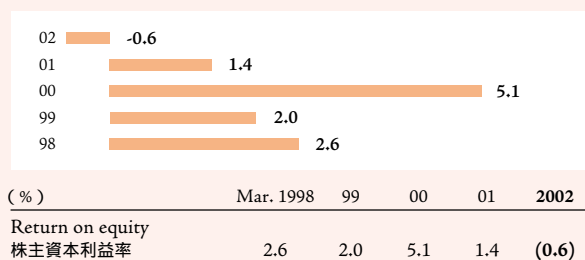
## SHAREHOLDERS' EQUITY PER SHARE

### 一株当たり株主資本



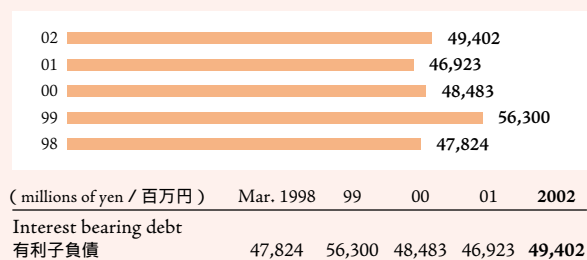
## RETURN ON EQUITY

### 株主資本利益率



## INTEREST BEARING DEBT

### 有利子負債



Notes: 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 two years.

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2年の数値は掲載しておりません。

## CORPORATE INFORMATION

### 企業情報

#### CORPORATE DATA

##### 企業データ(2002年3月31日現在)

Company Name: ITOHAM FOODS INC.  
Address: 4-27, Takahata-cho, Nishinomiya City,  
Hyogo 663-8586, Japan

Tel: 0798-66-1231

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

Common stock: ¥22,415 million

Number of shares of common stock issued: 210,482,533

Number of employees: 6,421 (Consolidated)

Consolidated Subsidiaries: 44

Equity-Method Affiliates: 11

Shareholder Coupon System:

1. Qualification Shareholders with 1,000 or more shares
2. Coupon amount Itoham product coupons worth ¥2,000

伊藤ハム株式会社(証券コード 2284)

本社所在地: 〒663-8586

兵庫県西宮市高畑町4番27号

TEL: 0798-66-1231

ホームページアドレス: <http://www.itoham.co.jp>

資本金: 22,415百万円

発行済株式数: 210,482,533株

連結従業員数: 6,421人

連結子会社数: 44社

持分法適用関連会社数: 11社

株主優待制度について: 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

#### CORPORATE BONDS

##### 社債明細表(2002年3月31日現在)

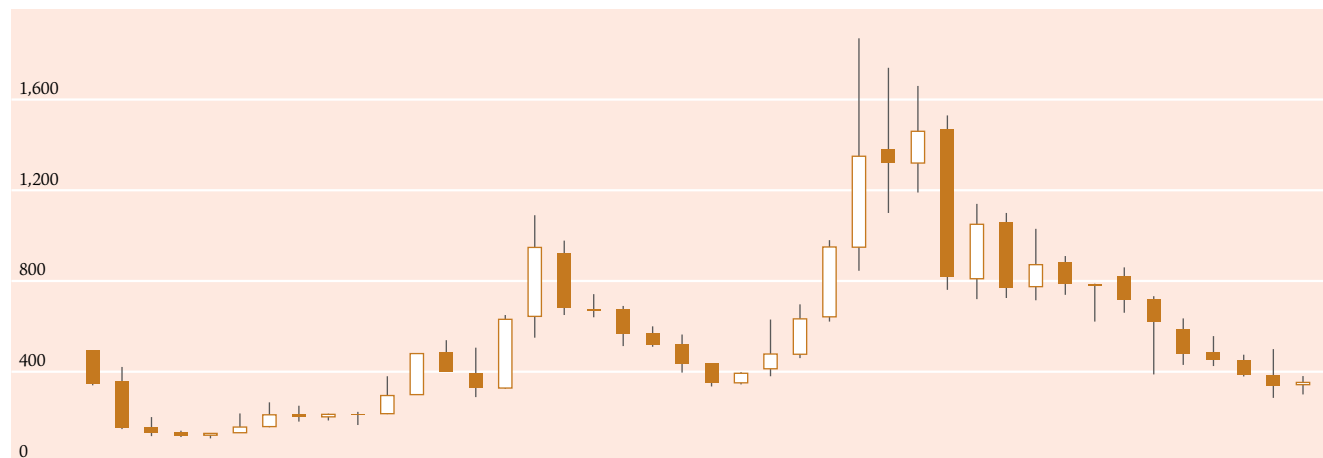
(millions of yen / 百万円)

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

#### COMMON STOCK PRICE RANGE

##### 株価の推移

(¥/円)



Calendar year		92	93	94	95	96	97	98	99	00	01	02
Itoham Common Stock (¥)	High 高値	1,100	1,030	910	788	860	733	635	557	495	500	381
株価(円)	Low 安値	725	715	739	621	660	388	430	425	379	285	300
Trading Volume (thousands of shares)												
出来高(千株)		31,122	47,708	30,237	33,956	37,741	42,862	37,830	62,290	78,006	90,433	15,705

Note: The figures for the 2002 calendar year only are for the 3-month period from January 2002 through March 2002.

02年度のみ1～3月までのデータを反映させております。

## FINANCIAL SECTION

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## FINANCIAL REVIEW

### Net Sales

During fiscal 2002, ended March 31, 2002, the Japanese economy witnessed deteriorating business results by leading companies due to the impact of the slump in the IT sector in the U.S., the key country driving growth in the global economy. This slowdown was exacerbated by increasing deflationary pressures, a weakening labor market and continued anemic personal consumption in Japan. During fiscal 2002, the unemployment rate touched the 5% mark as banks, seeking to clean up bad loans on their balance sheets, triggered bankruptcies at a number of major companies.

This difficult operating environment combined with falling sales prices and a series of events in the meat industry to make the going even harder. These events included the first domestic incident of bovine spongiform encephalopathy (BSE) and an outbreak of foot-and-mouth disease in Europe in March 2001. The latter was followed by the implementation of import safeguards on pork from August 2001, causing a steep rise in the price of raw pork material. Furthermore, outbreaks of chicken influenza in China and the U.S. resulted in a temporary ban on chicken imports.

The Itoham Group has been actively strengthening sales capabilities and attempting to expand sales in the Fresh Meat Division and the Processed Foods Division. We focused on core products in our ham and sausage lineup, in line with our program to cut production costs and pare selling expenses. Despite these efforts, difficulties persisted in our operating environment. As a result, net sales decreased 2.1% to ¥465.6 billion.

In the Ham and Sausage Division, in a market strongly characterized by demand for lower-priced products, sales volumes declined. As a result, sales decreased 5.6% year on year to ¥120.4 billion.

In the Fresh Meat Division, sales fell 1.2% to ¥251.3 billion, as the Division struggled to overcome the effects of declining beef sales volumes in the face of concerns over BSE.

In the Processed Foods and Other Products Division, sales of processed food products fell 1.8% to ¥78.8 billion. Sales volumes declined, affected by the outbreaks of chicken influenza in China and the U.S. and fears over BSE. Sales in the pharmaceutical and restaurant businesses increased 11.5% to ¥15.3 billion. This resulted in an overall rise in sales in this Division of 0.2%, to ¥94.0 billion.

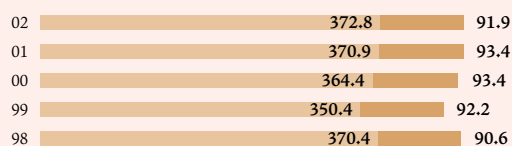
### Costs, Expenses and Earnings

Due to soaring prices of raw materials, cost of sales increased to ¥372.8 billion and the cost of sales ratio rose to 80.1%. Gross profit fell 11.2% to ¥92.9 billion and the ratio of gross profits to net sales declined 2.1 percentage points to 19.9%.

Selling, general and administrative (SGA) expenses decreased 1.6% to ¥91.9 billion, while the ratio of SGA expenses to net sales was largely unchanged at 19.7%. Consequently, operating income declined 91.1% to ¥1.0 billion while the ratio of operating income to net sales fell 2.2 percentage points to 0.2%.

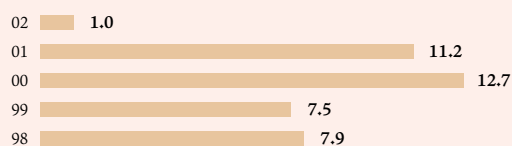
In non-operating items, net financial income and expenses declined compared to the previous period. This reflected decreased income due to declining market interest rates in Japan and a reduction in securities holdings. In other non-operating items, gain on disposal of property, plant and equipment rose ¥1.0 billion, equity in earnings of associated companies increased ¥0.4 billion and gain on sale of marketable and investment securities decreased ¥0.3 billion. In non-operating losses, there was a ¥0.5 billion increase in the write-down of investment securities caused by declining share prices. Although the effect of a ¥9.5 billion gain on securities contributed to an employee retirement benefit trust, and a ¥17.0 billion net transition obligation of employee retirement benefit plans recorded in the previous year did not affect this year's results, the BSE outbreak depressed market prices of beef. This forced the company to record a write-down of inventories of ¥1.1 billion for products whose

Costs and Expenses  
billions of yen



■ Cost of sales ■ Selling, general and administrative expenses

Operating Income  
billions of yen



market value fell substantially below book value. As a result, other expenses decreased ¥7.4 billion year on year to ¥0.8 billion.

Income before income taxes declined 93.7% to ¥0.2 billion. Net loss was ¥0.7 billion. Net loss per share was ¥3.32.

## Financial Position

Total assets as of March 31, 2002 stood at ¥235.4 billion, ¥10.2 billion lower than a year ago.

Current assets decreased ¥8.5 billion to ¥124.9 billion. This was primarily attributable to a ¥3.5 billion increase in cash and time deposits and a ¥5.8 billion increase in inventories due to a rise in finished products and resale inventories. Meanwhile, marketable securities decreased ¥18.4 billion due to withdrawal from an open-ended bond investment trust.

Capital investments totaled ¥8.0 billion, reflecting improvements at existing factories and replacement of vehicles. Property, plant and equipment, excluding land, decreased ¥0.8 billion to ¥52.2 billion. Land decreased ¥0.2 billion to ¥23.7 billion. As a result, property, plant and equipment at the year's end was ¥75.9 billion.

On the other side of the balance sheet, current liabilities increased ¥16.2 billion to ¥91.4 billion. This was primarily the result of a ¥1.5 billion increase in bank loans, a ¥22.8 billion increase in long-term debt due within one year, a ¥5.7 billion decrease in notes and accounts payable and a ¥2.6 billion decrease in income taxes payable. Long-term debt due after one year declined ¥21.8 billion to ¥18.8 billion. The increase in long-term debt due within one year, and the decrease in long-term debt due after one year, chiefly reflects ¥22.7 billion in corporate and convertible bonds reaching maturity within the year.

Shareholders' equity decreased ¥4.6 billion to ¥120.0 billion due to a number of factors. One was that Itoham decided to use additional paid-in capital to purchase and retire ¥2.4 billion of treasury stock as this was judged to be an effective action in light of present economic

conditions and the company's financial position. The remaining factors included a ¥2.5 billion decrease in retained earnings, a ¥0.8 billion decrease in net unrealized gains on securities, and the inclusion of a ¥1.0 billion increase in foreign currency translation adjustments. The ratio of shareholders' equity to total assets was largely unchanged at 51.0% and the current ratio was 1.37.

## Cash Flows

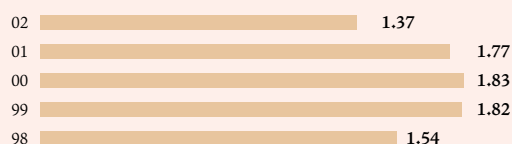
Cash and cash equivalents decreased ¥15.0 billion to ¥18.8 billion. This primarily reflected increases in inventories, outgoings for the acquisitions of property, plant and equipment, and payments for purchase of treasury stock.

Net cash used in operating activities was ¥6.5 billion, representing a fall of ¥15.9 billion from the previous period when ¥9.4 billion was provided by operating activities. This primarily reflected depreciation and amortization of ¥8.5 billion, a ¥5.5 billion increase in inventories due to the BSE outbreak, and a ¥3.7 billion decrease in notes and accounts payable.

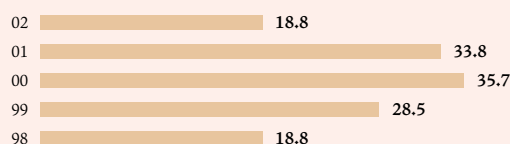
Net cash used in investing activities rose ¥1.4 billion to ¥6.7 billion. This mainly reflected ¥8.6 billion in payments for upgrading existing plants, offset by proceeds of ¥2.0 billion from the sales of leased parking lots and other idle land.

Net cash used in financing activities declined ¥4.1 billion to ¥2.0 billion. This was mainly due to an increase of ¥1.2 billion in short-term bank loans, ¥1.7 billion in dividends paid and ¥2.4 billion for the purchase and retirement of treasury stock.

Current Ratio  
Times



Cash and Cash Equivalents  
billions of yen



# CONSOLIDATED BALANCE SHEETS

ITOHAM FOODS INC. – March 31, 2002 and 2001

ASSETS	Millions of yen		Thousands of U.S. dollars (Note 1)
	2002	2001	2002
<b>Current assets:</b>			
Cash and time deposits (Notes 3, 7)	¥ 19,248	¥ 15,713	\$ 144,450
Marketable securities (Note 4)	3	18,445	22
Receivables:			
Trade notes and accounts	52,034	53,718	390,499
Other	154	241	1,156
Allowance for doubtful receivables	(426)	(481)	(3,197)
	51,762	53,478	388,458
Inventories (Note 5)	47,689	41,893	357,891
Deferred tax assets (Note 13)	1,450	1,394	10,882
Other current assets	4,775	2,467	35,835
Total current assets	124,927	133,390	937,538
<b>Investments and non-current assets:</b>			
Investments in:			
Unconsolidated affiliates	4,692	3,268	35,212
Other (Notes 4, 7)	16,409	18,609	123,144
Loans to:			
Unconsolidated affiliates	–	178	–
Other	1,454	1,911	10,912
Long-term deferred tax assets (Note 13)	2,108	1,009	15,820
Other	11,054	10,534	82,957
Allowance for doubtful receivables	(1,767)	(873)	(13,261)
	33,950	34,636	254,784
<b>Property, plant and equipment:</b>			
Land (Note 7)	23,673	23,866	177,659
Buildings and structures (Note 7)	69,274	66,102	519,880
Machinery and equipment	93,851	93,639	704,323
Breeding livestock	106	258	795
Construction in progress	169	284	1,268
	187,073	184,149	1,403,925
Accumulated depreciation	(111,209)	(107,272)	(834,589)
	75,864	76,877	569,336
<b>Intangible assets</b>	621	628	4,661
	¥ 235,362	¥ 245,531	\$1,766,319

See accompanying notes.



LIABILITIES AND SHAREHOLDERS' EQUITY	Millions of yen		Thousands of U.S. dollars (Note 1)
	2002	2001	2002
<b>Current liabilities:</b>			
Bank loans	¥ 7,312	¥ 5,784	\$ 54,874
Long-term debt due within one year (Note 6)	23,302	517	174,874
Notes and accounts payable:			
Trade	42,041	45,630	315,505
Construction	1,168	1,752	8,765
Other	9,851	11,401	73,929
	53,060	58,783	398,199
Accrued expenses	4,410	4,481	33,096
Income taxes payable	400	3,035	3,002
Deferred tax liabilities (Note 13)	56	72	420
Other	2,843	2,547	21,336
Total current liabilities	91,383	75,219	685,801
<b>Long-term debt due after one year (Note 6)</b>	<b>18,788</b>	<b>40,621</b>	<b>140,998</b>
<b>Employees' severance and retirement benefits (Note 8)</b>	<b>3,765</b>	<b>3,854</b>	<b>28,255</b>
<b>Directors' and statutory auditors' retirement benefits</b>	<b>934</b>	<b>832</b>	<b>7,010</b>
<b>Long-term deferred tax liabilities (Note 13)</b>	<b>72</b>	<b>82</b>	<b>540</b>
<b>Other long-term liabilities</b>	<b>45</b>	<b>—</b>	<b>338</b>
<b>Minority interests</b>	<b>372</b>	<b>367</b>	<b>2,792</b>
<b>Contingent liabilities (Note 9)</b>			
<b>Shareholders' equity (Note 14):</b>			
Common stock:			
Authorized—342,013,000 shares (347,013,000 shares—2001)			
Issued—210,482,533 shares (215,482,533 shares—2001)	22,415	22,415	168,218
Additional paid-in capital	24,021	26,381	180,270
Retained earnings	71,676	74,147	537,906
Net unrealized holding gains on securities	2,882	3,652	21,628
Foreign currency translation adjustments	(989)	(2,038)	(7,422)
Treasury stock, at cost	(2)	(1)	(15)
Total shareholders' equity	120,003	124,556	900,585
	¥235,362	¥245,531	\$1,766,319

See accompanying notes.

# CONSOLIDATED STATEMENTS OF OPERATIONS

ITOHAM FOODS INC. – Years ended March 31, 2002 and 2001

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2002	2001	2002
<b>Net sales</b>	<b>¥465,639</b>	¥475,519	<b>\$3,494,477</b>
<b>Cost and expenses:</b>			
Cost of sales	372,775	370,946	2,797,561
Selling, general and administrative expenses	91,862	93,369	689,396
<b>Operating income</b>	<b>1,002</b>	11,204	<b>7,520</b>
<b>Other income (expenses):</b>			
Interest and dividend income	305	439	2,289
Interest expense	(1,168)	(1,268)	(8,765)
Gain on sale of marketable and investment securities, net	38	360	285
Gain (loss) on disposal of property, plant and equipment	553	(470)	4,150
Write-down of investment securities	(1,068)	(540)	(8,015)
Equity in earnings of associated companies	1,128	696	8,465
Gain on securities contributed to employee retirement benefit trust	–	9,514	–
Net transition obligation of employee retirement benefit plans	–	(17,027)	–
Write-down of inventories (Note 11)	(1,122)	–	(8,420)
Provision for doubtful receivables	(650)	(355)	(4,878)
Other, net	1,172	479	8,795
	(812)	(8,172)	(6,094)
<b>Income before income taxes</b>	<b>190</b>	3,032	<b>1,426</b>
Income taxes—current	1,510	5,442	11,332
–deferred	(611)	(4,181)	(4,585)
Minority interests	2	(13)	15
<b>Net income (loss)</b>	<b>¥ (707)</b>	¥ 1,758	<b>\$ (5,306)</b>
	Yen		U.S. dollars
Net income (loss) per share	¥ (3.32)	¥ 8.08	\$ (0.025)
Diluted net income per share	–	8.08	–
Dividends per share	8.00	8.00	0.060

See accompanying notes.

# CONSOLIDATED STATEMENTS OF SHAREHOLDERS' EQUITY

ITOHAM FOODS INC. – Years ended March 31, 2002 and 2001

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2002	2001	2002
<b>Common stock:</b>			
Balance at beginning of year	¥22,415	¥22,415	\$168,218
Balance at end of year	¥22,415	¥22,415	\$168,218
<b>Additional paid-in capital:</b>			
Balance at beginning of year	¥26,381	¥28,852	\$197,981
Common stock purchased and retired	(2,360)	(2,471)	(17,711)
Balance at end of year	¥24,021	¥26,381	\$180,270
<b>Retained earnings:</b>			
Balance at beginning of year	¥74,147	¥74,210	\$556,450
Net income (loss) for year	(707)	1,758	(5,306)
Cash dividends paid — ¥8.00 per share (¥8.00 per share–2001)	(1,724)	(1,769)	(12,938)
Bonuses to directors	(40)	(50)	(300)
Effect of increase in consolidated subsidiaries	–	(2)	–
Balance at end of year	¥71,676	¥74,147	\$537,906
<b>Net unrealized holding gains on securities:</b>			
Balance at beginning of year	¥ 3,652	¥ –	\$ 27,407
Adoption of new accounting standard for financial instruments	–	3,652	–
Decrease for the year	(770)	–	(5,779)
Balance at end of year	¥ 2,882	¥ 3,652	\$ 21,628
<b>Foreign currency translation adjustments:</b>			
Balance at beginning of year	¥ (2,038)	¥ –	\$ (15,294)
Adjustments from translation of foreign currency financial statements	1,049	(2,038)	7,872
Balance at end of year	¥ (989)	¥ (2,038)	\$ (7,422)
<b>Treasury stock:</b>			
Balance at beginning of year	¥ (1)	¥ (1)	\$ (7)
Purchase of treasury stock	(1)	–	(8)
Balance at end of year	¥ (2)	¥ (1)	\$ (15)
<b>Number of shares of common stock issued:</b>			
	2002	2001	
At beginning of year	215,482,533	221,170,533	
Common stock purchased and retired	(5,000,000)	(5,688,000)	
At end of year	210,482,533	215,482,533	

See accompanying notes.

# CONSOLIDATED STATEMENT OF CASH FLOWS

ITOHAM FOODS INC. – Years ended March 31, 2002 and 2001

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2002	2001	2002
<b>Cash flows from operating activities:</b>			
Income before income taxes	¥ 190	¥ 3,032	\$ 1,426
Adjustments to reconcile income before income taxes to net cash provided by operating activities:			
Depreciation and amortization	8,631	8,957	64,773
Decrease in employees' retirement benefits	–	(2,204)	–
Increase (decrease) in employees' severance and retirement benefits	(88)	3,854	(660)
Increase in allowance for doubtful receivables	836	382	6,274
Interest and dividend income	(305)	(439)	(2,289)
Interest expense	1,168	1,268	8,765
Equity in earnings of associated companies	(1,128)	(696)	(8,465)
Write-down of investment securities	1,068	540	8,015
Gain on sale of property, plant and equipment	(1,184)	(179)	(8,886)
Loss on disposal of property, plant and equipment	487	571	3,655
Gain on securities contributed to employee retirement benefit trust	–	(9,514)	–
Net transition obligation of employee retirement benefit plans	–	14,195	–
Decrease (increase) in notes and accounts receivable	1,429	(6,831)	10,724
Increase in inventories	(5,484)	(2,312)	(41,156)
Increase (decrease) in notes and accounts payable	(3,735)	3,319	(28,030)
Decrease in accrued consumption taxes	(514)	(235)	(3,857)
Other	(1,389)	1,837	(10,424)
	(18)	15,545	(135)
Interest and dividends received	402	597	3,017
Interest paid	(1,065)	(1,338)	(7,993)
Income taxes paid	(5,834)	(5,423)	(43,782)
Net cash provided by (used in) operating activities	(6,515)	9,381	(48,893)
<b>Cash flows from investing activities:</b>			
Investments in time deposits	(285)	(4,665)	(2,139)
Proceeds from time deposits	166	4,625	1,246
Acquisitions of property, plant and equipment	(8,631)	(8,402)	(64,773)
Proceeds from sale of property, plant and equipment	1,951	1,955	14,642
Acquisitions of intangible assets	(172)	(76)	(1,291)
Payments for purchases of investment securities	(567)	(217)	(4,255)
Proceeds from sales of investment securities	401	1,333	3,009
Disbursement of loans receivable	(412)	(749)	(3,092)
Collection of loans receivable	1,137	1,000	8,533
Other	(274)	(43)	(2,056)
Net cash used in investing activities	(6,686)	(5,239)	(50,176)
<b>Cash flows from financing activities:</b>			
Increase (decrease) in short-term bank loans, net	1,212	(1,545)	9,096
Proceeds from long-term debt	1,911	1,398	14,341
Repayments of long-term debt	(1,051)	(1,670)	(7,887)
Proceeds from issuance of common stock to minority shareholders of consolidated subsidiaries	35	–	263
Common stock purchased and retired	(2,360)	(2,471)	(17,711)
Payments for purchase of treasury stock	(1)	–	(8)
Dividends paid	(1,723)	(1,769)	(12,931)
Dividends paid to minority shareholders of consolidated subsidiaries	(4)	(4)	(30)
Net cash used in financing activities	(1,981)	(6,061)	(14,867)
Effect of exchange rate changes on cash and cash equivalents	153	(41)	1,148
Net decrease in cash and cash equivalents	(15,029)	(1,960)	(112,788)
Cash and cash equivalents at beginning of year	33,836	35,717	253,929
Effect of changes in consolidated subsidiaries	–	79	–
Cash and cash equivalents at end of year (Note 3)	¥ 18,807	¥33,836	\$ 141,141

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 (“Japanese GAAP”). 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.

Certain accounting principles and practices generally accepted in Japan are different from International Accounting Standards and standards in other countries in certain respects as to application and disclosure requirements. Accordingly, the accompanying financial statements are intended for use by those who are informed about Japanese accounting principles and practices.

The accompanying financial statements have been restructured and translated into English (with some expanded descriptions and the inclusion of statements of shareholders’ equity) from the consolidated financial statements of the Company prepared in accordance with Japanese GAAP and filed with the appropriate Local Finance Bureau of the Ministry of Finance as required by the Securities and Exchange Law. Some supplementary information included in the statutory Japanese language consolidated financial statements, but not required for fair presentation is not presented in the accompanying financial statements.

The translation 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, 2002, which was ¥133.25 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.

Six 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 Company and its consolidated subsidiaries provide for doubtful accounts principally at an amount computed based on management’s estimate of the bad debt ratio based on past experience plus the estimated uncollectible amounts based on the analysis of certain individual receivables.

#### (4) Securities

Prior to April 1, 2000, listed and quoted securities of the Company and its consolidated subsidiaries were valued at the lower of cost or market.

Effective April 1, 2000, the Companies adopted the new Japanese accounting standard for financial instruments (“Opinion Concerning Establishment of Accounting Standard for Financial Instruments” issued by the Business Accounting Deliberations Council on January 22, 1999).

Upon applying the new accounting standard, all companies were required to examine the intent of holding each security and classify those securities as (a) securities held for trading purposes (hereafter, “trading securities”), (b) debt securities intended to be held to maturity (hereafter, “held-to-maturity debt securities”), (c) equity securities issued by subsidiaries and affiliated companies, and (d) for all other securities that are not classified in any of the above categories (hereafter, “available-for-sale securities”).

Trading securities are stated at fair market value. Gains and losses realized on disposal and unrealized gains and losses from market value fluctuations are recognized as gains or losses in the period of the change. Held-to-maturity debt securities are stated at amortized cost. Equity securities issued by subsidiaries and affiliated companies which are not consolidated or accounted for using the equity method are stated at moving-average cost. Available-for-sale securities with available fair market values are stated at fair market value. Unrealized gains and unrealized losses on these securities are reported, net of applicable income taxes, as a separate component of shareholders’ equity. Realized gains and losses on sale of such securities are computed using moving-average cost.

Debt securities with no available fair market value are stated at amortized cost, net of the amount considered not collectible.

Other securities with no available fair market value are stated at moving-average cost.

If the market value of held-to-maturity debt securities, equity securities issued by unconsolidated subsidiaries and affiliated companies, and available-for-sale securities, declines significantly, such securities are stated at fair market value and the difference between fair market value and the carrying amount is recognized as loss in the period of the decline. If the fair market value of equity securities issued by unconsolidated subsidiaries and affiliated companies not on the equity method is not readily available, such securities should be written down to net asset value with a corresponding charge in the income statement in the event net asset value declines significantly. In these cases, such fair market value or the net asset value will be the carrying amount of the securities at the beginning of the next year.

#### *(5) Inventories*

Inventories of the Company and its consolidated 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) Derivatives and hedge accounting*

The new accounting standard for financial instruments, effective from the year ended March 31, 2001, requires companies to state derivative financial instruments at fair value and to recognize changes in the fair value as gains or losses unless derivative financial instruments are used for hedging purposes.

If derivative financial instruments are used as hedges and meet certain hedging criteria, the Company and its consolidated subsidiaries defer recognition of gains or losses resulting from changes in fair value of derivative financial instruments until the related losses or gains on the hedged items are recognized.

However, in cases where forward foreign exchange contracts are used as hedges and meet certain hedging criteria, forward foreign exchange contracts and hedged items are accounted for in the following manner:

If a forward foreign exchange contract is executed to hedge a future transaction denominated in a foreign currency, the future transaction will be recorded using the contracted forward rate, and no gains or losses on the forward foreign exchange contract are recognized.

#### *(7) 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.

#### *(8) Bonuses*

The Company and its consolidated 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.

#### *(9) Employees' severance and retirement benefits*

The Company and its consolidated domestic subsidiaries provide two types of post-employment benefit plans, unfunded lump-sum payment plans and a funded contributory pension plan, under which all eligible employees are entitled to benefits based on the level of wages and salaries at the time of retirement or termination, length of service and certain other factors.

At March 31, 2000, the Company and its consolidated domestic subsidiaries accrued liabilities for lump-sum severance and retirement payments equal to 40% of the amount required had all eligible employees voluntarily terminated their employment at the balance sheet date. The Companies recognized pension expense when, and to the extent, payments were made to the pension plans.

Effective April 1, 2000, the Company and its consolidated domestic subsidiaries adopted the new accounting standard, "Opinion on Setting Accounting Standard for Employees' Severance and Pension Benefits", issued by the Business Accounting Deliberation Council on June 16, 1998 (the "New Accounting Standard").

Under the New Accounting Standard, the liabilities and expenses for severance and retirement benefits are determined based on the amounts actuarially calculated using certain assumptions.

The Company and its consolidated domestic subsidiaries provided for employees' severance and retirement benefits at March 31, 2002 and 2001 based on the estimated amounts of projected benefit obligation and the fair value of the plan assets at that date.

The excess of the projected benefit obligation over the total of the fair value of pension assets as of April 1, 2000 and the liabilities for severance and retirement benefits recorded as of April 1, 2000 (the "net transition obligation") amounted to ¥17,027 million, of which ¥14,195 million was recognized as an expense as a result of the contribution of investment securities worth ¥14,195 million to the employee retirement benefit trust in September 2000. The remaining net transition obligation amounting to ¥2,832 million was also recognized as an expense in the year ended March 31, 2001. Actuarial gains and losses are recognized in expenses using the straight-line method over the average of the estimated remaining service lives commencing with the following period.



As a result of the adoption of the new accounting standard, in the year ended March 31, 2001, severance and retirement benefit expenses increased by ¥16,352 million. After subtracting the “gain on securities contributed to employee retirement benefit trust” amounting to ¥9,514 million, income before income taxes decreased by ¥6,874 million compared with what would have been recorded under the previous accounting standard.

(10) 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.

(11) 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 ¥974 million (\$7,310 thousand) and ¥941 million for the years ended March 31, 2002 and 2001, respectively, are charged to operations in the period incurred.

(12) Finance leases

Finance leases which do not transfer ownership are accounted for in the same manner as operating leases under Japanese GAAP.

(13) 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 the temporary differences.

(14) Foreign currency translation

Short-term receivables and payables denominated in foreign currencies are translated into Japanese yen at the year-end rates. Prior to April 1, 2000, long-term receivables and payable denominated in foreign currencies were translated at historical rates.

Effective April 1, 2000, the Company and its consolidated subsidiaries adopted the revised accounting standard for foreign currency translation, “Opinion Concerning Revision of Accounting Standard for Foreign Currency Translation,” issued by the Business Accounting Deliberation Council on October 22, 1999 (the “Revised Accounting Standard”). Under the Revised Accounting Standard, long-term receivables and payables denominated in foreign currencies are also translated into Japanese yen at the year-end rate.

Financial statements of consolidated overseas subsidiaries are translated into Japanese yen at the year-end rate, except that shareholders’ equity accounts are translated at historical rates and income statement items resulting from transactions with the Company at the rates used by the Company.

Due to the adoption of Revised Accounting Standard, the Company and its consolidated domestic subsidiaries report foreign currency translation adjustments in the shareholders’ equity. The prior year’s amount was included in assets.

(15) Amounts per share

The computations of net income (loss) per share of common stock shown on the consolidated statements of operations 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 consolidated statements of operations 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, 2002 and 2001 is as follows:

	Millions of yen		Thousands of U.S. dollars
	2002	2001	2002
Cash and time deposits on the consolidated balance sheet	¥19,248	¥15,713	\$144,450
Time deposits with maturities exceeding 3 months	(444)	(322)	(3,331)
Highly liquid investments whose original maturities are within 3 months	3	18,445	22
Cash and cash equivalents on the consolidated statement of cash flows	¥18,807	¥33,836	\$141,141

### 4. SECURITIES

A. The following tables summarize information on securities with available fair values as of March 31, 2002 and 2001:

(a) Held-to-maturity debt securities

Securities with available fair values exceeding book values

	Millions of yen		Thousands of U.S. dollars
	2002	2001	2002
Book value	¥301	¥301	\$2,259
Fair value	303	306	2,274
Difference	¥ 2	¥ 5	\$ 15

(b) Available-for-sale securities with available fair values

Securities with book values (fair values) exceeding acquisition cost:

March 31, 2002	Millions of yen			Thousands of U.S. dollars		
	Acquisition cost	Book value	Difference	Acquisition cost	Book value	Difference
Equity securities	<u>¥5,103</u>	<u>¥10,913</u>	<u>¥5,810</u>	<u>\$38,296</u>	<u>\$81,898</u>	<u>\$43,602</u>

Securities with book values (fair values) not exceeding acquisition cost:

	Millions of yen			Thousands of U.S. dollars		
	Acquisition cost	Book value	Difference	Acquisition cost	Book value	Difference
Equity securities	<u>¥3,519</u>	<u>¥2,761</u>	<u>¥(758)</u>	<u>\$26,409</u>	<u>\$20,720</u>	<u>\$(5,689)</u>
Bonds	<u>247</u>	<u>219</u>	<u>(28)</u>	<u>1,854</u>	<u>1,644</u>	<u>(210)</u>
Total	<u>¥3,766</u>	<u>¥2,980</u>	<u>¥(786)</u>	<u>\$28,263</u>	<u>\$22,364</u>	<u>\$(5,899)</u>

March 31, 2001	Millions of yen		
	Acquisition cost	Book value	Difference
Equity securities	<u>¥6,610</u>	<u>¥13,563</u>	<u>¥6,953</u>

Securities with book values (fair values) not exceeding acquisition cost:

	Millions of yen		
	Acquisition cost	Book value	Difference
Equity securities	<u>¥2,777</u>	<u>¥2,279</u>	<u>¥(498)</u>
Bonds	<u>370</u>	<u>279</u>	<u>(91)</u>
Total	<u>¥3,147</u>	<u>¥2,558</u>	<u>¥(589)</u>

B. The following tables summarize book values of securities with no available fair values as of March 31, 2002 and 2001:

	Millions of yen		Thousands of U.S. dollars
	2002	2001	2002
(a) Held-to-maturity debt securities			
Non-listed foreign bonds	¥ 500	¥ 500	\$ 3,752
(b) Available-for-sale securities			
Money market fund	¥ 3	¥18,445	\$ 23
Non-listed equity securities	1,496	1,802	11,227
Others	219	184	1,644

C. Available-for-sale securities with maturities and held-to-maturity debt securities at March 31, 2002 and 2001 mature as follows:

	Mature within one year	Mature over one year but within five years	Mature over five years but within ten years
March 31, 2002	Millions of yen		
Government bonds	¥ –	¥301	¥ –
Corporate bonds	–	48	–
Others	–	218	500
Total	<u>¥ –</u>	<u>¥567</u>	<u>¥500</u>
	Thousands of U.S. dollars		
Government bonds	\$ –	\$2,259	\$ –
Corporate bonds	–	360	–
Others	–	1,636	3,752
Total	<u>\$ –</u>	<u>\$4,255</u>	<u>\$3,752</u>

	Mature within one year	Mature over one year but within five years	Mature over five years but within ten years
March 31, 2001	Millions of yen		
Government bonds	¥ –	¥301	¥ –
Corporate bonds	–	48	–
Others	–	279	500
Total	¥ –	¥628	¥500

D. Total sales of available-for-sale securities sold in the years ended March 31, 2002 and 2001 amounted to ¥262 million (\$1,966 thousand) and ¥987 million and the related gains amounted to ¥38 million (\$285 thousand) and ¥360 million, respectively.

## 5. INVENTORIES

Inventories at March 31, 2002 and 2001 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2002	2001	2002
Finished products and resale inventories	¥32,075	¥27,102	\$240,713
Raw materials and cattle	15,614	14,791	117,178
	¥47,689	¥41,893	\$357,891

## 6. LONG-TERM DEBT

Long-term debt at March 31, 2002 and 2001 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2002	2001	2002
Secured:			
Banks, 1.300%–2.650%, maturing serially through 2009	¥ 774	¥ 1,224	\$ 5,808
Unsecured:			
Banks, 1.300%–6.980%, maturing serially through 2015	3,661	2,259	27,475
1.8% convertible sinking fund debentures due 2003	19,655	19,655	147,505
2.0% bonds due 2002	3,000	3,000	22,514
2.175% bonds due 2005	10,000	10,000	75,047
2.11% bonds due 2008	5,000	5,000	37,523
	42,090	41,138	315,872
Less amounts due within one year	23,302	517	174,874
	¥18,788	¥40,621	\$140,998

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, 2002, of ¥1,439 (\$10.80) per share. The debentures are also redeemable, commencing on March 1, 2002, at the option of the Company at the principal amount.

The conversion price of the convertible debentures is subject to adjustment as provided in the issuing agreement. If on March 31, 2002 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, 2002, are as follows:

March 31	Millions of yen	Thousands of U.S. dollars
2003	¥23,302	\$174,874
2004	1,459	10,949
2005	452	3,392
2006	10,400	78,049
2007 and thereafter	6,477	48,608
	¥42,090	\$315,872

The Companies have overdraft contract and the credit commitments with twelve banks and two insurance companies for efficient financing. Total unused credit available to the Companies at March 31, 2002 was ¥26,360 million (\$197,824 thousand).

## 7. PLEDGED ASSETS

At March 31, 2002 assets pledged as collateral for short-term bank loans of ¥690 million (\$5,178 thousand) and secured long-term debt were as follows:

	Millions of yen	Thousands of U.S. dollars
Land	¥ 422	\$ 3,167
Buildings and structures net of accumulated depreciation	1,476	11,077

At March 31, 2002, time deposits of ¥110 million (\$826 thousand) and investment securities of ¥300 million (\$2,251 thousand) were pledged for transaction guarantees and gift certificates of ¥130 million (\$976 thousand).

## 8. EMPLOYEES' SEVERANCE AND RETIREMENT BENEFITS

As explained in Note 2 (9). Significant Accounting Policies, effective April 1, 2000, the Company and its consolidated domestic subsidiaries adopted the new accounting standard for employees' severance and retirement benefits, under which the liabilities and expenses for severance and retirement benefits are determined based on the amounts obtained by actuarial calculations.

The liability for severance and retirement benefits included in the liability section of the consolidated balance sheet as of March 31, 2002 and 2001 consists of the following:

	Millions of yen		Thousands of U.S. dollars
	2002	2001	2002
Projected benefit obligation	¥ 69,007	¥ 59,615	\$ 517,876
Unrecognized actuarial differences	(24,842)	(9,440)	(186,432)
Fair value of pension assets	(40,988)	(46,323)	(307,602)
Prepaid pension costs	588	2	4,413
Allowance for severance and retirement benefits	¥ 3,765	¥ 3,854	\$ 28,255

Included in the consolidated statement of operations for the year ended March 31, 2002 and 2001 are severance and retirement benefit expenses comprised of the following:

	Millions of yen		Thousands of U.S. dollars
	2002	2001	2002
Service costs-benefits earned during the year	¥ 2,528	¥ 2,613	\$ 18,972
Interest cost on projected benefit obligation	2,131	1,960	15,992
Expected return on plan assets	(2,027)	(2,094)	(15,212)
Net transition obligation of employee retirement benefit plans	—	17,027	—
Amortization of actuarial differences	677	—	5,081
Severance and retirement benefit expenses	¥ 3,309	¥ 19,506	\$ 24,833

The discount rate and the rate of expected return on plan assets used by the Company and its consolidated domestic subsidiaries are 3.0% (3.5% in the prior year) and 5.5%, respectively. The estimated amount of all retirement benefits to be paid at the future retirement date is allocated equally to each service year using the estimated number of total service years. Actuarial gains and losses are recognized in the income statement using the straight-line method from 12 to 15 years.

## 9. CONTINGENT LIABILITIES

At March 31, 2002 the Company was contingently liable as follows:

	Millions of yen	Thousands of U.S. dollars
As guarantor of indebtedness of:		
Affiliates	¥1,134	\$ 8,510
Other companies	1,556	11,677
	¥2,690	\$20,187

## 10. DERIVATIVE TRANSACTIONS

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

The following summarizes hedging derivative financial instruments used by the Company and its consolidated subsidiaries and items hedged:

Hedging instruments: Forward currency exchange contracts  
Hedged items: Foreign currency trade payables

The following table summarizes market value information as of March 31, 2002 of derivative transactions for which hedge accounting has not been applied:

### Forward currency exchange transactions

	Millions of yen			Thousands of U.S. dollars
	Contracted amount (Over one year)	Current market amount	Unrealized gains	Unrealized gains
Purchase U.S. dollars	¥1,056 (¥794)	¥1,151	¥95	\$ 713

## 11. WRITE-DOWN OF INVENTORIES

The BSE outbreak depressed market prices of beef. This forced the Company to record a write-down of inventories for products whose market value fell substantially below book value.

## 12. FINANCE LEASES

Information for non-capitalized finance leases at March 31, 2002 and 2001 was as follows:

	Millions of yen			Thousands of U.S. dollars
	Furniture and fixtures	Other	Total	Total
March 31, 2002				
Original lease obligation (including finance charges)	¥4,019	¥3,229	¥7,248	\$54,394
Payments remaining:				
Payments due within one year			¥1,402	\$10,522
Payments due after one year			1,964	14,739
Total			¥3,366	\$25,261

	Millions of yen		
	Furniture and fixtures	Other	Total
March 31, 2001			
Original lease obligation (including finance charges)	¥5,424	¥2,700	¥8,124
Payments remaining:			
Payments due within one year			¥1,234
Payments due after one year			¥1,989
Total			¥3,223

Total lease payments, including finance charges, under non-capitalized finance leases for the years ended March 31, 2002 and 2001 were ¥1,261 million (\$9,463 thousand) and ¥1,219 million, respectively.

## 13. INCOME TAXES

Significant components of the Company's deferred tax assets and liabilities as of March 31, 2002 and 2001 are as follows:

	Millions of yen		Thousands of U.S. dollars
	2002	2001	2002
Deferred tax assets:			
Allowance for doubtful receivables	¥ 602	¥ 382	\$ 4,518
Bonuses accrued	820	641	6,154
Write-down of inventories	476	–	3,572
Enterprise taxes	27	252	202
Directors' retirement benefits	400	354	3,002
Write-down of investment securities	1,254	802	9,411
Liability for employees' severance and retirement benefits	3,419	3,437	25,659
Accumulated losses	2,154	1,328	16,165
Unrealized gain on land	245	245	1,839
Other	211	408	1,583
	9,608	7,849	72,105
Less valuation allowance	(2,219)	(1,360)	(16,653)
Total deferred tax assets	7,389	6,489	55,452
Deferred tax liabilities:			
Deferred gains on real properties	(1,742)	(1,423)	(13,073)
Net unrealized holding gains on securities	(2,109)	(2,693)	(15,827)
Other	(109)	(125)	(818)
Total deferred tax liabilities	(3,960)	(4,241)	(29,718)
Net deferred tax assets	¥ 3,429	¥ 2,248	\$ 25,734

Reconciliation of the difference between the statutory tax rate and the effective income tax rate for the year ended March 31, 2002 is as follows:

Statutory tax rate	42.4%
Reconciliation	
Non-deductible expenses	135.4
Non-taxable dividend income	(55.1)
Inhabitants' per capita taxes	94.4
Equity in earnings of associated companies	(252.3)
Less valuation allowance	519.0
Other	(9.5)
Effective income tax rate	474.3%

#### 14. SHAREHOLDERS' EQUITY

The Company purchased and retired 5,000,000 shares of its common stock in accordance with resolutions of the directors' meetings held on June 28, 2001. As a result, the number of the Company's registered authorized common stock was reduced to 342,013,000 shares at March 31, 2002. The cost of the retired shares was charged to additional paid-in capital in the amount of ¥2,360 million (\$17,711 thousand).

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

Effective October 1, 2001, the Japanese Commercial Code provides that an amount equal to at least 10% of cash dividends and other cash appropriations shall be appropriated and set aside as a legal reserve until the total amount of legal reserve and additional paid-in capital equals 25% of 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 being equal to or exceeding 25% of common stock, they are available for dividends by the resolution of shareholders' meeting. Legal reserve is included in retained earnings in the accompanying financial statements.

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.

#### 15. SEGMENT INFORMATION

The Company and its consolidated subsidiaries are primarily engaged in the manufacture and sale of foods. As these activities comprise one industry segment, industry segment information is not disclosed.

The Company and its consolidated subsidiaries operate mainly within Japan, so regional segment information is not disclosed.

The overseas sales for the years ended March 31, 2001 and 2002 were less than 10% of consolidated net sales.

#### 16. RELATED PARTY TRANSACTIONS

Principle transactions between the Company and related parties for the year ended March 31, 2002 are summarized as follows:

	Millions of yen	Thousands of U.S. dollars
Insurance premium paid	¥213	\$1,598
Purchase of cardboard boxes	42	315
Purchase of software	11	83

#### 17. SUBSEQUENT EVENT

At the ordinary shareholders' meeting of the Company held on June 27, 2002, the appropriation of the Company's retained earnings for the year ended March 31, 2002 was duly approved as follows:

	Millions of yen	Thousands of U.S. dollars
Appropriation:		
Cash dividends (¥8.00 per share)	¥1,684	\$12,638

## 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, 2002 and 2001, and the related consolidated statements of operations, shareholders' equity and cash flows for the years then ended, 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, 2002 and 2001, and the consolidated results of their operations and cash flows for the years then ended in conformity with accounting principles generally accepted in Japan (Note 1) applied on a consistent basis during the periods, except as noted in the following paragraph.

As explained in Note 2 (4), (9) and (14), in the year ended March 31, 2001, ITOHAM FOODS INC. and subsidiaries prospectively adopted the new Japanese accounting standards for financial instruments, retirement benefits and foreign currency translation.

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 27, 2002

  
Asahi & Co.

## MANAGEMENT AND COMPANY NETWORK

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### Board of Directors

#### *President*

Kenichi Ito

#### *Representative Director*

Masami Ito

#### *Senior Managing Directors*

Naotada Tano

Hironobu Takagi

#### *Managing Directors*

Shigeo Takahashi

Chikara Kasai\*<sup>1</sup>

#### *Directors*

Nario Ishida\*<sup>1</sup>

Michitaka Sakai

Kotaro Kikuchi

Minoru Nose\*<sup>1</sup>

Akio Mito

Toshiyuki Fujiyama

#### *Standing Auditors*

Yoshio Hayashio

Takao Kobayashi

#### *Auditors*

Kenichiro Kensho

Shinobu Okamoto

\*<sup>1</sup> Corporate Executive Officer

### Corporate Executive Officers

Haruo Ito\*<sup>2</sup>

Shozaburo Hirasawa

Toyoo Nakamura

Shinichi Yamada

Takashi Ninomiya

Yoshitaka Tanaka

Shingo Iwamoto

Tsuguharu Kawano

Atsuji Katayama

Satoru Hirayama

Kazumi Ihara

\*<sup>2</sup> Senior Executive Officer

(As of June 27, 2002)

---

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Kobe City, Hyogo

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Nishinomiya City, Hyogo

Tel: 0798-66-1231

### Tokyo Office

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Meguro-ku, Tokyo

Tel: 03-5723-6204

### Plants

Nishinomiya, Tokyo,

Toyohashi, Kyushu,

Rokko, Otaru,

Tohoku, Hokushin,

Funabashi

### Subsidiaries

Itoham Daily Inc.

HW Delicatessen Inc.

Itoham Shokuhin Inc.

Itoham Sales Inc.

Okinawa Itoham 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

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75001 Paris, France

Tel: 33-1-42-60-40-60







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