A Message to Shareholders

The Nippon Ham Group celebrated its 70th anniversary in March 2012. Since founder Yoshinori Okoso and six other people started a fresh meat processing business in Tokushima in 1942, we have progressed in keeping with a basic commitment to craftsmanship in food production.

This year is also a milestone for the completion of the New Medium-Term Management Plan Part III, which we launched in 2009. We have now embarked on Part IV of that initiative.

I handed over the presidency to Noboru Takezoe given the significance of this year for pursuing new reforms to prepare decisively for a major new stage in our progress. Mr. Takezoe had been working directly with me after becoming vice president in fiscal 2009. I became chairman to provide broader support for management efforts to expand the Nippon Ham Group.

Over my five years as president, I steered management based on the principle of grasping reality from visits to workplaces and seeing our products. From these experiences, we created strategies to pursue Groupwide growth based on compliance and governance. We steadily deployed structural reforms and measures to strengthen domestic operations and become a global enterprise, and I believe that we made some progress in that regard.

In April 2012, we launched the New Medium-Term Management Plan Part IV, which prioritizes improving the profitability of domestic operations and reinforcing the foundation of overseas operations. In moving forward, we will remain true to our Groupwide commitment to fulfilling the promise of our brand statement—"The Brilliance of People for the Future of Food."

July 2012

Hiroshi Kobayashi
Chairman and Representative Director

We have formulated the New Medium-Term Management Plan Part IV to drive new progress as a globally diversified enterprise that specializes in proteins.

Historical Progress with the New Medium-Term Management

New Medium-Term Management Plan Part II April 2006 to March 2009

Corporate value improvement by continuous reform and challenge

1. Management for No.1 Quality
2. Improvement in the quality of group management and aggressive business expansion
3. CSR promotion and brand-value improvement

	Fiscal 2008 results
Net sales	¥1,028.4 billion
Operating income	¥21.4 billion
Operating income ratio	2.1%
Income before income taxes and equity in earnings (losses) of associated companies	¥6.2 billion
Net income attributable to Nippon Meat Packers, Inc.	¥1.7 billion

New Medium-Term Management Plan Part III April 2009 to March 2012

Solidifying domestic operations and becoming a global enterprise

1. Establish and evolve the concept of Management for No.1 Quality
2. Improve profitability through greater selectivity and focus
3. Create a global business structure

	Fiscal 2011 results
Net sales	¥1,017.8 billion
Operating income	¥26.5 billion
Operating income ratio	2.6%
Income before income taxes and equity in earnings (losses) of associated companies	¥26.8 billion
Net income attributable to Nippon Meat Packers, Inc.	¥11.7 billion

Plan Part IV

New Medium-Term Management Plan **Part IV** April 2012 to March 2015

Improve profitability of domestic operations and reinforce the foundation of overseas operations

1. Brush up the concept of Management for No.1 Quality
2. Allocate management resources in prioritized areas
3. Enhance the Group brand value

	Fiscal 2014 targets
Net sales	¥1,080 billion
Operating income	¥43 billion
Operating income ratio	4.0%
Income before income taxes and equity in earnings (losses) of associated companies	¥38 billion
Net income attributable to Nippon Meat Packers, Inc.	¥22 billion
ROE	7.0%

Interview with President Noboru Takezoe

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Koji Uchida

Director and Managing Executive Officer,
General Manager of Processed Foods Business Division

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Juichi Suezawa

Director and Managing Executive Officer,
General Manager of Fresh Meats Business Division

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Koji Kawamura

Director and Executive Officer,
General Manager of Affiliated Business Division

An Overview of the New Medium-Term Management Plan Part IV

All Nippon Ham Group members are united in their efforts to reach our objectives.

Noboru Takezoe

Noboru Takezoe
President and Representative Director

I became the president of Nippon Ham on April 1, 2012.

After joining the Company in 1972, I spent 26 years in marketing for the processed foods business.

I experienced all aspects of marketing during that time, including selling and delivering products through distribution channels, business development, and sales management.

I thereafter served in the Corporate Planning Department, helping to execute management reforms and formulate medium-term management plans, which refined my overall management perspectives.

Now as I lead the Nippon Ham Group, I will ensure that we continue to reform management in our efforts to drive growth.

I look forward to our shareholders' ongoing support of these endeavors.

Business Climate Perception and Discussion of Achievements and Issues from the New Medium-Term Management Plan Part III

Q Please outline your perceptions on trends in the fresh meats sector and other changes in the business climate.

A Over the past three years, we have experienced the global economic turmoil that stemmed from the collapse of Lehman Brothers in fall 2008, the yen reaching historic peaks in foreign exchange markets, downgrades on the credit ratings of U.S. government bonds, and the prolonging of Europe's sovereign debt crisis. And last year's Great East Japan Earthquake and resulting nuclear accident also had a tremendous impact domestically and abroad.

Numerous developments in the fresh meats industry transformed the operations of the Nippon Ham Group. They included the soaring costs of grains and other resources, accelerating industry consolidations in Japan and abroad, and frequent outbreaks of foot-and-mouth disease and avian influenza.

Also affecting the business climate were cases of cesium contamination in beef as a result of the nuclear accident and food poisoning in the industry. Consumer mindsets changed during this period, with people becoming more interested in food safety and reliability, increasingly tightening their purse strings, and tending more to dine at home. Other key developments included relaxed import restrictions on U.S. beef, global trade liberalization—an example being the Trans-Pacific Partnership—and a growing need to address climate change and other environmental issues.

Q What's your assessment of the three years of the New Medium-Term Management Plan Part III in view of changes in the business climate?

A Our priorities under that initiative were to solidify our domestic operations and become a global enterprise. So, we refined the Group's strong integration system and high quality to rebuild

domestic manufacturing while meeting the challenges of an expanding global market through the concerted efforts of Group employees.

Our operating targets for fiscal 2011, the last year of this plan, were ¥1,150 billion in net sales and ¥35 billion in operating income. We unfortunately did not reach our revenue goal. This is primarily because in the first year of the plan we fell short of our net sales goal by about ¥100 billion owing to the impact of the worldwide recession that followed the collapse of Lehman Brothers. On the operating income front, we focused on effective structural reforms and upstream businesses, so we reached our targets in the first and second years of the plan. We were below target in the final year of that initiative, however, due to the impact of the Great East Japan Earthquake and floods in Thailand, as well as worsening profitability following a downturn in imported fresh meat markets. Over the three years of the plan, we posted an aggregate ¥84.6 billion in operating income, compared with a goal of ¥89 billion. Our operating income ratio in the second year was 3.4%. So, I think we did well in certain respects.

Several global issues remained, most notably improving the revenues and earnings of our Australian operations and expanding sales in key regions.

Key Indicators

		Fiscal 2009	Fiscal 2010	Fiscal 2011
Net sales (Billions of Yen)	Target	1,060.0	1,100.0	1,150.0
	Result	953.6	989.3	1,017.8
Operating income (Billions of Yen)	Target	24.0	30.0	35.0
	Result	24.9	33.2	26.5
Operating income ratio	Target	2.3%	2.7%	3.0%
	Result	2.6%	3.4%	2.6%

Q **What were your main achievements under the New Medium-Term Management Plan Part III and what issues did you encounter?**

A **Strengthen and enhance integration across the Group** One of the Nippon Ham Group's key strengths is its integration of everything from production through to sales. One benefit of stronger upstream activities in the fresh meats business under Part III was that we could expand pork and poultry shipments. We also made steady progress in tuna farming upstream in the marine products business. I believe that we can solidify our leading position even more by reinforcing our innovative integration setup.

Major issues were our efforts to outsource production to farmers and strengthen our position upstream in the dairy products business to secure sufficient raw materials to capitalize on growing demand for yogurt. On top of that, I think we need to become more responsive to marketplace fluctuations.

Reinforce the foundation of overseas operations An important move in expanding our overseas operations was our joint establishment of a ham and sausage producer in Vietnam, which offers strong growth potential, and the subsequent launch of sales in that country.

Our main challenges internationally are to overhaul our Australian operations and improve the hog business at Texas Farm. We will institute significant management reforms under the New Medium-Term Management Plan Part IV. Another issue is to cultivate managers for our overseas businesses.

Restructure the processed foods business Our expenditure on supply chain management (SCM) reforms began gradually bearing fruit from the second half of fiscal 2011. This and other initiatives enabled us to improve the earnings structure of the processed foods business.

However, we still need to further reinforce the earnings structure under the New Medium-Term Management Plan Part IV to overcome high raw materials prices. We must also develop more category-leading products.

	What we have done	*What we need to do*
1. Strengthen and enhance integration across the Group	● Strengthened upstream fresh meats businesses	● Outsource more fresh meat operations
2. Reinforce the foundation of overseas operations	● Set up new company in Vietnam ● Expanded direct trade from overseas bases with third countries	● Restructure businesses in Australia ● Improve performance at Texas Farm (Americas)
3. Restructure the processed foods business	● Overhauled supply chain management	● Develop new categories of products
4. Increase profits through the creation of value	● Expanded high value-added gift items business	● Strengthen branded products
5. Promotion of Group brand management	● Strengthened stakeholder relations	● Improve Group's corporate image

Implementation of the New Medium-Term Management Plan Part IV

Q Please explain the key points of your overhaul under New Medium-Term Management Plan Part IV, which you are deploying as the Company’s new president.

A We have four key points under this initiative. Basically, we aim to retain our management foundations while moving to the next stage in our development.

Our first point is to attain an operating income ratio of 4%. To date, we have ensured that capital expenditure does not outstrip depreciation and amortization, reducing interest-bearing debt to reinforce our financial position. Over the next three years, however, our capital expenditure will exceed depreciation and amortization. We will broaden our investment framework under the New Medium-Term Management Plan Part IV to around ¥100 billion, allocating this expenditure to drive growth and our efficiency strategies.

Main Points of Overhaul

- Attain an operating income ratio of 4%
- Establish ROE as a new performance indicator
- Reinforce shareholder-focused management
- Enhance the Group brand value

The second point of our overhaul is to position return on equity (ROE) as a new performance indicator, deploying various policies to enhance capital efficiency.

Third, in line with our ROE goals we seek to reinforce shareholder-focused management. Our priority to date has been on delivering stable, long-term dividends. Having restructured and boosted our financial position to an extent, we are now pursuing a consolidated payout ratio of 30% while acquiring treasury stock and bettering our total returns ratio so that we can increase shareholder value.

Our fourth point is to enhance Group brand value. We will also need brand strategies for our overseas sales, so we will reinforce corporate communications and enhance our standing in society, thereby increasing employee motivation.

Theme and Management Policies

Brush up the concept of Management for No.1 Quality

- Enhance the quality of products and quality of management
- Continue to strengthen compliance and governance

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Ongoing development of the Group

Improve profitability of domestic operations and reinforce the foundation of overseas operations

Allocate management resources in prioritized areas

- Inject management resources into business expansion measures
- Rearrange and restructure the business portfolio

▼

Allocate management resources in prioritized areas and reinforce management efficiency

Enhance the Group brand value

- Strengthen communications in and outside of the Group
- Promote Group brand management

▼

Enhance the Group brand value and corporate value

Q **You were central to formulating the New Medium-Term Management Plan Part IV. Please summarize this initiative for us.**

A This initiative aims to improve the profitability of domestic operations and bolster the earnings structure of overseas operations that will be necessary for the Nippon Ham Group to progress to the next stage. We therefore created three management policies to improve the profitability of domestic operations and reinforce the foundation of overseas operations.

Brush up the concept of Management for No. 1 Quality This first management policy is about refining that quality concept, which we deployed from the New Medium-Term Management Plan Part II. We aim to enhance the quality of our products while improving the quality of management in terms of the employees of the Nippon Ham Group, business activities, environmental issues, compliance, and a shared corporate philosophy. Such endeavors will enable us to deploy strategies that differentiate us from other companies and increase employee motivation.

Allocate management resources in prioritized areas Under the New Medium-Term Management Plan Part III, we sought to strengthen our financial fundamentals by ensuring that capital expenditure not outstrip depreciation and amortization. To ensure the sustainable development of the Nippon Ham Group, we need to increase cash flows by bolstering market share while allocating management resources to expand our businesses in growth areas and boost efficiency.

We will push forward with business selectivity and focus and assess our business portfolio in light of contemporary needs, prioritizing the allocation of management resources in growth areas. We will invest extensively not just in overseas growth businesses but also in new businesses to generate new sources of cash flow. We will accordingly invest in strategies to enhance efficiency in the processed foods business to enhance earnings.

Enhance the Group brand value The Nippon Ham Group shares common brands. I consider it important to leverage these brands to strengthen communications with stakeholders and properly convey the Group's business scale and scope. We seek to act accordingly to enhance Group brand value.

Q **What steps are you taking under Part IV to address Part III issues?**

A I think that further reinforcing the integration approach, which is the Nippon Ham Group's greatest strength, will help us to resolve these issues. To that end, we will draw on three management policies to refine our prime growth drivers, notably our product development, technological, and marketing capabilities. We aim to increase our ham and sausages market share in our processed foods business while boosting our share in the fresh meats business. At the same time, we will build our affiliated business into our third Group pillar by broadening the scope of our marine and dairy products businesses as new sources for our competitive edge.

Overseas operations account for around 7.8% of net sales. Under Part IV, we aim to lift that figure to around 10% to solidify our earnings structure. We will broaden our investment framework to position two areas as strategically important. They are countries in the Association of South East Asian Nations (ASEAN), whose economies are growing significantly, as well as the United States, whose population continues to climb. We will review the positionings of overseas businesses that have to date functioned as bases for supplying Japan and increase internal sales for local markets overseas by strengthening production operations in the fresh meats business and production and sales units in the processed foods business. We will employ the Nippon Ham Group brand in China to increase our ratio of sales within that nation.

Financial strategies and shareholder returns policies under the New Medium-Term Management Plan Part IV

- Invest extensively in growth businesses and undertake productivity improvement initiatives
- Use consolidated payout ratio as a benchmark for healthy shareholder returns

Q What management objectives and scenarios for reaching them have you set under New Medium-Term Management Plan Part IV?

A I believe that the Nippon Ham Group should aspire to an operating income ratio of 5%. We are at 2.6%, and will pursue 4% by the final year of Part IV.

We will boost the income ratio by expanding sales in the processed foods business under the category leader strategy while deploying efficiency strategies in manufacturing and other areas. In the fresh meats business, we will increase investments in our farming operations to solidify our procurement and supply capabilities. We will leverage our sales clout to lift our market share 1% annually on a volume basis, securing stable earnings. For marine and dairy products in our affiliated businesses, we aim to increase sales and income ratios by strengthening our raw materials procurement structure and expanding production at our own plants.

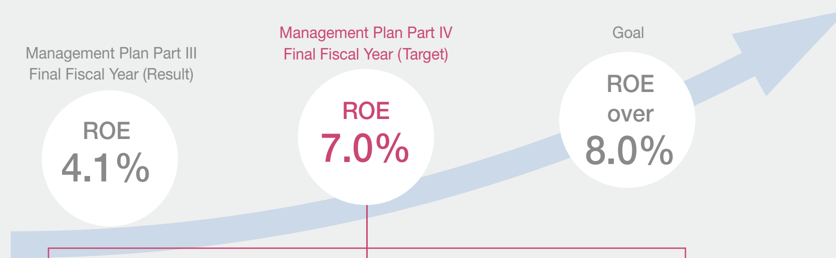
Q What are your financial strategies and shareholder returns policies under the New Medium-Term Management Plan Part IV?

A We basically centralize the management of funds within the Group. We will broaden the scope of those operations and enhance their sophistication so we centralize and optimally allocate funds for the entire Group. On generating cash from Groupwide management efficiencies, we would invest it in existing businesses with growth potential, as well as in overseas and new business and in productivity enhancements to reinforce Group growth and earnings.

Our shareholder returns objective is to switch from a policy of stable, long-term dividends toward using consolidated payout ratios as benchmarks in our dividend policy, making extra purchases of treasury stock when appropriate. We seek to make management more responsive to shareholder expectations by adopting ROE as a new index in undertaking policies to enhance capital efficiency. We look to produce ROE of 7.0% by the final year of Part IV.

Capital strategy and measures to boost ROE

- Make ROE a performance indicator, and undertake policies to improve capital efficiency



Expand net income	Shareholder capital management	Asset efficiency
● First raise operating income ratio to 4% ● Improve earnings capability by strengthening and expanding core businesses ● Boost market share ● Grow business domains, overseas sales	● Buy more treasury stock as appropriate	● Keep inventory assets at appropriate levels

Our approach to financial strategy and shareholder returns

Cash flow	● Generate ¥134 billion in cash flow from operating activities over 3 years ● Over same time frame, build up free cash flow of ¥21 billion
Funding	● Ensure flexible fund procurement policies that support growth and capital strategies (If necessary, take on interest-bearing debt. A spike in the debt-equity ratio is acceptable) ● Use cash management system

▼

Growth investments	● Invest in growth businesses in Japan and overseas and in new businesses ● Rigorously screen investment, and apply standards and rules
Shareholder returns	● Use consolidated payout ratio as benchmark for healthy shareholder returns → Consolidated payout ratio of 30%, with near-term floor of ¥16 per share ● Make extra purchases of treasury stock when appropriate → Improve overall rate of return

Long-Term Vision

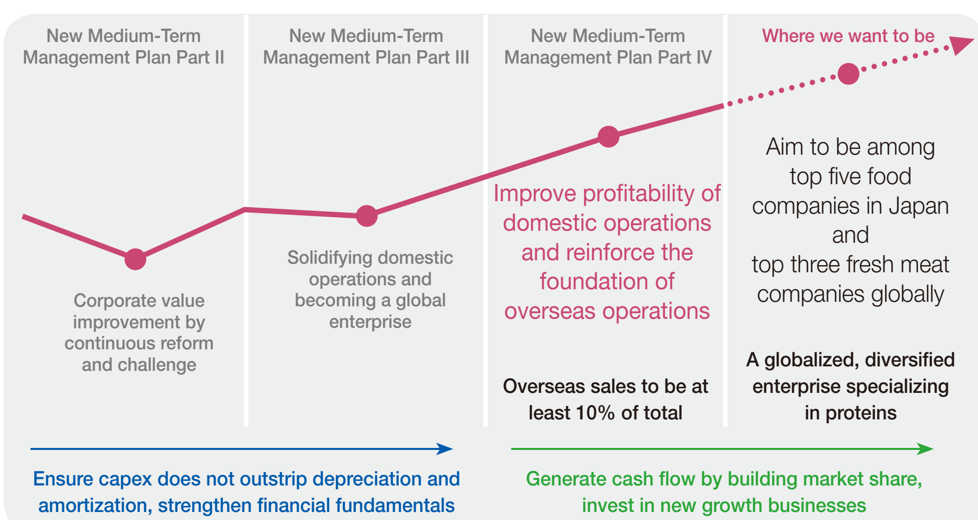
Q **Finally, tell us about the Nippon Ham Group's strengths, your vision for the Group, and how you aim to materialize that vision.**

A The Nippon Ham Group maintains its own integrated system to produce and process livestock, distribute, market, and provide consumer services. As I've already explained, integration is the Nippon Ham Group's greatest strength, which we underpin with our product development, technological, and marketing capabilities. Specifically, we have integration in the fresh meats business and strong marketing capabilities. We have development, technological, and proposal-based sales advantages that have given us category leadership in processed foods. In the affiliated business, our strength is the growth potential of our marine and dairy products. I believe that the Nippon Ham Group can grow even further if we leverage our marketing clout and cost performance.

In my view, the Nippon Ham Group's message, "The Brilliance of People for the Future of Food," is our brand promise to society. We have pledged to society at large and stakeholders that we will fulfill that brand promise. Our business processes in that regard start with how we reflect our appreciation for the bounties of nature in raising livestock. As an enterprise with 84 production facilities in Japan and abroad and a network of 279 sales offices, we are dedicated to craftsmanship and have an uncompromising commitment to quality. As a food business, we pledge to continually pursue the development of new food. We wish to impart the joy of eating, contribute to a happy and healthy life, and build a bright future in celebrating the brilliance of people.

Although the Nippon Ham Group is already one of Japan's top food producers, we are not in a position that we consider satisfactory. We will be relentless in undertaking operational reforms in an aggressive management effort to cultivate our operations domestically and internationally, becoming an enterprise that generates ¥1.5 trillion in net sales and attains an operating income ratio of 5%.

Future profile of the Nippon Ham Group



Processed Foods Business Division

Initiatives under the New Medium-Term Management Plan Part IV

Leveraging selectivity and focus in creating unrivaled products* and adhering to 5S** principles to transform our business structure and become a global enterprise.

* Incorporate proprietary technologies, outstripping second-tier offerings, and contribute to earnings

** A workplace organization methodology with five phases: sort, set in order, standardize, systemize cleanliness, and sustain discipline

Koji Uchida

Director and Managing Executive Officer, General Manager of Processed Foods Business Division

Business Climate Perception

Q Please outline your perceptions on changes in the business climate for the Processed Foods Business Division.

A The external climate was the most difficult I have ever experienced. Key negative factors included deflation, a strong yen, a mature domestic market, and rising raw materials procurement risks. Coupled with these factors were the impacts of the Great East Japan Earthquake and subsequent nuclear accidents and the floods in Thailand. In-house, we benefited during the first half of the New Medium-Term Management Plan Part III from lower raw materials costs. But a market shift toward low-priced items transformed the product mix. As we expected raw materials costs to surge in the first half of fiscal 2011—the final year of Part III—with margins deteriorating, we cut expenses in several ways. We notably stepped up supply chain management reforms, streamlined the product portfolio, and reviewed sales promotion spending.

On the sales front, we generated significant growth in ready-made meals by responding to the trend toward dining at home.

We expect that the expenses of raw materials, electricity, and fuel will rise even more in the years ahead. We will therefore endeavor to cut costs by restructuring and undertaking improvements at business sites. We will endeavor to enhance margins by cultivating unmatched products while cultivating new areas. I believe that we will additionally need to reduce our selling, general and administrative expense ratio so that we can raise our operating income ratio.

Key Initiatives under the New Medium-Term Management Plan Part IV

Basic policy

Undertake strategies for efficiency and strategies to create unmatched products

Key measures

Deploy policies to enhance productivity and put unmatched products in place while swiftly expanding local sales operations overseas

Initiatives under the New Medium-Term Management Plan Part IV

Q Tell us about your initiatives under the New Medium-Term Management Plan Part IV.

A The key challenges for the Processed Foods Business Division are to improve earnings and generate business growth.

We will therefore need to reinforce our product category strategies while leveraging our proprietary technologies, marketing clout, and our superior cost competitiveness to create unrivaled products.

Unrivaled products are those that retailers find absolutely essential to their sales spaces. Such offerings are the *SCHAU ESSEN* series, *Chuka Meisai*, and *Ishigama Kobo* series. We intend to cultivate *Mori-no-Kaori*, *Irodori Kitchen*, and *CHIKI CHIKI Bone* as unrivaled products, thus instantly expanding our competitive edge.

We will pursue two product development thrusts. The first will be to add value to existing products. A good example of this approach is with *Mou Kittemasu Yo! Grilled Pork*, a new presliced grilled pork offering. We have made this product a hit on the strength of a new technology that we deployed that delivers the enjoyment of freshly sliced grilled pork but without the hassle of messy cutting boards and hands. Our second thrust is to develop new category products. In that respect, we will reinforce Egao-no-Gohan, a Japanese line we targeted at the elderly and others wishing to eat at home. We will create new market categories by adding value and deploying differentiated products in response to lifestyle changes. We will endeavor to position these new offerings as massive hit items and unrivaled products.

Overseas, we aim to reinforce the development structures of local plants and swiftly increase local sales, primarily to local Japanese-owned companies. We will use the recent complete relaunch of operations at Thai Nippon Foods Co., Ltd., as a foothold in setting up a production unit. In countries and regions in which we anticipate that premium markets will expand in line with rising living standards, we seek to differentiate ourselves from the competition by addressing the need for food safety and reliability.

Our priority in endeavoring to emerge victorious amid a very tough operating climate is on building brand value. Amassing a collection of strong brands in their categories will enable us to solidify our growth strategies. We will draw on *SCHAU ESSEN* to cultivate *Mori-no-Kaori* and *Irodori Kitchen* as unmatched products. At the same time, we will develop trend-setting niches to create hit products in the grilled pork, frankfurter, and bologna categories. We will strengthen our premium gift product line, particularly the *Utsukushi-no-Kuni* brand. We will also harness regional plants for salami, hors d'œuvres, pepper pork, and other products as well as our brand companies to develop unique merchandise.

Q What progress have you made with efficiency measures to improve earnings?

A Domestic plants have engaged in selectivity and focus to streamline the product portfolio, thereby greatly reducing the number of items. Manufacturing costs are increasing overall because of rising lighting and air-conditioning expenses and earthquake-related expenditures, and we have lowered costs to an extent by concentrating on core products. We will further streamline our portfolio and install new production lines to enhance quality and earnings.

One key measure involved supply chain reforms, whose benefits outstripped costs in fiscal 2011, and we look for system investments to bear fruit in the years ahead. We will continue efforts to maximize our supply chain management reforms and strengthen cost competitiveness.

Q What sorts of brand strategies are you exploring to improve Group brand value?

A We will make it a top priority to build unrivaled product brands that customers support and trust as part of efforts to strengthen our brand strength. Safety and reliability have become a greater need since the Great East Japan Earthquake, and consumers are focusing on reliable, strong brands. We need more than ever to formulate strategies that reinforce standard brands. It will be important for us to carefully convey the enterprise value of the Nippon Ham corporate brand from a customer perspective to secure customer support in reinforcing “informative” marketing.

We aim to increase Group brand value and strengthen earnings by supplying products that enjoy overwhelming customer support and unique offerings, such as our allergy-safe food products. For example, we plan to open stores specializing in the popular *Utsukushi-no-Kuni*, our flagship gift brand, thus increasing brand value and our gift market share. We also aim to fulfill our Group brand pledge as a food company of imparting the joy of eating to all people by bolstering our line of allergy-free products.

Topics

Making *Utsukushi-no-Kuni* Nippon Ham’s Flagship Gift Brand

Utsukushi-no-Kuni is a premium summer and year-end gift that embodies the Nippon Ham Group’s comprehensive dedication to outstanding taste. This product harnesses the integration system that is the Group’s greatest strength, combining select pork from our own farms in Japan with our state-of-the-art technologies. *Utsukushi-no-Kuni* has enjoyed the support of consumers since its launch in 2006 because of its outstanding taste. Sales have grown so significantly each year that this offering is now our flagship brand. *Utsukushi-no-Kuni* has made more consumers loyal customers of the Nippon Ham Group, helping to enhance our brand value. In 2012, we will continue introducing effective sales promotions, highlighting the appeal of *Utsukushi-no-Kuni* to further increase sales.

Fresh Meats Business Division

Initiatives under the New Medium-Term Management Plan Part IV

We aim to materialize our Challenge 30 slogan by increasing volumes 5% annually, boosting market share 1% per year.

Note: Under Challenge 30 the Nippon Ham Group ultimately targets 30% of the domestic fresh meats market.

Juichi Suezawa

Director and Managing Executive Officer,
General Manager of Fresh Meats Business Division

Business Climate Perception

Q Please outline your perceptions on changes in the business climate for the Fresh Meats Business Division.

A The external climate was rife with major problems. Developments included hikes in resources prices, increasingly extreme market fluctuations, increased risks of avian influenza and other diseases, and the impact of the Great East Japan Earthquake. We endeavored to maintain safety and reliability under these circumstances. We reinforced our systems to safeguard livestock against the risks of disease. We conducted radioactivity inspections to address the issue of cesium contamination in beef. Internally, our Australian operations continued to struggle, and we faced issues in improving our manufacturing productivity and branding efforts. That said, we have achieved some progress by leveraging the marketing dominance we enjoy from our roughly 2,000 sales representatives in 120 locations nationwide and taking advantage of the procurement strengths we have built through integration.

In recent years, the global fresh meats market has expanded to encompass not just Japan but also China, other parts of Asia, and other areas. We believe that it will become necessary in the near future to collaborate with players in various countries to boost our procurement capabilities.

Key Initiatives under the New Medium-Term Management Plan Part IV

Basic policy

Boost earnings by refining the Group's comprehensive strengths and increasing domestic market share

Key measures

Expand sales volumes

Reinforce the foundation of overseas operations

Initiatives under the New Medium-Term Management Plan Part IV

Q **Tell us about your efforts to expand volumes, a key measure under the New Medium-Term Management Plan Part IV.**

A The Fresh Meats Business Division is retaining its Challenge 30 policy, through which it has endeavored to boost market share to 30%. The basic approach of that initiative is to increase sales volumes 5% annually to increase market share 1% per year. We will therefore bolster our positions in branded and other fresh meats while increasing our market shares among supermarkets and other volume retailers, meat shops, processed food companies, and among restaurant chains. If we can leverage the Nippon Ham Group's dominant marketing capabilities to increase volumes 5% annually, earnings should also increase.

We will also work hard to expand overseas sales. We will set up new operations in the United States and increase U.S. sales. In Asia, we plan to create business units in the Philippines and Indonesia, as well as in Thailand, Vietnam, and Singapore. We will also build third-country trading, cultivating local personnel and expanding overseas sales, principally in North America, China, and in ASEAN countries.

Q **Procurement will be a challenge in expanding volumes. Please outline your next key measure of reinforcing production and procurement.**

A We currently sell 930,000 metric tons of fresh meat annually that we procure both in-house and externally. We will explore mergers and acquisitions, alliances, and other vehicles to reinforce procurement so that we can expand volumes 5% per year and our market share 1% annually.

We will upgrade domestic production systems to increase our internal supply capacity. Specific initiatives will be to prioritize investments in poultry and to raise productivity in hog farms, while upgrading processing facilities to accommodate increased supply.

Q **What are your projections for the business climate in the fresh meats business?**

A The prices of domestically produced pork and poultry will probably remain for a while, but they should gradually rise. Market prices for beef have returned to levels before the cesium contamination issue arose. The Japanese people now consume around six kilograms of domestic beef per year, down from nine kilograms or so before. With domestic beef prices increasing, we recognize the need to optimize the selling balance with more imported beef.

In the near future, we expect low-priced beef tongue and internal organs on the market as Japan relaxes imports of U.S. beef, but we otherwise do not expect prices to be very cheap on other products. Given that our rivals will also operate under the same selling climate, the Nippon Ham Group looks to take advantage of its overwhelming marketing clout to become even stronger. Still, the reality is that supermarkets and other customers will need certain volumes of Australian beef to maintain their competitive edge, and that suggests business opportunities for our Australian beef business.

Given various changes in the business climate, we believe that our Japanese customers would find it more beneficial to rely on the Nippon Ham Group for its production and sales strengths rather than import through their own channels. So, I think that the Group can solidify its top share of the Japanese fresh meats market.

Topics

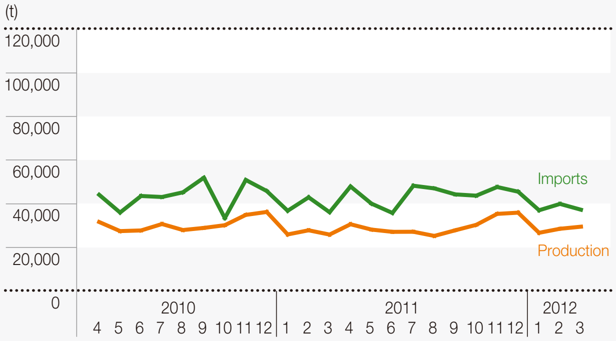
Expanding Sales of the *Mate Tea Chicken* Brand

Mate Tea Chicken is a brand produced on consignment in keeping with the Nippon Ham Group's quality assurance system. The poultry feed includes mate tea, which the South American have come to love as a "liquid salad." At the processing stage, we strictly control cutting standards, among others, and use metal detectors to double-check the chicken. In addition, we employ a traceability system to rigorously manage all products after shipping. With people even more interested in fresh meats that are safe, reliable, and tasty, *Mate Tea Chicken* is attracting tremendous attention. The Nippon Ham Group will cultivate this brand alongside *Sakurahime* poultry to further differentiate the Group from the competition, leveraging its marketing clout to increase sales.

The Nippon Ham Group is engaged in the production and sales of fresh meats worldwide. As such, its operating results are affected by such factors as fluctuations in meat supply and demand in the markets in which it operates. This page looks at key meat and feed market trends in Japan in fiscal 2011.

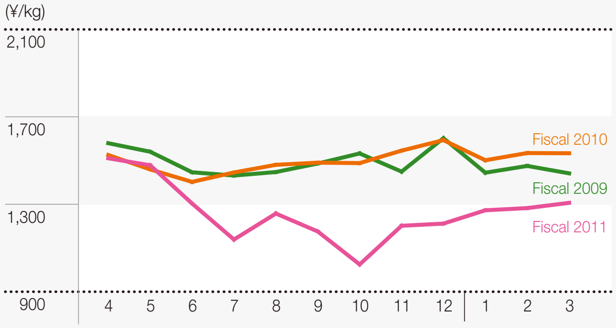
Prices and Supply/Demand for Beef

Beef Supply and Demand Trends



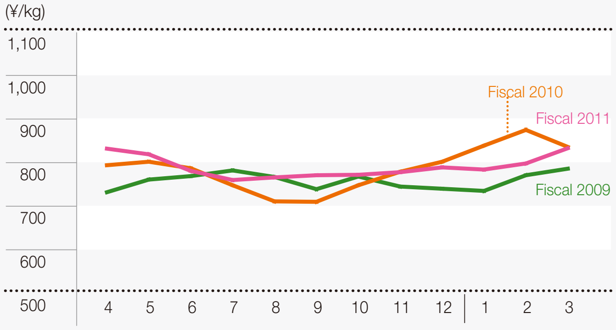
Source: Agriculture & Livestock Industries Corporation

Tokyo Market A-3 Wagyu Steer Prices



Source: Agriculture & Livestock Industries Corporation
(all graphs based on average prices)

Australian Chilled Beef [Full Set (Short Grain Fed)] Prices

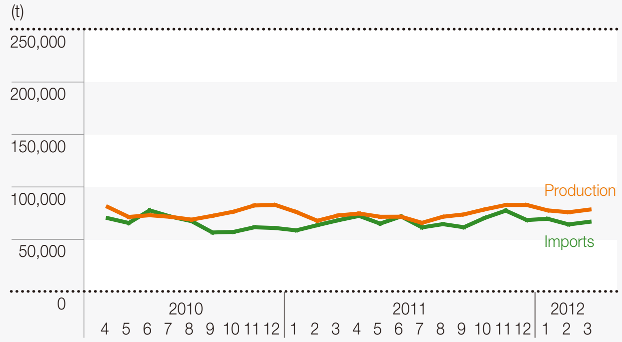


Source: Agriculture & Livestock Industries Corporation
(all graphs based on average prices)

- Domestic beef market prices dropped owing to food poisoning cases, cesium contamination, and other factors, but things began returning to normal after the end of 2011.
- There were no major changes in Australian beef prices throughout the year, although customs-cleared volumes declined owing to higher imports of American beef.

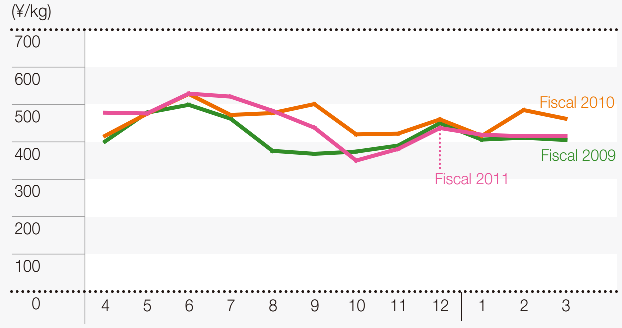
Prices and Supply/Demand for Pork

Pork Supply and Demand Trends



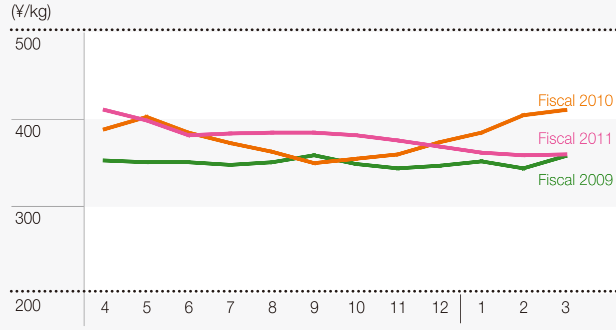
Source: Agriculture & Livestock Industries Corporation

Pork Carcass Prices (Tokyo Market Excellent Grade)



Source: Agriculture & Livestock Industries Corporation
(all graphs based on average prices)

U.S. Frozen Pork (Picnic) Prices

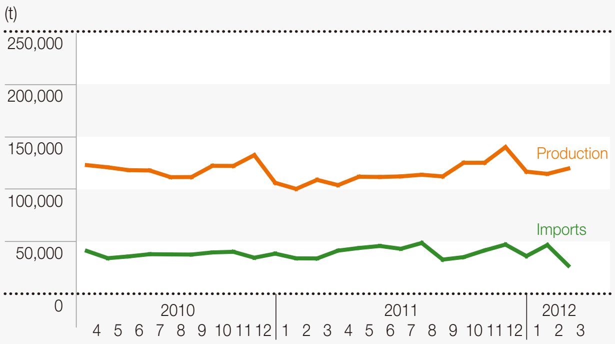


Source: Agriculture & Livestock Industries Corporation
(all graphs based on average prices)

- Market prices were high in the first half of the year because of the impact of the Great East Japan Earthquake on domestic pork prices and a decline in the number of hogs shipped. Market conditions were less volatile in the second half of the year.
- Pork imports were solid year-round owing to inventory adjustments from the previous year.

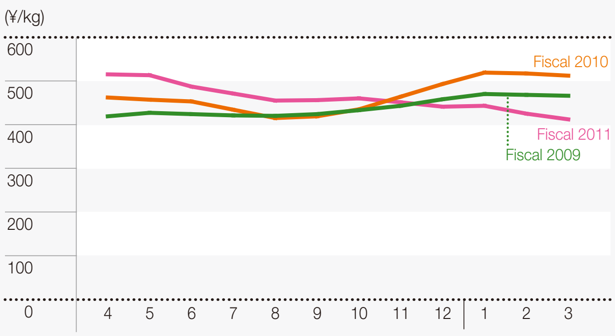
Prices and Supply/Demand for Poultry

Poultry Supply and Demand Trends



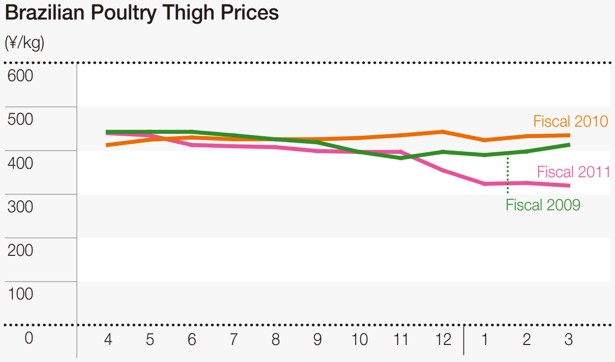
Source: Agriculture & Livestock Industries Corporation

Domestic Poultry Wholesale Prices (Weighted Average)



Source: Agriculture & Livestock Industries Corporation
(all graphs based on average prices)

Brazilian Poultry Thigh Prices

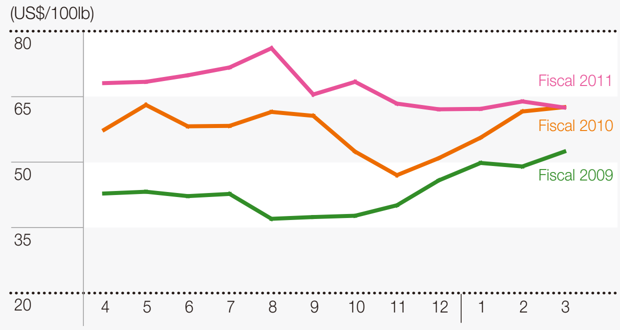


Source: Agriculture & Livestock Industries Corporation
(all graphs based on average prices)

- Prices for domestic poultry were high in the first half of the year owing to the impacts of avian influenza and the Great East Japan Earthquake. Prices plunged after production capacity recovered in November 2011, remaining low even in December, when demand is generally high, and continued to drop thereafter.
- Poultry imports rose in the first half of the year in light of the expected impact of the Great East Japan Earthquake on domestic supplies. There were surplus inventories, however, reflecting sluggish consumption, and prices plummeted from November 2011.

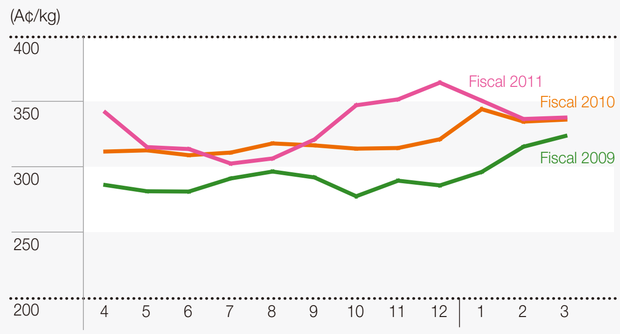
Overseas Livestock Prices

Live U.S. Fattening Hog Prices



Source: Agriculture & Livestock Industries Corporation
(all graphs based on average prices)

Live Australian Fattening Cattle Prices

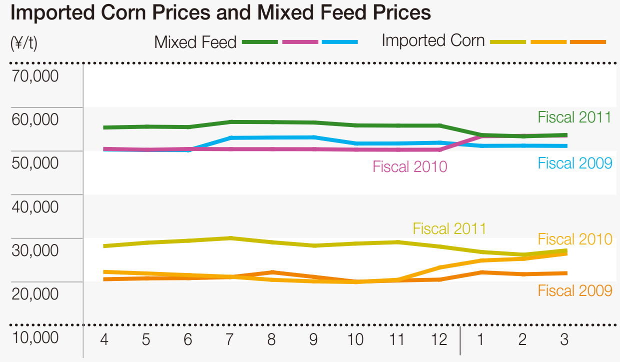


Source: Agriculture & Livestock Industries Corporation
(all graphs based on average prices)

- In the American live hog market, the number and weights of hogs for slaughter both declined, keeping prices somewhat high.
- Australian live cattle prices rose from the second half of the year.

Feed Prices

Imported Corn Prices and Mixed Feed Prices



Source: Agriculture & Livestock Industries Corporation
(all graphs based on average prices)

- Corn prices remained high. Mixed feed prices were stable, reflecting the impact of a strong yen.

Affiliated Business Division

Initiatives under the New Medium-Term Management Plan Part IV

Reinforcing in-house production capabilities to cultivate new markets and build competitive dominance

Koji Kawamura

Director and Executive Officer,
General Manager of Affiliated Business Division

Business Climate Perception

Q Please outline your perceptions on changes in the business climate for the Affiliated Business Division.

A In the marine products business, demand is rising in China and other emerging nations for marine foods, keeping market prices high globally. At the same time, consumption has stagnated in Japan, so the operating climate in the year under review was tough, with deflation continuing. In my view, we need to reinforce our procurement capabilities while enhancing our cost competitiveness, including through overseas production. So, with people increasingly preferring to dine at home, we are endeavoring to cultivate volume retailers, notably by developing very convenient products and suggesting attractive menus.

Demand for canned food has increased recently because of a growing interest among consumers in disaster preparedness. We therefore plan to double capacity at a cannery in Hachinohe, Aomori Prefecture.

The dairy products market itself is growing against the backdrop of a rising consumer interest in health, but marketing competition is intensifying, particularly among top makers. We drew on the production technologies we accumulated in commercial-use cheeses to fully enter the consumer cheese market. We have generated steady growth in that field despite market conditions being tougher than we envisioned. In the yogurt business, we developed new offerings and reinforced proposal-based marketing in the year under review in an effort to turn revenues and earnings around in that area. We are focusing on reinforcing our production lines for yogurt beverages, and sales are going well for these offerings, particularly to convenience store channels.

Key Initiatives under the New Medium-Term Management Plan Part IV

Basic policy

Undertake key measures to generate a consolidated operating income ratio of around 10% and a ratio of operating income to net sales of 3%

Key measures

Focus on production to enhance quality and efficiency

Initiatives under the New Medium-Term Management Plan Part IV

Q Tell us about your goals of enhancing quality and efficiency by reinforcing production under New Medium-Term Management Plan Part IV.

A We must refine in-house production capabilities, cultivate new markets, and establish competitive dominance to build sales and margins in a mature marketplace. In-house production starts with focusing on production. We have to improve quality and boost production capacity at our own plants to be able to manufacture top-quality products at competitive prices. It is also important to cultivate the people who will develop production technologies and increase quality and efficiency. Under Part IV, we will make heavy capital investments in production units while leveraging external resources to cultivate people working on production technologies. We aim to draw on such efforts to increase product quality and manufacturing efficiency and become competitively dominant in terms price and quality. We seek to leverage our strengths to increase the sales proportion of products made in our own plants by five percentage points during Part IV, thereby boosting margins.

Q Please outline your key measures of strengthening capabilities in product development and sales, based on marketing initiatives, and in promoting brand management.

A Each company in the Affiliated Business Division has strengths in commercial-use products. There have been issues in product development, however, with these companies having to make assumptions about consumer needs when marketing. So, we will engage thoroughly in customer-oriented marketing, clarifying targets and concepts, and increasing our product development capabilities. We will reinforce marketing by providing training and developing sales tools while more actively formulating and executing store promotions. We will communicate with consumers through the corporate brands of our companies and enhance customer loyalty. Such endeavors should empower us to expand sales volumes, centered on consumer products.

Q What steps are you taking on the global stage?

A To date, our division's overseas affiliates have basically functioned as production bases for the Japanese market. That said, we need to expand our sales internationally. Our first step in cultivating our global presence was to have a Chinese affiliate start selling freeze-dried products in China and South Korea. We look for that affiliate to market marine products and commercial-use cheese. We also plan to outsource in Thailand to make delicacies and other marine products and expand sales in the United States and other countries.

Q **What's your outlook for the affiliated business?**

A We expect demand to keep expanding in the years ahead for marine and dairy products. While the market for the marine products business has matured, I believe that we can generate tremendous growth. That is because while we have a low market share, we can leverage the operational scale of the Nippon Ham Group to cultivate our business. By reinforcing our operations upstream, we should be able to build an integration system—the Group's greatest strength—for the marine products business, increasing our industry presence.

In the dairy products business, we expect demand for cheese to grow as it becomes part of more menu items. Consumption should similarly rise for yogurt in view of a growing consumer interest in health. So, we consider the dairy products market very attractive, offering tremendous business opportunities. Competition is intense with leading producers in this field, but I think that we can secure our own position in the market by developing distinctive products, strengthening proposal-based sales, and deploying the right brand strategies. The Affiliated Business Division will endeavor to capitalize on business opportunities and expand revenues and profits from in-house production, thereby becoming the Nippon Ham Group's third business pillar.

Topics

Upgrading Hoko's Hachinohe Factory

The Hachinohe Factory of Aomori-based Hoko Co., Ltd. produces foods for ambient storage in cans, jars, and pouches. We decided to upgrade Hoko's facilities in response to rising demand for ambient foods for their convenience and utility in disaster-preparedness in light of the Great East Japan Earthquake. The upgraded facilities is scheduled to begin operating in October 2012, with annual capacity doubling to about 12,000 metric tons. We aim to help revitalize the Hachinohe economy by making products incorporating local seafood and other ingredients. The facility expansion was in keeping with a key policy of the Affiliated Business Division of increasing in-house production. We will continue reinforcing quality and efficiency by strengthening production capability, thereby expanding profitability.