Nippon Ham Group

Nippon Meat Packers, Inc.

Annual Report

2009

Year Ended March 31, 2009

Management for No.1 Quality

Establishing a progressive corporate culture dedicated to ensuring product quality and customer satisfaction

Corporate Philosophies

1. Under the basic theme of “Joy of Eating,” our company creates a culture that marks an epoch and contributes to society.
2. Our company is a place where employees can feel truly happy and fulfilled.

Management Principles

1. Act with noble ideals and the determination to achieve them.
2. Learn from others, teach others, and be willing to be taught by others.
3. Create the times by meeting the needs of the times.
4. Expand relationships through quality and service, and take responsibility for all people with whom we have relationships.
5. Strive for a highly functional organization.

The “Nippon Ham Group” Brand Pledges

We aspire to share the pleasures of good eating and the joys of health
with people around the world.

We pledge to impart the “Joy of Eating” with the greatest of care,
through products that reflect our appreciation of the bounty of nature
and our uncompromising commitment to quality,
and to remain at the forefront in our exploration of
food’s contribution to a happy and healthy life.

Nippon Ham Group

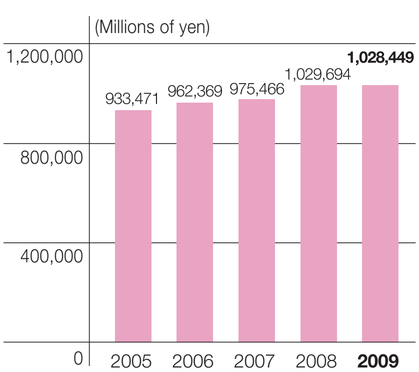
Financial Highlights

Nippon Meat Packers, Inc. and Subsidiaries
For the Years Ended March 31, 2009, 2008 and 2007

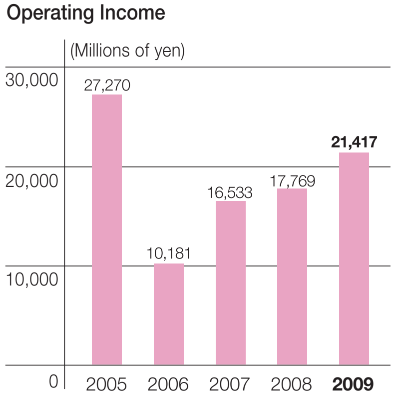
	Millions of Yen			Thousands of U.S. Dollars
	2009	2008	2007	**2009**
Net Sales	**¥1,028,449**	¥1,029,694	¥ 975,466	**$10,494,378**
Operating Income	**21,417**	17,769	16,533	**218,541**
Income from Continuing Operations before Income Taxes and Equity in Losses of Associated Companies	**6,195**	7,769	13,753	**63,214**
Net Income from Continuing Operations	**1,104**	3,866	11,418	**11,265**
Net Income	**1,657**	1,555	11,386	**16,908**
Total Assets	**583,684**	608,809	612,933	**5,955,959**
Total Shareholders' Equity	**270,439**	287,457	298,428	**2,759,852**
	Yen			U.S. Dollars
Per Share Amounts:				
Basic earnings per share:				
Continuing operations	**¥ 4.84**	¥ 16.94	¥ 50.03	**$ 0.05**
Discontinued operations	**2.42**	(10.13)	(0.14)	**0.02**
Net Income	**¥ 7.26**	¥ 6.81	¥ 49.89	**$ 0.07**
Diluted earnings per share:				
Continuing operations	**¥ 4.83**	¥ 16.92	¥ 49.97	**$ 0.05**
Discontinued operations	**2.42**	(10.12)	(0.14)	**0.02**
Net Income	**¥ 7.25**	¥ 6.80	¥ 49.83	**$ 0.07**
Total Shareholders' Equity	**¥ 1,185.25**	¥ 1,259.74	¥1,307.77	**$ 12.09**
Cash Dividends	**¥ 16.00**	¥ 16.00	¥ 16.00	**$ 0.16**
	Percent			
Index				
Ratio of Operating Income to Net Sales	**2.1%**	1.7%	1.7%	
Return on Equity (ROE)	**0.6%**	0.5%	3.9%	
Return on Assets (ROA)	**1.0%**	1.3%	2.3%	

Notes: 1. The above figures are based on the consolidated financial statements prepared in conformity with accounting principles generally accepted in the United States of America.
2. The United States dollar amounts represent translations of Japanese yen at the rate of ¥98=$1. See Note 1 to the consolidated financial statements.
3. See Note 1 to the consolidated financial statements with respect to the determination of the number of shares in computing the per share amounts.
4. In accordance with Statement of Financial Accounting Standards No.144, "Accounting for the Impairment or Disposal of Long-Lived Assets," the Companies present the results of discontinued operations as a separate line item in the consolidated statements of income under income (loss) from discontinued operations—net of applicable income taxes. Prior years' consolidated statements of income were reclassified to conform to the current year presentation to separately report the results of discontinued operations.
5. Operating income represents net sales less cost of goods sold and selling, general and administrative expenses.
6. ROE = (Net income / Average total shareholders' equity) × 100
ROA = (Income from continuing operations before income taxes and equity in losses of associated companies / Average total assets) ×100

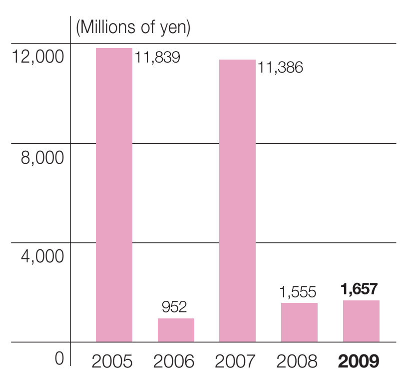
Net Sales



Operating Income



Net Income



Forward-looking Statements

This annual report contains "forward-looking statements," including statements concerning the company's outlook for fiscal 2009 and beyond; business plans and strategies and their anticipated results; and similar statements concerning anticipated future events and expectations that are not historical facts. The forward-looking statements in this report are subject to numerous external risks and uncertainties, including the effects of economic conditions, market trends and currency rates, which could cause actual results to differ materially from those expressed in or implied by the statements herein.

Contents

Thanks to the support of the Nippon Ham Group's many stakeholders, in the fiscal year ended March 31, 2009, we once again achieved consolidated net sales in excess of ¥1 trillion.

The Nippon Ham Group continues to operate in a challenging environment. With the impact of global financial turmoil having spread to the real economy in Japan, the deterioration of economic conditions and a concurrent dampening of consumer morale remain causes for concern. Raw materials prices and fuel costs also continue to generate apprehension. While market prices for crude oil and grains have retreated for the moment, global population growth and the rise of emerging countries are likely to drive raw materials prices and fuel costs up further over the medium to long term. In this environment, we face increasing pressure to respond effectively to drastic changes in the market, including wildly fluctuating prices for fresh meats and rising consumer unease regarding the safety and reliability of food products.

Amidst these concerns, in the period under review we sought to address a variety of management challenges under the guidance of the New Medium-Term Management Plan Part II, in line with the plan's stated goal of "corporate value improvement by continuous reform and challenge."

In April 2009, we launched the New Medium-Term Management Plan Part III. The tasks ahead of us—including increasing profitability—are clear. The management and employees of the Nippon Ham Group pledge to rally their capabilities to achieve the targets of this plan, thereby laying a foundation for the Group's future growth and evolution.

The outlook for the global food products industry remains uncertain. As a provider of food products, we will continue striving—guided by our basic corporate theme, which is to share the joy of eating—to fulfill the promise of our brand statement: "The Brilliance of People for the Future of Food."

In closing, allow me to thank shareholders and investors once again for their support to date. I look forward to your continued guidance and understanding in the years to come.

July 2009

Hiroshi Kobayashi

Hiroshi Kobayashi
President and Representative Director

Perception of the Business Climate and Overview of Operations

Q

How did the business climate change in the fiscal year ended March 31, 2009?

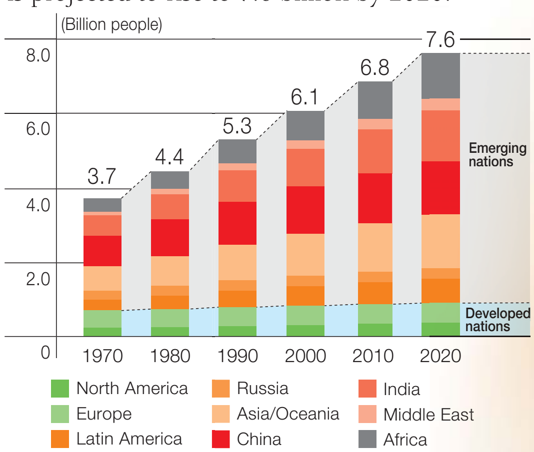
A

Initially, I didn't think the global downturn that originated in the United States would affect Japan all that much, but the situation turned out to be considerably more serious than I had first thought as the nation's gross domestic product plunged an annualized 12.1% in the third quarter. The recession admittedly provided a relief from high oil and grain prices. However, looking a bit further ahead to around 2020, the world will have approximately 7.6 billion people, and an increasing number of emerging countries will have come to the fore, resulting in a race to secure food and resources over the medium to long term that will likely drive prices for raw materials up even further.

Conditions remained tough for us in the fiscal year ended March 31, 2009, largely as a consequence of inflated raw materials prices and turmoil in the fresh meats market. Also, more food industry scandals heightened consumer concerns about safety. It's critical to keep tabs on developments in the food industry, particularly with the consolidations and business alliances we're seeing.

● Worldwide Population Figures and Estimates and Demand Trends and Forecast

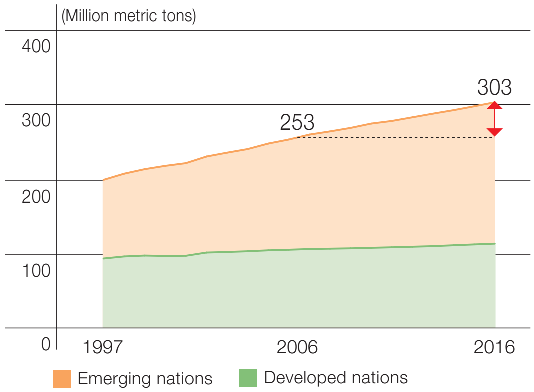
The current population of 6.7 billion is projected to rise to 7.6 billion by 2020.



Source: *OECD-FAO Agricultural Outlook*

● Global Fresh Meat Supply and Demand Trends and Forecast

● Consumption of fresh meats will increase 50 million metric tons over the next 10 years.
● Of this increase, 42 million metric tons will be consumed by emerging nations.



Source: *OECD-FAO Agricultural Outlook*

Q

How would you assess your consolidated performance in the period under review?

A

We benefited from high prices for fresh meats in the first half and solid demand for gift sets for hams and sausages in the second half. Nevertheless, consolidated net sales for the full term slipped 0.1%, to ¥1,028.4 billion, owing to the appreciation of the yen, sluggish prices for fresh meats in the second half, and flagging overseas revenues—a consequence of

the global economic crisis. In contrast, operating income rose 20.5%, to ¥21.4 billion. This result reflected stronger sales of hams and sausages and the impact of cost cuts, which bolstered operating income in the Processed Foods Business Division.

Despite a 12.8% decline in net sales overseas, these operations returned to profitability as operating income improved ¥4.8 billion compared with the previous fiscal year, erasing last year's operating loss. Currency rate fluctuations greatly affected revenues from our Australian beef business, while our leather business in that nation suffered from a demand slump sparked by the recession, pushing Australian sales down 22.5%. Regardless, our performance in Australia improved on the strength of initiatives that lowered costs and improved productivity, although we remained in the red. In the Americas, sales declined 8.9%, reflecting a strong yen and a prolonged downturn in prices for live hogs, while operating income rose, bolstered by improved exports in the fourth quarter.

Evaluating Achievements Under the New Medium-Term Management Plan Part II

Q

Can you give us a short summary of achievements during the three years of the New Medium-Term Management Plan Part II?

A

This initiative targets ¥1.02 trillion in net sales and ¥33 billion in operating income, both on a consolidated basis. We exceeded the net sales goal in the fiscal year ended March 31, 2008, but operating income for the year unfortunately fell short of expectations, as efforts to slash expenses and revise prices were insufficient to overcome such negative factors as high raw materials prices in both the Processed Foods Business Division and the Affiliated Business Division.

Other factors reflected in the earnings shortfall included tough competition overseas, market turmoil and unrealized losses on inventories in the Fresh Meats Business Division. Improving profits remains an important goal, regardless of whether they suffered due to external reasons or because of temporary considerations.

● Quantitative Achievements

(Billions of Yen)

Year ended March 31, **2009**	Target	**Actual Result**	Difference
Net sales	1,020.0	**1,028.4**	+8.4
Operating income	33.0	**21.4**	–11.6
Income from continuing operations before income taxes and equity in losses of associated companies	30.0	**6.2**	–23.8

Implementing the New Medium-Term Management Plan Part III

Q

What's the philosophy behind the New Medium-Term Management Plan III?

A

Only adaptable companies can survive radical marketplace changes. But some things should stay intact, corporate philosophy being one example. We have two such philosophies—"Under the basic theme of 'Joy of Eating,' our company creates a culture that marks an epoch and contributes to society" and "Our company is a place where employees can feel truly happy and fulfilled." All Group employees work in line with these philosophies, which founder Yoshinori Okoso formulated in 1986.

Our products embody five key elements. They are our acknowledgment of the blessings of life, an uncompromising commitment to quality, freshness and great taste, engagement with our customers, and our appreciation for nature's bounties. Together, these elements signify safety and reliability, satisfaction, and pleasure for consumers.

The Nippon Ham Group's brand statement, "The Brilliance of People for the Future of Food," is all about ensuring a pleasurable eating experience without compromising quality. This statement and our philosophies are central to deploying the New Medium-Term Management Plan III as we build consumer trust and brand value.

Corporate Philosophies

1. Under the basic theme of "Joy of Eating," our company creates a culture that marks an epoch and contributes to society.
2. Our company is a place where employees can feel truly happy and fulfilled.

Management Principles

1. Act with noble ideals and the determination to achieve them.
2. Learn from others, teach others, and be willing to be taught by others.
3. Create the times by meeting the needs of the times.
4. Expand relationships through quality and service, and take responsibility for all people with whom we have relationships.
5. Strive for a highly functional organization.

Q

What does the Group seek to achieve under the New Medium Management Plan Part III?

A

We have three management policies. The first is for management to establish and evolve the concept of "Management for No. 1 Quality." The second is to improve profitability through greater selectivity and focus, and the third is to create a global business structure. We aim to streamline operations by restructuring production, logistics and sales in Japan, and to identify new opportunities worldwide. The key priorities of the New Medium-Term Management Plan III are thus to reinforce domestic operations while growing as a global player.

On the income front, having already achieved an operating income ratio of 2.1% we will once again raise the bar, this time to 3.0%. This will depend on several factors, one of which is that our Fresh Meats Business Division succeeds in boosting its domestic market share by 1.0% annually, thereby securing profitability. It is also vital for our Processed Foods Business Division to sharpen its competitive edge by adopting a two-pronged approach—i.e., price-oriented and value-oriented—to product development and increase its market share.

The management foundations that will be crucial to the success of such efforts are the enhancement of the Group's strong vertically integrated production system and reinforcing the already high quality of its products and services. We're transforming our business model into one that will keep us at the forefront of efforts to revitalize our entire industry.

● Performance Targets for the Year Ending March 31, 2012

(Billions of Yen)

	2009 Actual Result	2012 Target
Net sales	1,028.4	1,150.0
Operating income	21.4	35.0
Operating income ratio	2.1%	3.0%
Income from continuing operations before income taxes and equity in gains (losses) of associated companies	6.2	30.0
Net income	1.7	17.0

Q

Your operating climate has experienced unprecedented upheavals. What are the central priorities for Group management?

A

It's important to focus on what's happening in the front lines when executing management strategies. You have to go to where the action is, see what's happening, and understand the reality. Then you can formulate your strategies.

In the Processed Foods Business Division, we will draw on this approach to create value-added products, reasonably-priced products, and services that consumers want. In the Fresh Meats Business Division, we will employ our comprehensive Group strengths to increase our market share and bolster upstream businesses. In the Affiliated Business Division, we will position marine foods and dairy products as solid contributors to our operating income.

Pursuing Sustainable Growth

Q

How do you formulate the strategic investment activities that are essential to growth?

A

As a manufacturer, we will invest decisively in equipment and our people to ensure the Group's future growth. To facilitate strategic and efficient investment, we relentlessly pursue selectivity and focus, and assess investment proposals from the perspectives of profitability, potential and suitability to our brand. We also reassess businesses that cannot contribute to the Group in the medium to long term. Going forward, we will continue to ensure that total outlays fall within the limits of depreciation and amortization expenses, as well as to fund investments from cash generated by businesses and earmarked for this purpose.

Q

Can you tell us a little about governance practices and your planned shareholder returns?

A

Corporate governance is a fundamental priority for Group management. We're improving management transparency and discipline while acting accountably toward all our stakeholders. We strive to optimally combine such external strengths as the autonomy and expansionary efforts of each Group company with the internal strength furnished by our management principles and Group brand, and will draw on solid governance to further enhance management quality. Compliance, environmental protection measures, corporate social responsibility and other elements are all essential elements in this.

We also intend to continue paying stable dividends over the long term.

Review of the New Medium-Term Management Plan Part II

Q

What were your overall achievements during the three years of the New Medium-Term Management Plan Part II?

A

The New Medium-Term Management Plan Part II encompassed six management strategies for continuously reforming and meeting new challenges to increase corporate value, in line with the plan's theme, "Corporate value improvement by continuous reform and challenge."

Under the first strategy of promoting strong sales and marketing to expand operations, we focused on reinforcing our Processed Foods Business Division. In the Fresh Meats Business Division, we broadened the capabilities of the sales department and reinforced its foundations.

The second strategy was to establish an optimum logistics structure. To achieve this goal, we prepared Groupwide logistics codes and launched a project to create a supply chain management system in the Processed Foods Business Division.

The third strategy was to develop global strategies and expand overseas sales. Here, success was limited to establishing procurement units and revamping unprofitable overseas businesses. Accordingly, certain issues remain which must be addressed.

The fourth strategy emphasized the nurturing of Group employees and revitalizing operations. To enhance these areas, we formulated a new personnel information system and started holding management seminars for senior management-class executives.

The fifth strategy was to improve asset efficiency and maximize cash flows. In line with this strategy, we reorganized production, particularly in the Processed Foods Business Division, deployed a cash management system and started filing consolidated tax returns.

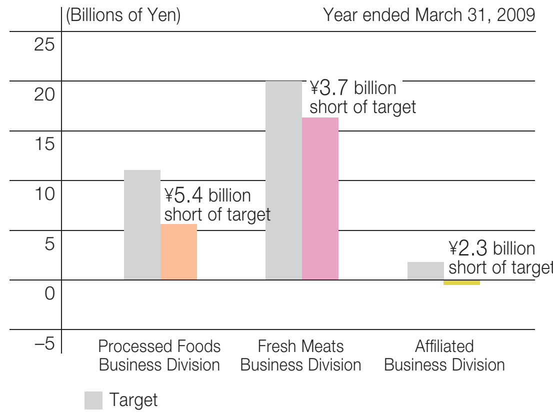
Regarding the sixth strategy of harnessing information technology to accelerate decision making, we deployed human resources information and accounting systems, and upgraded the information systems for the Fresh Meats Business Division and the Affiliated Business Division's marine products business. In addition, the Processed Foods Business Division launched a supply chain management system.

● Analysis of Income Performance in the Final Year of the New Medium-Term Management Plan II

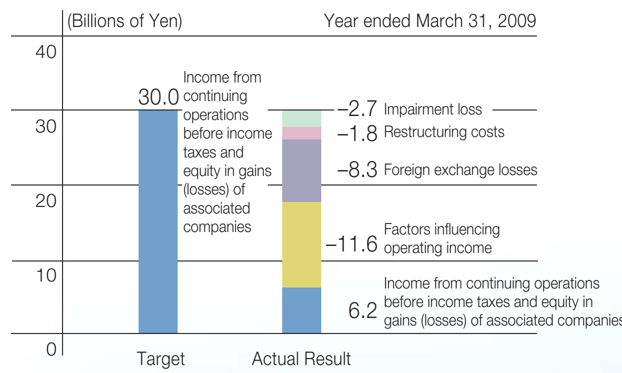
Year ended March 31, (Billions of Yen)

2009	Target	**Actual Result**	Difference
Operating income	33.0	**21.4**	–11.6
Income from continuing operations before income taxes and equity in losses of associated companies	30.0	**6.2**	–23.8
Net income	17.5	**1.7**	–15.8

● Operating Income: Targets and Actual Results



● Income from Continuing Operations before Income Taxes and Equity in Losses of Associated Companies: Targets and Actual Results



Noboru Takezoe

Vice President and Representative Director

Operating income in the Processed Foods Business Division and the Affiliated Business Division were ¥5.4 billion and ¥2.3 billion lower than our original forecasts, respectively, as price increases for raw materials exceeded expectations. Operating income in the Fresh Meats Business Division was ¥3.7 billion below projections, owing to wildly fluctuating fresh meat prices. Income from continuing operations before income taxes and equity in losses of associated companies also fell short of our forecast, owing to such transient factors as a foreign exchange loss, an impairment loss of fixed assets, and spending to restructure the Processed Foods Business Division.

Q

With the period over, what are your thoughts on the market for food products and the current business climate?

A A spate of food scandals heightened consumer concerns about food safety and reliability. With the buying clout of mass-volume retail channels increasing and the position of food producers becoming commensurately weaker, we must take steps to address the challenges of consolidation and reorganization in the fresh meats industry. Domestic demand is dwindling as Japan's population shrinks and ages, setting the stage for intensified competition in the future.

Prices for grain, crude oil and fresh meats have stabilized somewhat since plunging in the fourth quarter. However, oil prices are trending upward again, so we need to acknowledge that secondary materials could become more costly. With the positive impact on actual costs lagging behind the abrupt downturn in market prices, inventory positions have become relatively expensive—although this is a transitory phenomenon—as volume retailers stage sales campaigns aimed at passing on the benefits of a strong yen to consumers.

Growth Challenges

Q

What are the primary challenges you face in boosting revenues and earnings in such an operating environment?

A There are two. First, we must establish a distinct competitive edge in Japan and boost profits. To these ends, we must pursue high quality, slash costs and promote greater selectivity and focus.

The second challenge is to bolster sales by restructuring our overseas sales network. We must expand upstream businesses, undertake the export of offerings from our integrated production system, and forge international business and capital alliances.

Addressing these challenges will position us to draw on the premium quality of our products and our integrated production system—a Group strength—to transform our business model and respond to contemporary realities.

Q

What are management's business policies for overcoming those two challenges?

A We have three such policies. The first is to establish and evolve the concept of "Management for No. 1 Quality," which encompasses products, management, compliance, environmental management and cultivating human resources. We will thereby establish a brand image that equates the Group with high quality.

Second, we are pursuing selectivity and focus in everything from management resources to products to improve profitability. Through such efforts, we aim to achieve stable growth for the Group and an operating income ratio of 3%.

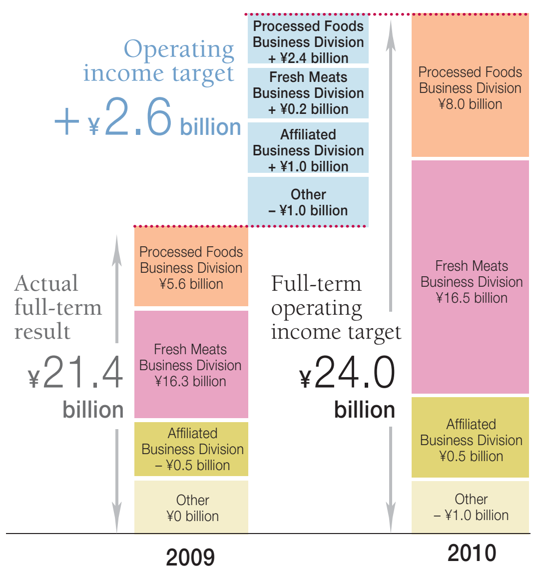
The third policy is to create a global business structure and strengthen our management bases to expand overseas sales. Group companies will rally together to incorporate these three policies into their operations.

Q

Before we turn to initiatives under your medium-term management plan, how do you compare operating income forecasts by operating segment for the fiscal year ending March 31, 2010, with results for the period just ended?

A We are looking for operating income for the Processed Foods Business Division to increase by ¥2.4 billion on the strength of more settled raw materials prices and expanded sales of core brands and gift sets. We do, however, recognize that there is a risk of further increases in raw materials prices over the medium to long term. Operating income in the Fresh Meats Business Division is likely to remain essentially flat, owing to a recovery in the second half of the year after struggling in the first half as a consequence of falling market prices. However, a recovery in market prices should bolster earnings from the following year—the fiscal year ending March 31, 2011—forward. We forecast a ¥1 billion increase in operating income in the Affiliated Business Division, owing to higher sales of marine and dairy products, and we expect earnings will continue to trend upward thereafter because of higher sales.

● Outlook for Operating Income by Operating Segment



(Years ended/ending March 31)

Expansion Initiatives

Q

Can you tell us about your strategies under the New Medium-Term Management Plan Part III?

A This plan comprises five management strategies. The first is to strengthen and enhance integration across the Group by reinforcing upstream fresh meat businesses and pursuing new integration challenges in upstream marine and dairy products, as well as by strengthening our sales structure—the driving force behind such integration.

The second strategy is to reinforce the foundation of overseas operations. The focus here is to raise competitiveness, partly through alliances, and secure and train highly skilled employees to handle overseas business processes ranging from raw materials procurement and production to sales.

Third, we seek to fortify domestic operations by restructuring our processed foods business. We will do this by rebuilding the production and marketing structures of that area and reforming supply chain management. This will enable us to transform our business model, positioning us to accommodate changes in the operating environment.

Fourth, we aim to increase profits through creation of value. We will do this by establishing a powerful quality assurance structure that incorporates the customer's perspective and by leveraging the strengths of our Research and Development Center and integrated production system.

The fifth strategy is to promote Group brand management. A Group brand that evokes safety, reliability and quality will be pivotal to effective consolidated management. By helping Group companies raise their own brand value we will enhance the corporate value of the Group as a whole.

Q

What are your operating income targets by operating segment for the final year of the New Medium-Term Management Plan Part III?

A We anticipate operating income of ¥9.5 billion in the Processed Foods Business Division, ¥3.9 billion higher than in the period just finished. This will come from stepping up marketing and sales of consumer and commercial offerings, refining our product development capabilities, which are our key growth drivers, and from efforts to cut production costs.

In the Fresh Meats Business Division, we expect operating income will advance ¥7.7 billion, to ¥24 billion. Contributing factors will include a higher domestic market share and the expansion of our

● Outlook for Operating Segments

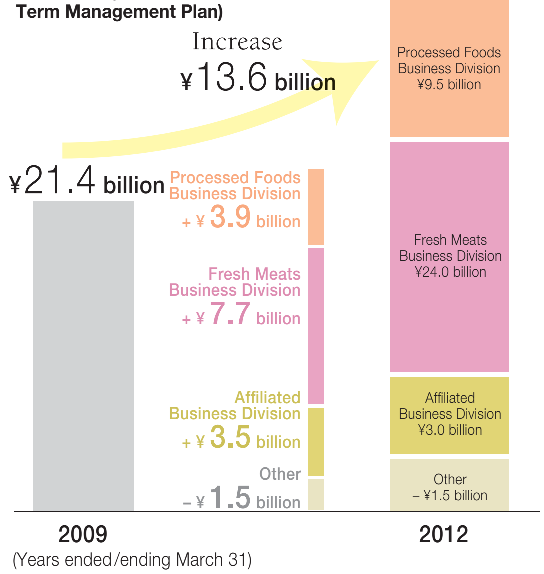
(Millions of Yen/%)

Years ended/ending March 31		2009	**2012**
Processed Foods Business Division	Sales	326,737	**374,000**
	Operating income	5,648	**9,500**
	Operating income ratio	1.7%	**2.5%**
Fresh Meats Business Division	Sales	677,877	**769,000**
	Operating income	16,290	**24,000**
	Operating income ratio	2.4%	**3.1%**
Affiliated Business Division	Sales	132,508	**153,000**
	Operating income	(527)	**3,000**
	Operating income ratio	—	**2.0%**
Consolidated	Sales	1,028,449	**1,150,000**
	Operating income	21,417	**35,000**
	Operating income ratio	2.1%	**3.0%**

global procurement system to achieve greater cost competitiveness derived from economies of scale.

We expect the Affiliated Business Division to generate operating income of ¥3.0 billion, up from an operating loss of ¥500 million. Principal factors behind this improvement will be the establishment of a new foundation for growth that includes our vertically integrated production system, an improved ability to procure and market marine products, area and channel specialization strategies in the dairy products business, and enhanced cost competitiveness in the production arena.

● **Factors Behind the Increase/Decrease in Operating Income (New Medium-Term Management Plan)**



Q

What are your projections for overseas sales and operating income in the fiscal year ending March 31, 2012?

A

We are targeting ¥88 billion in sales to external customers overseas, to be achieved largely through business expansion in Australia and the United States. We also forecast ¥2 billion in operating income overseas. In Australia, we will withdraw from unprofitable businesses and take steps to enhance efficiency and profitability. In the United States, we will streamline pig-farming operations and increase sales from the processed food business, particularly from Day-Lee Foods, Inc.

Q

What performance benchmarks are included in the New Medium-Term Management Plan Part III?

A

Key benchmark targets are a pre-tax return on assets of 4.8%, an operating income ratio of 3.0%, a shareholders' equity ratio of 49.4% and a debt-to-equity ratio of 0.54 times. Targets pertaining to financial condition are ¥635 billion in total assets, ¥170 billion in interest-bearing debt and ¥314 billion in total shareholders' equity as of March 31, 2012. We are also aiming for cumulative net cash provided by operating activities of ¥112 billion and cumulative depreciation and amortization of ¥70 billion for the fiscal year ending March 31, 2012, as well as capital expenditures of ¥70 billion. The specific allocations will be ¥35 billion for the Fresh Meats Business Division, ¥28 billion for the Processed Foods Business Division, ¥6 billion for the Affiliated Business Division, and ¥1 billion for other businesses.

Q

What do you need to do to achieve the targets of the New Medium-Term Management Plan Part III, and what are the risks you face?

A

Our main focus will be on increasing our market share by expanding sales and harnessing supply chain management capabilities to restructure the Processed Foods Business Division. In the Fresh Meats Business Division, we will reinforce our sales structure and swiftly return to recording operating income overseas. Our task in the Affiliated Business Division will be to develop distinctive offerings with the potential to become hit products.

The main risk will naturally be high raw materials prices. We expect prices to trend upward in the medium and long term as the global population expands. As under Part II of our management plan, the earnings impact of a greater-than-expected increase in prices would be significant. Foreign exchange fluctuations present another major risk, as we rely heavily on overseas procurement.

Q

In closing, do you have a message for stakeholders?

A

Under the New Medium-Term Management Plan Part III, we aim to optimize our business portfolio by focusing on fresh meats and processed foods and on dairy and marine products. We will bolster our share of the domestic market, positioning us to capitalize on economies of scale and become more cost competitive. Food is becoming a vital strategic resource, and the Nippon Ham Group aims to increase its presence in fields related to animal protein to fulfill its responsibilities as a stable supplier. At the same time, it will use its integrated production system to operate more efficiently while contributing to the health of its customers, the resolution of environmental issues and the progress of agriculture.

Establishing and Evolving the Concept of **"Management** for **No. 1 Quality"**

"I see 'Management for No. 1 Quality' as an integral part of corporate management. As an organization that is committed to providing satisfaction to customers by incorporating their perspectives into all aspects of management, the Nippon Ham Group will continue striving to earn the recognition of its customers—and that of other consumers and society at large—as the leader in quality."

Hiroji Okoso

Director and Senior Managing Officer
In charge of the Quality Assurance Department, the Customer Communications Department and the Research & Development Center

Q

Looking back over the past three years, what do you see as the principal accomplishments of the New Medium-Term Management Plan Part II?

A

We prefer to think of recent accomplishments not as being attributable solely to the New Medium-Term Management Plan Part II, but rather as being the outcome of efforts over the past six years under Part I and Part II of the plan. Under Part I, we focused on creating a new quality assurance framework, which included establishing a system for guaranteeing product safety, implementing measures to incorporate customer opinions into our efforts and ensuring customer satisfaction. Under Part II, we addressed the challenge of further enhancing customer satisfaction by transforming Nippon Ham into a company capable of delivering the value that consumers expect.

Under the New Medium-Term Management Plan Part II, we also unveiled a new management policy, "Management for No. 1 Quality," and outlined three themes: create a framework for improving and developing products and technologies that appeal to and inspire customers; foster a corporate culture in which management prioritizes customer satisfaction and product quality; and build a brand image that equates the Nippon Ham Group with exceptional quality. Through persistent efforts in line with these themes, we succeeded in establishing a highly effective quality assurance system.

Q

In the fiscal year ended March 31, 2009—positioned as the third phase in the establishment and advancement of "Management for No. 1 Quality"—you sought to foster a corporate culture in which the quality assurance system functions to generate customer satisfaction. What sort of initiatives did you implement during the period?

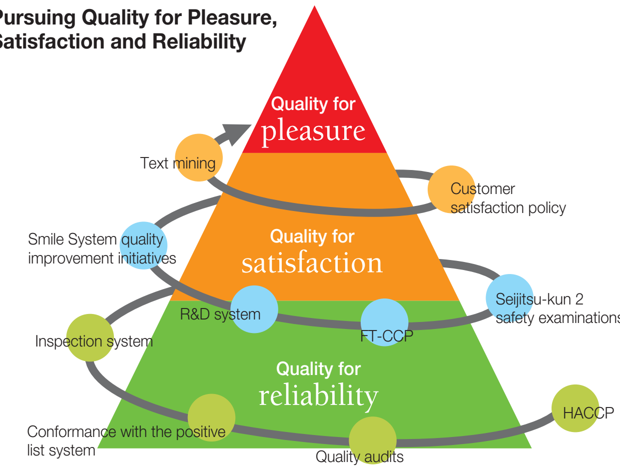
A

The basic concept behind our approach to quality assurance is a continuous cycle of safety inspections, quality audits and safety checks. These efforts come under the product safety component of our five quality policies. Safety inspections look at what raw materials have been used, the traceability of these materials, the presence of agricultural chemical residue, the application of appropriate quality standards, whether the justification for a product's shelf life is appropriate and the accuracy of ingredients and package labels. Quality audits involve checks to assess the appropriateness of the manufacturing environment and make improvements where necessary. Safety checks involve periodic monitoring to verify the results of quality audits and to identify necessary improvements.

In the period under review, we took steps to improve the precision of safety inspections, quality audits and safety checks. These measures included standardizing procedures for registering products for evaluation and enhancing the process used to identify problem-free products in advance. We also revised audit and evaluation categories to better reflect current circumstances.

We believe that our efforts have been effective in firmly establishing a corporate culture in which the quality assurance system functions to generate customer satisfaction. We have succeeded in promoting the pursuit of the common objectives, encapsulated in the "Management for No. 1 Quality" policy, and in instilling a high level of awareness regarding product quality throughout the Nippon Ham Group. As a manufacturer of food products, ensuring the safety of our offerings and providing peace of mind for the people who consume them is a matter of course. I think we all recognize that true customer satisfaction depends on our ability to provide products that both appeal and inspire.

● **Pursuing Quality for Pleasure, Satisfaction and Reliability**



Q

What do you believe is the most important issue the Nippon Ham Group must address to retain the support of customers, guarantee customer satisfaction—pivotal in securing profits—and reinforce its competitiveness?

A

The people of the Nippon Ham Group are the key to the effectiveness of its systems, so the most important consideration is the fostering of a highly skilled workforce. Several years ago we introduced e-learning-based education in basic food sanitation and specialized theme-specific education and technological training in the area of food sanitation in a bid to bolster know-how and raise skill levels. At the root of this is the fact that an improved awareness of the customer's perspective is crucial to obtaining a positive third-party evaluation of our efforts.

As another example, our professional baseball team, the Hokkaido Nippon Ham Fighters, engages in a variety of activities under the banner of “Fans Service First” with the aim of enhancing customer satisfaction, an approach that naturally also helps to increase the team’s fan base. This is a particularly good illustration of a customer satisfaction initiative that incorporates their perspectives. It is also an important reminder to the rest of the Nippon Ham Group of the importance of maintaining a corporate climate that revolves around the idea of the customer’s perspective. Accordingly, we recognize the need to review our product and service portfolios to keep in line with this concept, as well as to accurately identify customers who will embrace what we have to offer, and to guarantee products and services that reflect their perspectives.

Q

The current harsh operating environment is anything but conducive to the differentiation of products. What are you doing make the Nippon Ham Group’s products stand out in terms of quality?

A

We have adopted Open Quality—which emphasizes a forthright and transparent approach to the manufacture of food products—as the basic theme of our quality assurance program. Accordingly, we strive to quantify our efforts and to the best of our ability, by adopting the customer’s perspective, to disclose information that they require. Moving forward, we will continue to take a proactive approach to informing the public about our activities. We will also seek to upgrade third-party certification, thereby sharpening our competitive edge.

Q

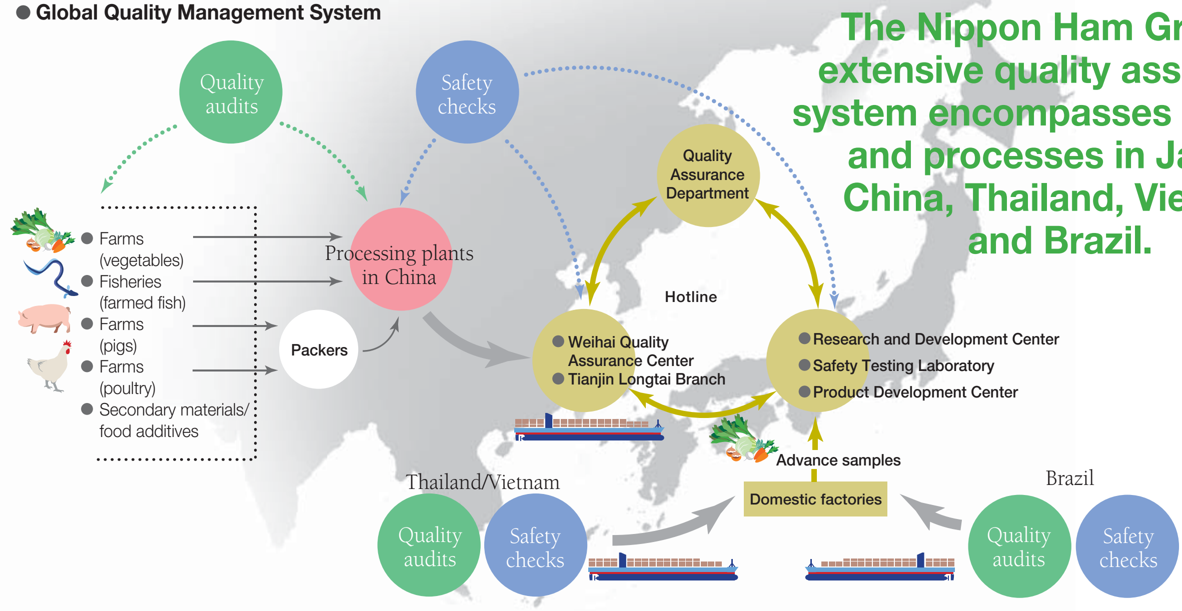
In light of the increasing interest in food safety and reliability issues, what are the advantages of the Nippon Ham Group’s quality assurance system?

A

In recent years, we have unfortunately seen several instances of imported food products containing substances not recommended for human consumption. For this reason, we are stepping up efforts to collect information pertaining to food safety and security, conduct thorough checks and enhance our ability to ensure food safety. With two safety testing laboratories in Japan and two in China, we are positioned particularly well to respond to the increasingly global nature of the food products business with effective quality audits and safety checks.

One of the stated goals of the New Medium-Term Management Plan Part III is to reinforce domestic operations while growing as a global player. To date, we have focused on building safety testing capabilities for food products imported into Japan. Going forward, however, we recognize the need to reinforce our ability to ensure the safety of products purchased and manufactured overseas for export to other

● **Global Quality Management System**



The Nippon Ham Group’s extensive quality assurance system encompasses facilities and processes in Japan, China, Thailand, Vietnam and Brazil.

countries, and to conduct checks that meet the quality standards of the importing country.

Q

In fiscal 2009, the theme of your efforts under the Open Quality Action Program will be to establish a corporate culture in which the quality assurance system functions to generate customer satisfaction. What sort of initiatives will you implement to this end during the period?

A We recognize the importance of ensuring that customer satisfaction translates into actual value and concrete results. We will install a Plan-Do-Check-Act (PDCA) cycle, which we will use to analyze our measures and their results. Put simply, this will give us a better understanding of finished products and of the needs and concerns of our customers, thereby enabling us to address concerns and problems encountered by customers and respond better to their expectations.

We always use the words “safety” and “reliability” together, like two sides of a single coin, but I actually see “safety” and “reliability” as two entirely separate ideas. “Safety” is an objective assessment. In contrast, “reliability” is a feeling or a sense—in other words, it is entirely subjective. “Reliability” depends on how satisfied customers are with our products, and how much they trust us. Ensuring safety and reliability—that is, confidence in us as an organization—are the two most important aspects of corporate value for the Nippon Ham Group and the path to achieving our ultimate goal as encapsulated in the phrase “Management for No. 1 Quality.”

“Reinforcing the inspection system is of course a priority. We will also adopt a broader perspective, enabling us to play a variety of roles in the effort to ensure product safety.”

In 2008, a series of food safety-related scares—including pesticides in frozen *gyoza* and melamine in other items produced in China—once again underlined the importance for us, as a manufacturer of food products, of ensuring food safety. The Safety Testing Laboratory provides practical support whenever such concerns arise in the form of emergency inspections, helping to earn the Nippon Ham Group a reputation among customers for quick and effective responses and bolstering confidence in us as an organization.

In 2006—well before the aforementioned incidents—Japan implemented the Positive List System.* Since then, the Group has applied three key policies, which are to ensure the traceability of raw materials (by investigating the use of chemicals by farms and breeders), to conduct periodic safety inspections and to provide guidance to producers (based on the results of safety inspections). Such efforts positioned us well to respond to public concerns following last year’s incidents, garnering considerable praise from customers.

Belying our comparatively small size, we at the Safety Testing Laboratory believe that we play a major role by tracing raw materials and conducting safety inspections. This gives us a real sense of contributing to the Group’s efforts to ensure food safety, which is a source of tremendous satisfaction. With that said, we recognize that there are many areas in which we could strengthen our capabilities and will push forward with measures to do so with the aim of ensuring customers can feel completely confident in the safety of Nippon Ham products. In addition to preventing the occurrence of problems, the quality assurance departments at our 30-plus domestic sites will work together to establish a network that encompasses bases overseas, as well as in Japan. This will give us a broader perspective, thereby enabling us to play a variety of roles in the effort to ensure product safety.

General Manager,
Safety Testing Laboratory,
Quality Assurance Department

Michinobu Kato

* Positive List System
Formulated in line with Japan’s revised Food Sanitation Law (2003), the Positive List System for agricultural chemicals (including pesticides, veterinary chemicals and feed additives) in foods prohibits in principle the sale of food products containing agricultural chemical residue in excess of a predetermined limit.

The Nippon Ham Group at a Glance

Processed Foods Business Division

The Processed Foods Business Division is composed of the hams and sausages business and the deli and processed foods* business, and encompasses a fully integrated range of business activities, from product development through to production and sales. Products with brand power in the hams and sausages business include *SCHAU ESSEN*, the *Mori-no-Kaori* series, and *Winny*, while those in the deli and processed foods business include *Chuka Meisai* and *Ishigama Kobo*. The division is also working to create new markets by developing new products that maximize the Nippon Ham Group's planning, product development and technological capabilities.

"Deli and processed foods" refers to delicatessen products and cooked foods.

Principal Companies

- Tohoku Nippon Ham Co., Ltd.
- Minami Nippon Ham Co., Ltd.
- Hakodate Carl Raymon Co., Ltd.
- Kamakura Ham Tomioka Co., Ltd.
- Nagasaki Nippon Ham Co., Ltd.
- Nippon Ham Shokuhin Co., Ltd.
- Nippon Ham Sozai Co., Ltd.
- Nippon Ham Deli News Co., Ltd.
- Thai Nippon Foods Co., Ltd.
- Nippon Ham Hokkaido Hanbai Co., Ltd.
- Nippon Ham Higashi Hanbai Co., Ltd.
- Nippon Ham Nishi Hanbai Co., Ltd.

Fresh Meats Business Division

One of the Fresh Meats Business Division's greatest strengths is its supply and sales systems. These systems are underpinned by the Nippon Ham Group's integrated production system, which encompasses all aspects of the fresh meats business from production through to sales. The Nippon Ham Group owns farms both in Japan and overseas and has built global procurement and distribution networks. The Group has also built a domestic sales system, spearheaded by its distribution centers in Tokyo and Osaka, which enables it to supply products promptly from its marketing bases throughout Japan.

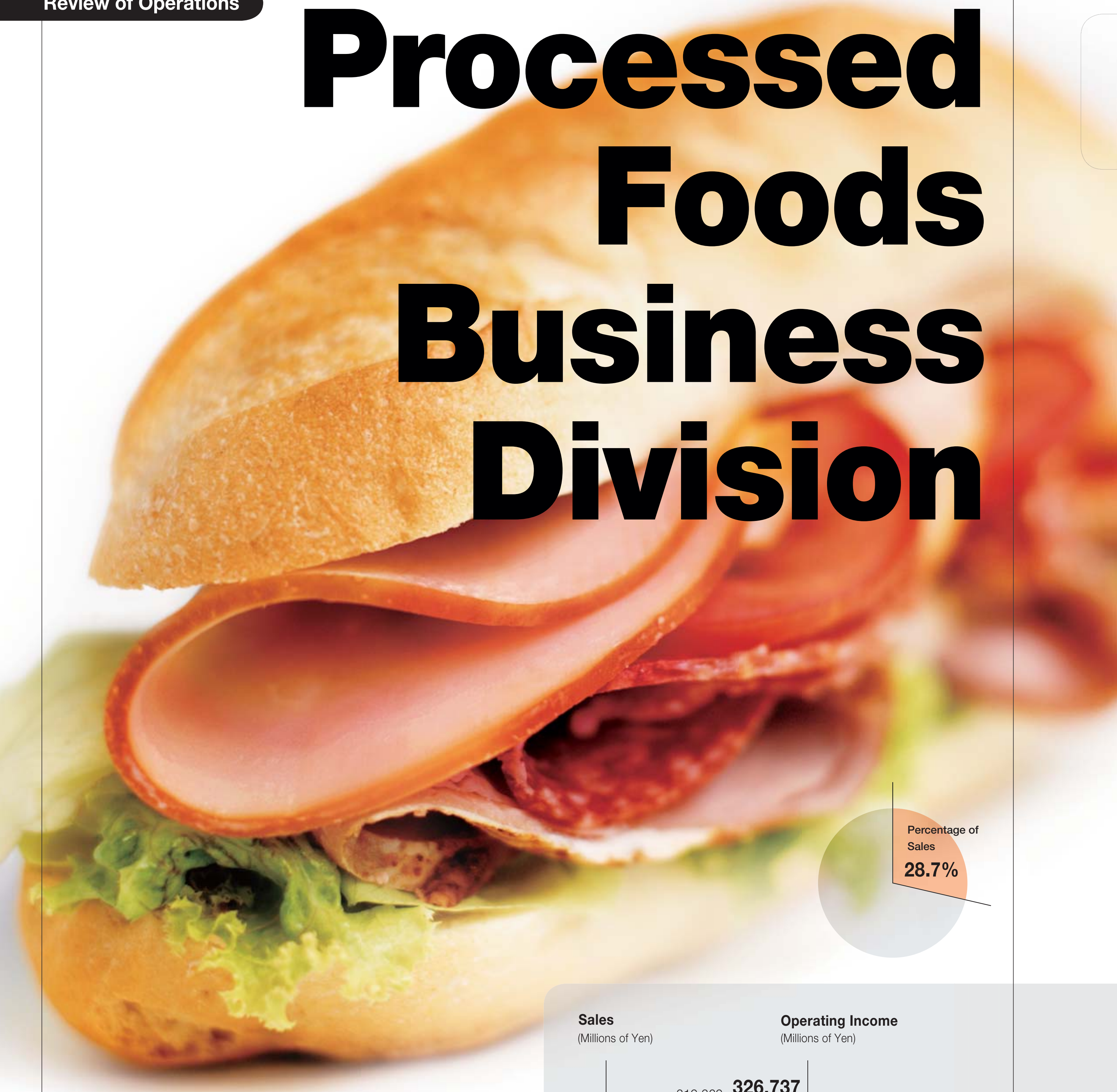
- Nippon White Farm Co., Ltd.
- Interfarm Co., Ltd.
- Nippon Food Packer Group
- Japan Food Corporation
- Nippon Food Group
  - Higashi Nippon Food, Inc.
  - Kanto Nippon Food, Inc.
  - Naka Nippon Food, Inc.
  - Nishi Nippon Food, Inc.
- Texas Farm, LLC
- Oakey Holdings Pty. Ltd.
- Oakey Abbatoir Pty. Ltd.
- Nippon Meat Packers Australia Pty. Ltd.
- Day-Lee Foods, Inc.
- Nippon Pure Food Inc.

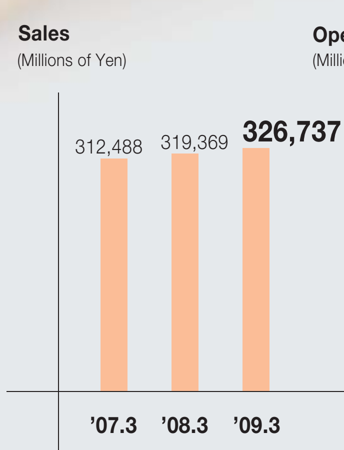
Affiliated Business Division

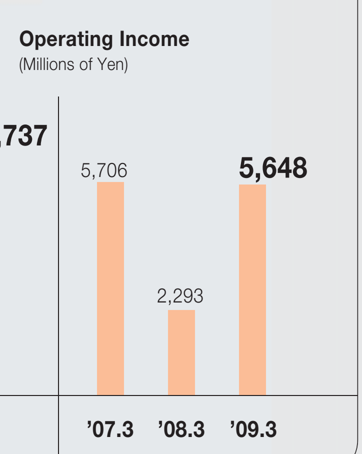
The Affiliated Business Division consists of the marine products and dairy products businesses. Consolidated subsidiaries in the division have a high degree of specialization, and include such companies as Marine Foods Corporation, an industry leader in food service-use sushi toppings and fillings; Hoko Co., Ltd., which has a solid reputation for food service-use cheeses; and Nippon Luna, Inc., famous for its *Vanilla Yogurt*. This ensures that the Nippon Ham Group can continue to provide decisive responses to customers' needs in a changing market environment.

- The Marine Foods Corporation
- Nippon Luna, Inc.
- Hoko Co., Ltd
- Nippon Dry Foods Co., Ltd.
- Nippon Ham Health Creation Co., Ltd.

Processed Foods Business Division







Processed Foods
Business Division

2009 Highlights

Results in the Processed Foods Business Division for the fiscal year ended March 31, 2009

- **Sales: ¥326,737 million (+2.3% from the previous fiscal year)**
- **Operating income: ¥5,648 million (+146.3% from the previous fiscal year)**

Rising prices for raw materials, particularly pork, and for secondary materials underscored a ¥7.2 billion increase in costs for the full term. Nevertheless, efforts to improve manufacturing processes, product sales price revisions and an increase in shipments of mainstay products supported a ¥3.4 billion jump in operating income.

Sales of gift products

(Thousand units/%)

	Fiscal Year 2008	Change
Summer gifts	1,694	+ 6%
Year-end gifts	5,156	+ 14%
Total	6,850	+ 12%

Utsukushi-no-Kuni

Sales of core brands compared with the previous period

Hams and Sausages	*SCHAU ESSEN* series	+6%	*Mori-no-Kaori* series	+11%
	Winny series	Level	*Kore wa Benri* series	–4%
Deli & Processed Foods	*Ishigama* Kobo series	+22%	*Chuka Meisai* series	–3%
	Prefried series	Level	Hamburgers and meatballs series	–7%

SCHAU ESSEN

Sales by channel compared with the previous period

	Consumer-use	Commercial-use	Total
Hams and Sausages	+7%	–5%	+5%
Deli & Processed Foods	+2%	+5%	+4%

Shinsen Seikatsu ZERO
Sliced Ham

Topics

Hams and Sausages Division

- In the area of consumer products, ambitious sales promotions for mainstay products such as in-store promotions for items appealing to the increasing health consciousness of consumers—including the carbohydrate-free *Shinsen Seikatsu ZERO* series—and a television advertisement to commemorate the 25th anniversary of the *SCHAU ESSEN* series, spurred an increase in divisional sales.
- The division implemented highly effective advertisements and in-store sales promotions for gift products, notably *Utsukushi-no-Kuni* premium ham, which is made with pork from Nippon Ham Group farms in Japan.

Ishigama Kobo
(Margherita pizza)

Deli & Processed Foods Division

- The addition of new products to the popular *Ishigama Kobo* series of bakery and pizza offerings contributed to an increase in overall divisional sales. Sales of *Soft Bagel*, developed by leveraging our expertise in the manufacture of pizza, also rose as the market for the product continued to take shape.

Soft Bagel
(fresh caramel flavor)

Addressing Challenges

Koji Uchida

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

"By stepping up efforts to promote selectivity and focus, we will transform ourselves into a team that continuously seeks new ways to enhance the Nippon Ham Group's brand value."

Efforts to address challenges in the fiscal year ending March 31, 2010

Q

What steps is the Processed Foods Business Division implementing in line with the strategy of further reinforcing domestic operations while growing as a global player?

A

A harsh operating environment is all the more reason to reinforce our commitment to ensuring safety, reliability and quality and to consolidate our strategic position as the preferred choice of customers by offering products that deliver new value. We are also working to ensure a solid grasp of market change and reliable frontline capabilities to facilitate the operation of an independent Plan-Do-Check-Act (PDCA) cycle. Through these efforts, as part of a larger initiative aimed at reforming supply chain management (SCM) we are developing new business models with the goal of expanding sales. We will also generate hit products by promoting marketing processes that incorporate both manufacturing and sales viewpoints.

Q

What steps are you taking to enhance the Nippon Ham Group's brand value?

A

We are implementing practical strategies aimed at ensuring growth and reinforcing our operating foundation, guided by basic policies that emphasize the importance of the Group's competitive advantages and the strengthening of frontline capabilities, in line with the concepts of "Management for No.1 Quality" and "selectivity and focus." Through these efforts, we will ensure outstanding product quality and brand strength, thereby enabling us to bolster sales and secure our position as the industry leader with a commanding market share.

Q

What do your growth strategies involve?

A

Selectivity and focus will help us to reinforce competitive advantages. Specifically, by applying these concepts rigorously to all of our product categories—consumer-use products, commercial-use products, products for department stores, gifts, products for overseas markets, commercial chilled foods and foods with health benefits—and sharing information with production and sales teams to ensure a common awareness of priorities, we will secure new customers and expand markets. By implementing strategies focused on products with proven brand power, we will also strive to increase sales.

Q

How do you intend to reinforce the division's operating foundation?

A

We will transform the division into an entity capable of overcoming the competition by strengthening our frontline capabilities. Guided by the concepts of "Management for No.1 Quality" and "SCM reform," we will focus on creating new business models, revamping marketing processes by enhancing cost competitiveness, developing products that offer new value, advancing sales and reinforcing brand power. Efforts to enhance cost competitiveness, in particular, will emphasize raising efficiency by reviewing production, sales and logistics costs and establishing a framework for SCM tailored to regional characteristics.

Q

Can you tell us about your strategies for consumer channels?

A

Strategies will focus on enhancing brand value and increasing our market share. To foster products that enjoy the number one status in their respective categories, we will increase opportunities for interaction with consumers by running television advertisements and organizing in-store promotions. We will also promote the development of food materials and prepared dishes for cooking at home, in line with the concept of offering healthy, environment-conscious options for everyday meals.

In the gift category, we will maximize our proprietary integrated production system to develop highly original offerings that set us apart clearly from our competitors. Additionally, we will endeavor to expand sales of our highly popular *Utsukushi-no-Kuni* premium gift hams by marketing through multiple channels and enhancing the appeal of value-added gifts to a wider range of consumers.

Q

What measures are you implementing for commercial channels?

A

By using our own plants, thereby ensuring product safety and reliability, and by expanding sales volumes to boost cost competitiveness, we aim to secure the leading market position in key product categories. To bolster sales to restaurants and convenience store vendors, we are enhancing value-added proposals and reinforcing relationships with customers.

Q

Are processed foods expected to be a growth driver in the years ahead?

A

Processed foods constitute one of the Nippon Ham Group's core businesses. Going forward, we will continue to develop sector-leading products and generate steadily increasing profits. This will enable us to continue contributing to improved results for the Group as a whole.

Encouraging Results for Two Health-Conscious Products

Shinsen Seikatsu ZERO Sliced Ham

Consumer demand for ham and sausage products is firmly focused on healthy products—that is, offerings that respond to concerns regarding the safety of raw materials and additives, and healthfulness in relation to salt and caloric content. Having positioned health-conscious products as a promising growth area, the Processed Foods Business Division launched the *Shinsen Seikatsu ZERO* series of carbohydrate-free hams and sausages, a new concept in healthy food choices that has earned positive reviews and secured repeat business. The success of the series has reinforced our confidence and we are now looking to introduce distinctive new products aimed at health-conscious consumers. Products initially marketed as health-conscious products—notably the *Shinsen Seikatsu Green Label Low-Salt* series—have also succeeded in attracting new customers, including people who, for health reasons, had previously avoided ham and sausage products, thus earning acclaim from our customers.

Flavor and Price are Crucial to the Development of Successful Health-Conscious Products

One characteristic shared by these two health-conscious series is their indisputably good taste. Both *Shinsen Seikatsu ZERO* and *Shinsen Seikatsu Green Label Low-Salt* have earned high marks for flavor and enjoy a growing following of regular customers. Many health-conscious products have failed to gain a solid footing in the market in the past because of price and the perceived quality of flavor. Ensuring that products are both healthy and do not fall short of regular products in terms of flavor and price is crucial. It is also a major challenge technologically—and one that we must continue to surmount.

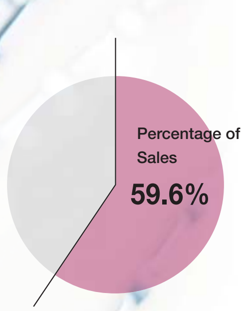
Sales Activities: Focus on Establishing Products and Expanding Markets

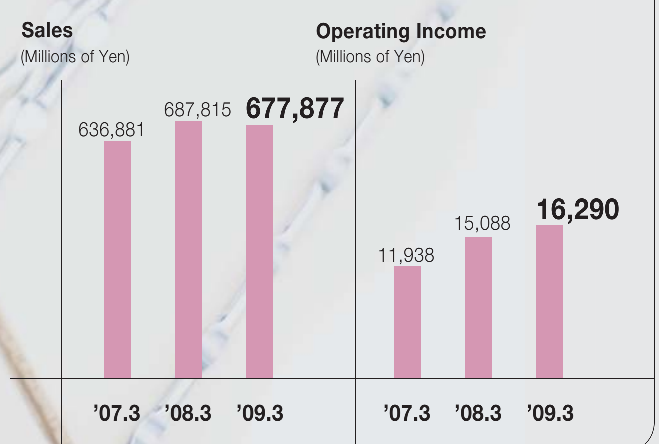
Stimulating increased awareness of new products is not an easy task. Even test marketing at a number of different shops and running television advertisements only guarantees contact with a very small segment of the consumer population. However, customer demand for health-conscious food products is significant. Recognizing this, we will continue striving to increase exposure through in-store test marketing activities and through public relations and advertising activities making use of various media, to promote the successful establishment of new products and the expansion of markets.

Manager,
Product Planning &
Development Office
Hams and Sausages Division

Yuji Iitani

Fresh Meats Business Division





Fresh Meats
Business Division

2009 Highlights

Results in the Fresh Meats Business Division for the fiscal year ended March 31, 2009

- Sales: ¥**677,877** million (–**1.4**% from the previous fiscal year)
- Operating income: ¥**16,290** million (+**8.0**% from the previous fiscal year)

Shipments: 830,000 tons; share of the domestic fresh meats market: 21%. Despite rising prices for livestock feed and wild fluctuations in global markets for fresh meats, a robust performance in the first half more than made up for declines in the second half, resulting in an increase in operating income.

Integrated production system: Ensuring product safety and peace of mind

Amidst growing concerns over food safety and the need to ensure peace of mind for consumers in this regard, the Fresh Meats Business Division continued to capitalize on its comprehensive domestic capabilities for all types of livestock—centering on its integrated production system, which facilitates total control by the Group of all stages, from production on its own farms to sales through its own nationwide network of sales companies—and its global procurement capabilities.

Domestic business

Production

Rising shipments of hogs saw the domestic pork market languishing, as demand shifted toward more price-competitive imported pork. As a consequence, the Nippon Ham Group's domestic hog farming business faced a difficult operating environment. The domestic poultry farming business also suffered, owing to a precipitous decline in the market for domestically produced poultry from January after the New Year. Prices for livestock feed fell steeply in the fourth quarter, which triggered a slump in prices for types of livestock.

Sales

Shipments of imported fresh meat decreased, reflecting the impact of global economic deterioration, which triggered a sharp decline in demand and international market prices. For imported poultry, in particular, the harsh operating environment was exacerbated by unrealized losses on inventories. In contrast, shipments of domestically produced fresh meat remained firm. For the full term, overall sales of beef were down, while sales of pork edged up and sales of chicken rose substantially. Brisk results were largely attributable to the efforts by the division's domestic sales subsidiary to bolster income by capitalizing on the significant competitive advantages it enjoys over its rivals—notably an extensive office network, sales staff and vehicle fleet.

Overseas business

Australia

Results in the Australian beef production business were hampered by worsening economic conditions worldwide, which pushed down demand for beef. The leather business struggled, as an abrupt decline in demand for use in automobiles and furniture caused inventory to pile up worldwide. While sales were hampered by significant fluctuations in currency exchange rates, measures implemented to reduce production costs and improve yields supported a slight increase in operating income.

United States

The U.S. pig farming business encountered difficulties, as a glut of fresh pork and flagging exports led to a steep drop in prices for pig carcasses. Sales declined in the context of a sharp increase in the value of the yen, but an improvement in results for the U.S. export business from the second half on supported an increase in operating income.

Main brands of beef sold by Nippon Ham

Main brands of pork sold by Nippon Ham

Main brands of poultry sold by Nippon Ham

Addressing Challenges

Takaharu Chujo

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

"We have formulated a slogan for the medium to long term. 'Challenge 30' encapsulates our main target, which is to achieve a 1% increase in market share each fiscal year, thereby increasing our share—currently 21%—to 30% by the fiscal year ending March 31, 2018."

Efforts to address challenges in the fiscal year ending March 31, 2010

Q

What steps is the Fresh Meats Business Division taking in line with the strategy of further reinforcing domestic operations while growing as a global player?

A

Our slogan is "Challenge 30: Always positive and full of energy." We currently enjoy a 21% share of the Japanese market for fresh meat. We are working to address key challenges, including the need to increase sales, enhance our procurement capabilities and bolster cost competitiveness. Through such efforts, we will press forward to boost our share to 24% by the final year of our current medium-term management plan and to 30% in nine years' time.

Q

Japan's food self-sufficiency ratio is low compared to that of many other countries. With a global food crisis becoming increasingly likely, how are you attempting to address this issue?

A

Around the world, it is becoming more and more difficult to secure foodstuffs. This trend has served to emphasize the importance of our upstream businesses in Japan and overseas. In Japan, the Nippon Ham Group's upstream businesses center on such companies as Nippon White Farm Co., Ltd., for the breeding of poultry, Interfarm Co., Ltd., for the breeding of pigs, and Nippon Feed Co., Ltd., for the breeding of cattle and pigs. We will continue to strengthen these businesses in response to a growing consumer preference for domestically produced foods. We will also expand alliances with livestock farmers, many of whom are struggling as a consequence of rising feed prices, enabling us to assist them as well as reinforce our own upstream businesses. Overseas, we will promote efforts to develop new fresh meat brands for the Japanese market and strengthen initiatives involving local meat packers.

Q

Can you tell us about the key strategies you plan to implement to achieve the targets set forth under "Challenge 30"?

A

The Nippon Ham Group boasts a team of approximately 1,800 skilled marketing people throughout Japan. This is our biggest asset. Capitalizing on this extensive marketing network, we will increase our team of food advisors, who oversee sales to volume retailers, and will endeavor to expand sales through proposal-based marketing. We will also work to increase sales of meatballs, seasoned sliced meats for *yakiniku* (Korean-style barbecue) and other primary processed products produced by Nippon Pure Food, Inc., thereby further reinforcing our sales to volume retailers. Additionally, we will reinforce sales for use by manufacturers of prepared dishes and by restaurants. Through these strategies, we will endeavor to become the preferred supplier for all of our customers.

Q

What are your strategies for production and procurement?

A

We will increase volume secured through our integration system to 222,000 tons, up slightly from the fiscal year ended March 31, 2009. To satisfy our remaining requirements, we will strengthen

procurement from external suppliers. For domestically produced fresh meat, we will fortify procurement of beef and pork from producers situated close to breeders and the wholesale market, while also considering business and/or capital alliances with such producers. For imported fresh meats, we will focus primarily on bolstering procurement of U.S.-grown pork and beef, as well as Brazil-grown chicken. At the same time, we will cultivate new suppliers of pork—as well as expand procurement from existing suppliers—in Europe.

Q

What other key strategies will you implement?

A

We will enhance our competitiveness at all stages, from breeding through to sales. To this end, we will strive to achieve a drastic improvement in cost per kilogram of fresh meat and enhance productivity. We will also enhance product appeal by stepping up efforts to develop new brands that stand out from the competition because of their superb quality, as well as by enhancing our quality assurance system.

Q

What can you tell us about your current overseas fresh meats operations?

A

A key issue for us is to improve the profitability of our overseas operations. In Australia, we are raising efficiency by focusing on our core beef business. We have withdrawn from the pig breeding business and reorganized our leather business plants in that country. We are also continuing to implement cost-cutting measures at fattening facilities, as well as at processing plants. Additionally, we are expanding sales efforts, particularly in North America and Asia, and taking decisive steps to cultivate new markets. In the United States, we are striving to increase the number of animals produced by raising piglets on our own farms and then consigning them to contracted finishing farms.

Q

How are you reinforcing efforts to foster human resources?

A

We recognize that fostering and effectively deploying a motivated workforce is crucial to revitalizing our organization and, in turn, to achieving the targets of "Challenge 30." We are fortunate to have a large number of highly experienced, middle-ranking employees, and we will continue to nurture the capabilities of these individuals by implementing ongoing, rank-specific training programs to improve the practical skills of marketing staff charged with cultivating new customers.

Our Goal: To Produce Safe, Wholesome Poultry

The most vital factor in producing safe, wholesome poultry is that each individual involved in its production understands the importance of every aspect of the process—including the feed, the production environment and materials and the veterinary pharmaceuticals used. Disclosing required production information enables us to offer consumers peace of mind. Raising live animals is not the same as manufacturing industrial products. We must adjust our methods to accommodate a variety of factors, such as the condition of the poultry, the weather and the ambient temperature. We also recognize the need to ensure that our activities do not have a negative impact on the environment, not only within the bounds of our site, but also in the surrounding area. Accordingly, we strive to maintain harmony with the local community and keep the farm clean and tidy.

We have implemented a variety of measures to prevent infectious diseases and protect the health of our poultry, thereby ensuring the safety of products supplied to consumers. This reflects our overriding commitment to not bringing in, taking out or allowing the spread of pathogens. To this end, we have obtained Safe Quality Food (SQF) and Hazard Analysis and Critical Control Points (HACCP) certification.

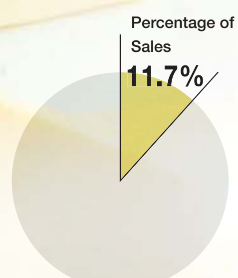
Taking an Active Approach to the Issue of Product Quality

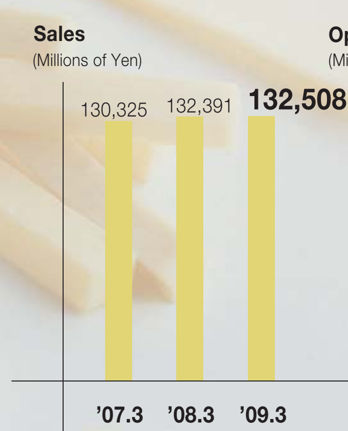
We are also involved in the development of brand-name fresh chicken, such as *Sakurahime* and *Shiretokodori*. To ensure a balanced perspective, we do not limit our focus to production, but also liaise with plants and sales people. I personally like to think of the customers who put their trust in Nippon White Farm and choose our products as being like family, and I am determined to provide products that I can recommend with confidence. With this in mind, I devote my best efforts day in and day out to raising healthy, safe and wholesome poultry.

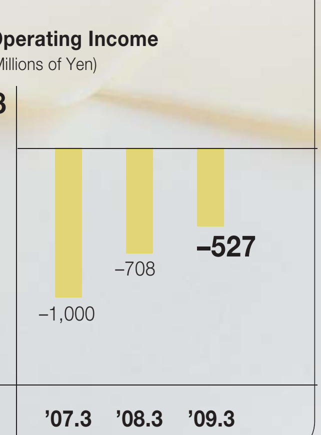
Veterinarian,
Nippon White Farm Co., Ltd.

Hitomi Kuroki

Affiliated Business Division







Affiliated
Business Division

2009 Highlights

Results in the Affiliated Business Division for the fiscal year ended March 31, 2009

- Sales: ¥**132,508** million (+**0.1**% from the previous fiscal year)
- Operating loss: ¥**(527)** million (a ¥**181** million improvement from the previous fiscal year)

Management practices that maximize human resources

In addition to promoting understanding of its new management policy, the Affiliated Business Division is implementing comprehensive strategies for maximizing human resources by communicating openly with its approximately 450 frontline employees about work issues, encouraging collaboration among employees across company lines, and implementing dynamic employee training programs.

Topics for five affiliated business group companies

Hoko Co., Ltd.

The cheese business posted increases in sales and operating income. While sales price revisions implemented in response to rising raw materials prices prompted a decline in shipments to manufacturers of bakery products, this was offset by increased sales of newly introduced commercial product *Fomaze* (a cheese product) and the expansion of sales channels to major restaurant chains.

In the marine products business, Hoko continued to export both materials for processed seafood products and semiprocessed products to European markets in the first half. With the advent of the global financial crisis in September, however, demand fell, pushing down sales.

Fomaze commercial-use cheese (diced)

The Marine Foods Corporation

In response to the growing preference of consumers for domestic food products, Marine Foods proceeded with the establishment of a domestic supply configuration for fresh marine products that capitalizes on its nationwide network of 51 marketing bases. In July 2008, the company sought to reinforce its supply capabilities by setting up a tuna farming joint venture with a marine products producer in Uwajima, Ehime Prefecture. The first haul of fish from the venture is scheduled for December 2009. Despite second half declines in sales to domestic *kaiten-zushi* (conveyor-belt sushi) restaurants and export sales, marine food sales remained level with the previous fiscal year, thanks to efforts to bolster shipments to volume retailers.

Commercial-use sushi ingredients

Nippon Luna, Inc.

Sales and operating income declined, as rising prices for and shortages of raw materials prompted Nippon Luna to revise sales prices upward and discontinue certain products. Nonetheless, sales to convenience stores rose, as did sales of *Fat 0%*, a new yogurt series developed to appeal to health-conscious consumers, which attracted favorable reviews.

Fat 0% yogurt (blueberry)

Nippon Dry Foods Co., Ltd.

Demand for dried foods declined as rising prices for wheat provoked an upward revision of sales prices for instant noodles, pushing down sales to manufacturers of packaged instant noodles, the core customers for these products. Owing to food scares involving frozen *gyoza* (dumplings) from China, Nippon Dry Foods suspended shipments of Chinese-made products. As a consequence, the company reported decreases in net sales and operating income.

Shakishaki-shita Kuki-Wakame Soup

Nippon Ham Health Creation Co., Ltd.

Established in November 2008 through the merger of Maruwa & Co., Inc., and one of its subsidiaries, Nippon Ham Health Creation posted a decline in net sales, owing to intentional efforts to narrow the focus of its marketing efforts. Nonetheless, the company's earnings ratio improved, thanks to efforts to reduce selling, general and administrative expenses.

Placenta Drink–Celeb no Jikan

Addressing Challenges

Bin Ueda

Director and Managing Executive Officer
General Manager of the Affiliated Business Division

"We will continue working to reinforce our presence within the Nippon Ham Group and secure stable profits, thereby establishing the Affiliated Business Division as a dependable third pillar of growth for the Group."

Efforts to address challenges in the fiscal year ending March 31, 2010

Q

What steps is the Affiliated Business Division taking in line with the strategy of reinforcing domestic operations while growing as a global player?

A

The biggest challenge for us in Japan is to enhance our sales capabilities. Overseas, we must establish an effective sales structure so that we are prepared to capitalize on any improvements in the market environment. By the final year of our new medium-term management plan, our goal is to build the Affiliated Business Division into a third pillar of growth, accounting for approximately 15% of net sales and operating income.

Q

What strategies will you implement to build the division into a third pillar of growth?

A

The five companies that fall within the Affiliated Business Division are additions to the Nippon Ham Group. Through the steady, persistent implementation of the Plan-Do-Check-Act (PDCA) process, we will establish a solid foundation, from which we will endeavor to secure profits. By continuing to thoroughly implement these measures, we aim to achieve concrete sales and income results.

Q

Can you tell us about your raw materials procurement and sales structure?

A

The global economy is in a slump now, but the global population is increasing, so when conditions recover we will see an increase in demand for food resources. For this reason, it is crucial that we build a procurement and sales structure for raw materials sourced from overseas into our integrated production system, which facilitates total control by the Group of all stages, so that we are sufficiently prepared to take advantage of the next upswing in the global economy.

Q

How do you intend to create a organization that enables you to best leverage human resources?

A

A business is only as dynamic as the people it employs. By deploying the right people in the right places and providing encouragement, we will endeavor to revitalize our organization. The division's five companies have their own management styles, which has meant that there are certain barriers dividing them. To overcome this, we will promote collaboration among employees across company lines and cross-business training aimed at fostering human resources. Such efforts will enable us to benefit from a highly skilled and motivated workforce.

Q

How will you reinforce your financial condition?

A

The key challenge for us is to reduce inventory to reasonable levels and take decisive steps to collect on receivables. Through the consistent implementation of both measures, we will endeavor to bolster cash provided by operating activities. We will also work to

improve our inventory turnover, including shortening the number of days inventory is held by 20%.

Q

What can you tell us about the strategies of the division's companies?

A

Marine Foods Marine Foods is building an integration system for seafood products that encompasses both upstream and downstream businesses. Among upstream businesses, the company's tuna farming is progressing favorably, and the company expects its first haul of fish in December 2009. We look forward to this company growing into a new pillar of the division's business. In downstream businesses, the company will take steps to enhance efficiency and increase production at its Mie Plant, which is responsible for producing seaweed and other value-added processed products. Marine Foods has a nationwide network of 51 marketing bases, all of which are equipped with ultralow-temperature (–40° C) freezers, enabling it to deliver super-cooled products that maintain a high level of freshness. The company will continue to capitalize on this competitive advantage as it strives to secure the top position in the domestic market for sushi ingredients.

Hoko In the promising cheese business, particularly in the area of commercial cheese products, a Hoko specialty, the company is increasing its share of the market for cheese for major restaurants, with the aim of establishing itself as the market leader. With consumption of cheese in China and Southeast Asia expected to increase, Hoko is looking to expand sales of commercial cheese products in these areas. In the marine products business, the company aims to boost its share of the market for highly popular commercial tuna products. Hoko will also reinforce its overseas sales organization by adding bonded processing to its state-of-the-art plant in Nishinomiya, a move that will help the company boost its sales in overseas markets.

Nippon Luna Nippon Luna will concentrate on expanding sales of mainstays *Vanilla Yogurt* and the *Fat 0%* yogurt series and developing these two products into mainstays of it business. The company recently introduced *Purefull*, a yogurt developed to appeal to consumers who are trying to curb spending, and is striving to expand sales. Additionally, to reinforce its ability to market to major volume retailers, Nippon Luna shifted its marketing functions to the Greater Tokyo Metropolitan Area and stepped up its efforts to introduce new products.

Preparing to Ship Our First Haul of Farmed Bluefin Tuna

Recent years have seen an explosion in demand for tuna worldwide. One result of this is that commercial overfishing has become a serious issue, and in many places authorities are moving to impose restrictions on catches. In July 2008, Marine Foods established a joint venture to farm bluefin tuna, the most prized species, with a marine products producer and a union of local fishermen in Uwajima, Ehime Prefecture. The joint venture, Uwakai Marine Farm Co., Ltd., is expected to ship its first haul in December 2009 under the *Uwamaru* brand name.

Establishing an Integration System for Farmed Fish

The Nippon Ham Group has established an integrated system for its fresh meats business that encompasses all aspects, from production through to final sales. We are endeavoring to establish an integration system for farmed fish that makes use of the Group's accumulated expertise in this area. Since in many cases fresh tuna goes to users via the wholesale market, it is difficult to ensure that accurate yield information is conveyed to the public. Such factors conspire to undermine the stability of prices and increase the time taken before customers actually receive their products. Marine Foods boasts an extensive nationwide sales network that gives it a distinct competitive advantage. By capitalizing on this network, we are working to ensure the prompt provision of accurate fish farm information and the delivery of the freshest fish possible.

Focusing on Production and Sales of the Prized Bluefin Tuna

Because farmed tuna is less expensive than wild tuna, demand from sushi restaurants and supermarkets remains firm. To date, this demand had been filled primarily by imported frozen tuna. Looking ahead, we expect to see a shift towards domestic products. Accordingly, we will step up efforts to produce and sell our own *Uwamaru*-brand products and expand our tuna farming business.

Uwakai Marine Farm Co., Ltd.

Shinichi Hara

The Nippon Ham Group strives to highlight awareness of compliance and reinforce corporate governance to increase the transparency and efficiency of management and enhance corporate value. The Group is committed to remaining accountable to its stakeholders, which include its customers, shareholders, business partners and employees.

Basic Policy on Corporate Governance

The Nippon Ham Group's basic policy on corporate governance is to clarify responsibility and authority with regard to the management oversight function of directors and the business execution function of executive officers.

Basic Framework

To enhance the speed and effectiveness of decision making, and in consideration of the important role of directors, who bear responsibility for management oversight, the number of directors on the Board of Directors has been set at a maximum of 12. Headquarter departments and committees have also been instituted to support the Board of Directors. To ensure transparency, the appointment of more than one outside director has been set as a basic policy. To clarify accountability on a fiscal-year basis, the term of office for directors is one year. During the fiscal year ended March 31, 2009, the Board of Directors convened 16 times.

Attendance of Outside Directors at Meetings of the Board of Directors in the Fiscal Year ended March 31, 2009

Toshiko Katayama Since her appointment on June 26, 2008, Ms. Katayama has expressed expert opinions, primarily on compliance, from her perspective as a lawyer with specialized expertise.	Attended 11 of the 11 meetings of the Board of Directors convened
Kazuyasu Misu* Since his appointment on June 26, 2008, Mr. Misu has expressed opinions necessary for deliberations based on a broad perspective incorporating trends in the food industry in Japan and overseas.	Attended 7 of the 11 meetings of the Board of Directors convened

* Mr. Misu resigned his position effective March 31, 2009.

Major Activities of Outside Directors

Outside directors attend regular and special meetings of the Board of Directors and offer advice and opinions from an objective standpoint.

Auditing Function

We have established an oversight framework comprising corporate auditors and the Board of Corporate Auditors. The number of corporate auditors has been set at five, to ensure adequate oversight capabilities. In principle, at least three of these individuals are appointed from outside the Group.

Attendance of Outside Auditors at Meetings of the Board of Directors in the Fiscal Year ended March 31, 2009

Kaoru Izumi An attorney specializing in corporate law, Mr. Izumi provides expert opinions on matters including the promotion of compliance through auditing.	Attended 16 of the 16 meetings of the Board of Directors convened
Tokito Sasaki Mr. Sasaki renders expert opinions from his perspective as an auditor with management experience in a financial institution and specialized expertise in finance and accounting.	Attended 15 of the 16 meetings of the Board of Directors convened
Takeshi Koyama Mr. Koyama expresses expert opinions, primarily on finance and accounting, from his perspective as a certified public accountant.	Attended 11 of the 11 meetings of the Board of Directors convened

Internal Control Functions

Recognizing the importance of cumulative efforts, the Nippon Ham Group strengthens corporate governance not only through its management framework, but also through internal controls at its sites and in Group companies.

Compliance

To reinforce compliance, the Nippon Ham Group has formulated its own standards of business conduct, which guide the activities of Group executives.

Prior to December 2008, 10 compliance promotion committees were established to oversee compliance-related activities at 25 Group companies overseas. Looking ahead, these committees, like their counterparts in individual companies and departments in Japan, will work to ensure integrity and a high level of transparency for the Group by proposing and implementing measures tailored to local laws, regulations and customs and to the different businesses and industry categories to which these companies belong.

Having set clear compliance policies, the Nippon Ham Group is executing publicity campaigns and monitoring the progress of efforts to promote awareness of compliance and firmly establish related initiatives.

Compliance System

1. Setting of clear policies for compliance

- The Nippon Ham Group's action standards
- Group action standards handbook
- Manuals for Group company action standards

2. Execution of publicity campaigns

- Compliance training
- Compliance meetings
- Office study groups

3. Monitoring

- Compliance questionnaires/ surveys
- Consultation system
- Centralized management of critical information in accordance with the Company's rules for information management

Risk Management

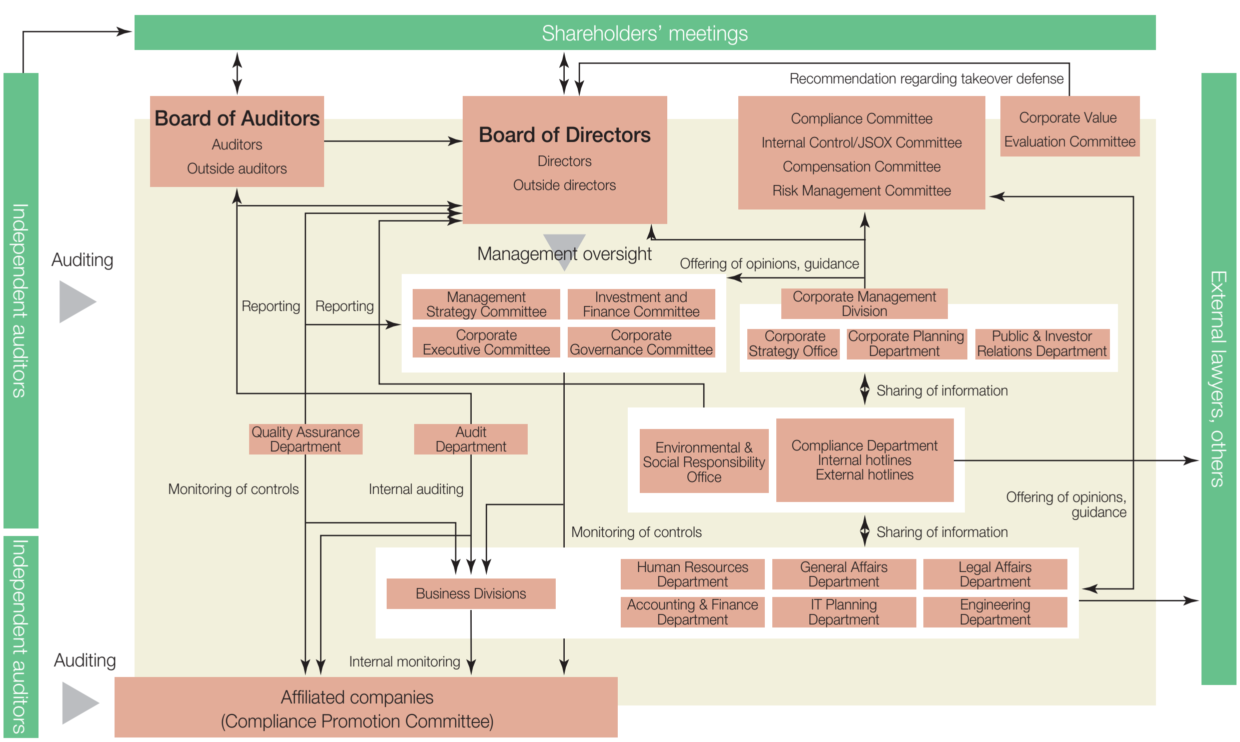
The Risk Management Team was established within the General Affairs Department to comprehensively manage the risks that face the entire Group. Through close cooperation with the Compliance Department and other relevant departments, the team—acting in line with risk management guidelines—has put systems in place for conveying information promptly and accurately and for mounting a quick response in the event that any of the anticipated risks should materialize. The Risk Management Committee is responsible for discussing and deciding on issues and countermeasures pertaining to the promotion of risk management throughout the Group. To ensure the appropriateness of management decisions, the Corporate Governance Committee, Investment and Finance Committee and Management Strategy Committee investigate and discuss all relevant matters.

Audit Department Functions

The Audit Department, which answers directly to the President, has formulated a mechanism for conducting effective audits and promotes the operation thereof throughout the Group, in cooperation with the departments in charge of monitoring activities and the auditing departments of affiliated companies.

Quality-related audits are conducted by the Quality Assurance Department, while environmental audits are conducted by the Environmental and Social Responsibility Office.

Corporate Governance System



Evolving into a Company that is Trusted and Supported by Consumers

Since the arrival of the 21st century, consumers have emerged as independent, empowered market participants who can be expected to act decisively to guard their own interests. No longer content simply to rely on official bodies to provide protection, today's consumers strive increasingly to ascertain the appropriateness of corporate activities and, by exercising selectivity to support upstanding companies and undermine the longevity of those with questionable practices, to play a role in engendering fairness, safety and security in both the market and the wider society.

Amidst this significant shift in the consumer's role, a company's ability to continue functioning as a socially relevant entity depends on its capacity to earn the trust and recognition of consumers and, by so doing, to gain their support. To ensure that the phrase "value the customer's perspective" is more than just a marketing slogan, it is crucial that we trace this concept back to its origin. Every employee must strive to understand why the consumer's perspective is important today and how we can incorporate that perspective into our own philosophy, thereby earning the trust and support of consumers. This is also an important prerequisite to integrating compliance and CSR into corporate management. I look forward to continuing to work with consumers to identify ways in which the Nippon Ham Group can reinforce its role as an organization that generates outstanding social value and enjoys a leading position in a fair market, and will capitalize on my experiences as a lawyer involved in consumer issues to offer opinions and suggestions.

Outside Director

Toshiko Katayama

Curriculum Vitae

June 2008	Appointed as director of Nippon Meat Packers, Inc.
April 1993	Opens own law practice
April 1988	Admitted to the bar (Osaka Bar Association)
August 1977	Hired as a law clerk (Osaka Family Court)

Board of Directors, Corporate Auditors and Executive Officers

As of June 25, 2009

Hiroshi Kobayashi
President and Representative Director

Noboru Takezoe
Vice President, Representative Director and Executive Officer

Hiroji Okoso
Director and Senior Managing Executive Officer

Bin Ueda
Director and Managing Executive Officer

Koji Uchida
Director and Managing Executive Officer

Takaharu Chujo
Director and Managing Executive Officer

Katsutoshi Nishio
Director and Executive Officer

Masayuki Matsuba
Director and Executive Officer

Kazuhiro Tsujimoto
Director and Executive Officer

Toshiko Katayama
Outside Director

Soichi Furukawa
Corporate Auditor

Hiroshi Itagaki
Corporate Auditor

Kaoru Izumi
Outside Corporate Auditor

Tokito Sasaki
Outside Corporate Auditor

Takeshi Koyama
Outside Corporate Auditor

Corporate and Executive Officers

Yoshio Tada	Katsumi Inoue	Teruo Yamada
Kazuhiko Morishita	Kiyoshi Shigyo	Yoshihide Hata
Takayuki Miwa	Takahito Okoso	Koji Kawamura
Toshimichi Miyachi	Shunichi Ogata	Kenso Takeda
Kunihiko Fukuhara	Kazushi Ohta	

The Nippon Ham Group's "Management for No. 1 Quality"

Measures for Enhancing Customer Satisfaction

In line with its goal of establishing and advancing the concept of "Management for No. 1 Quality," set forth as a management policy in the New Medium-Term Management Plan Part III, the Nippon Ham Group is promoting measures to reinforce its brand image, which associates the Nippon Ham Group name with exceptional quality.

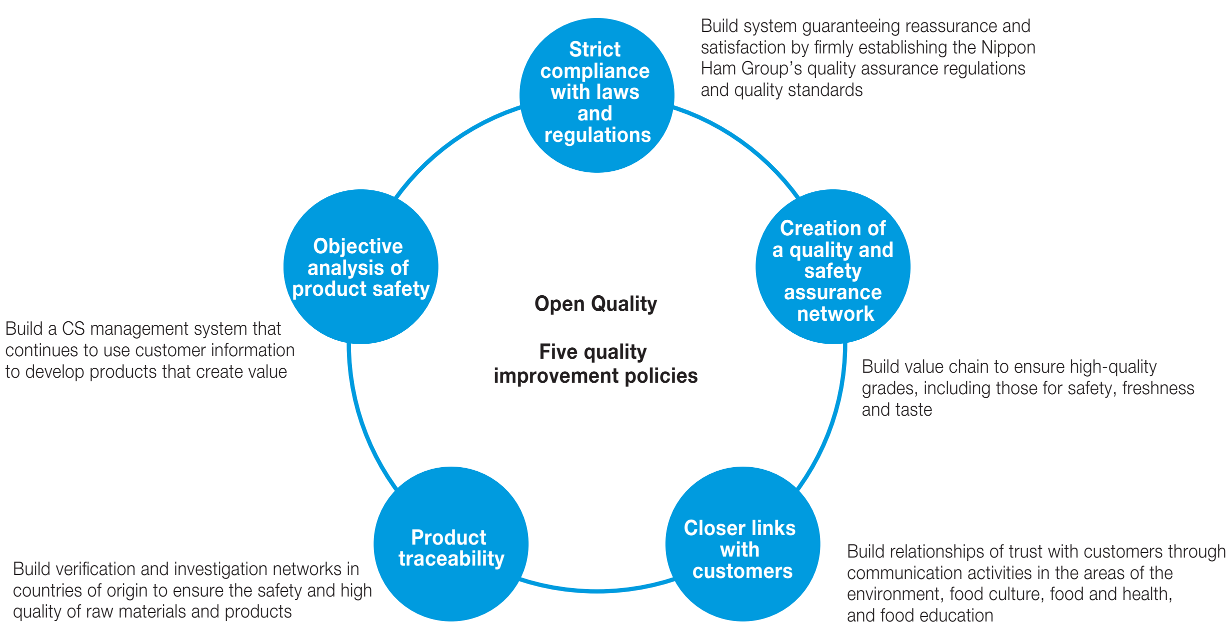
● Emerging as a Company that Customers Recognize as the Leader in Quality

The Nippon Ham Group has introduced an Open Quality system. Based on the Group's belief that its efforts to offer safe, high-quality products must reflect the customer's perspective and that it must to the best of its ability disclose information that customers require, this system is designed to realize an open approach to food production. An extension of the Open Quality initiative, "Management for No. 1 Quality," encompasses all aspects of quality, from the effective management of product quality to product appeal and customer satisfaction. Under the New Medium-Term Management Plan Part III, we will enhance awareness of "Management for No. 1 Quality" within the Group by establishing and advancing this concept. Through such efforts, we will endeavor to strengthen customer satisfaction and earn the recognition of consumers and society as the leader in quality, as well as to establish a solidly reliable brand image.

● Time Line for the Establishment and Advancement of "Management for No. 1 Quality"

Phase I (Year ending March 31, 2010)	Creating and establishing the concept of management from the customer's perspective
Phase II (Year ending March 31, 2011)	Capitalizing on a customer satisfaction-based management approach to develop market-creating new products
Phase III (Year ending March 31, 2012)	Secure a distinct competitive advantage by achieving recognition as the leader in quality

● Advancing the Nippon Ham Group's Five Fundamental Quality Policies



Promoting Basic Research and Product Development Efforts Aimed at Adding Higher Value to Food Products

The activities of the Nippon Ham Group's Research and Development Center (RDC) in Tsukuba, Ibaraki Prefecture, are divided into three categories: Research to ensure food safety and security, research aimed at developing food and food ingredients that support good health, and the development of production technologies and basic technologies that enhance the quality and taste of fresh meats. These efforts are playing a vital role in the effort to increase corporate value for the Nippon Ham Group and promote the "Management for No. 1 Quality" vision.

● Research to Ensure Food Safety and Security

The RDC has long been involved in R&D aimed at quickly and simultaneously analyzing potentially harmful substances in food products, and has developed a technology that facilitates the prompt analysis of 547 types of agrichemical residue and 190 types of veterinary drugs at the same time. This technology is utilized in the Nippon Ham Group's Safety Testing Laboratory, which is responsible for the quality of all Group food products and is essential to ensuring food safety.

The RDC is also a leading name in the development of food testing technologies employing immunotechnologies and has developed and marketed a range of screening kits. These include the FASTKIT ELISA Ver. II series, which has been approved by Japan's Ministry of Health, Labour and Welfare as a means of testing for food allergens, as well as screening kits for the swift identification of harmful microorganisms, including escherichia coli O157:H7 and salmonella.

● Research Aimed at Developing Food and Food Materials that Support Good Health

Capitalizing on the Nippon Ham Group's biological resources, the RDC has developed and commercialized a wealth of proprietary food materials that support good health. These include extracts from pig placenta and elastin peptide extracted from the blood vessels of pigs, functional ingredients that aid beauty. The RDC has also identified a strain of plant-based lactic acid bacteria that helps to alleviate allergies and is marketing it as a food material. These materials are used by the Group in its processed foods and lactic acid probiotic drinks.

● Development of Production Technologies that Enhance the Quality and Taste of Fresh Meats

The RDC conducts research aimed at scientifically assessing the taste of our fresh meats. Research and scientific assessments conducted by the RDC are also essential to fostering proprietary Nippon Ham Group fresh meat brands. The RDC also focuses on the development of production-related technologies for fresh meats, including breeding technologies for cattle that produce highly marbled beef.

Other efforts include the development of technologies to ensure healthy livestock. Verification testing is currently underway on a probiotic lactic acid that accelerates pig growth and a technology for the production of feed that enhances immunity to disease, thereby ensuring healthier pigs, in preparation for commercialization.

Social Contributions

With the aim of sharing knowledge and information gained through its R&D activities, the RDC organizes a variety of food education activities on such themes as "food and sports" and "food and allergies" as part of its efforts to support healthy lifestyles for people everywhere.

For more information, visit the RDC's Web site:
http://www.rdc.nipponham.co.jp
and the Nippon Ham Group's allergy Web sites:
http://www.rdc.nipponham.co.jp (Japanese only)
http://www.food-allergy.jp/

Leaving a Beautiful Planet for the Next Generation

Employees of the Nippon Ham Group participate in a variety of initiatives in line with the Group's Environmental Charter, which outlines its basic policy on environmental protection activities.

Environmental Charter

Philosophy

"The Nippon Ham Group appreciates the blessings of nature and we consider it our responsibility to leave a beautiful planet to the next generation. We will take pains to preserve the environment in every aspect of our corporate activities."

Guidelines for Conduct

Each one of us will study and deepen our understanding of environmental problems and practice "global harmony" in every aspect of our business processes.

1. We will take pains to develop products and services that are attentive to the issues of safety and environmental conservation.
2. We will strive to conserve energy and resources and to reduce the burdens affecting the environment.
3. We will make efforts to organize and promote projects, enhance our consciousness and strengthen environmental control systems.
4. We will work to set up our own criteria for enhancing the level of environmental preservation to fulfill both the letter and the spirit of related laws.
5. We will take pains to cooperate in establishing harmonious relationships with local communities through our corporate activities in order to protect the environment.

1 Results of the Eco Action Plan Part II

The Eco Action Plan Part II—formulated to map our quantified targets for environmental protection initiatives for the three-year period ended March 2009—set forth six key environmental targets. As of the end of fiscal 2008, the Nippon Ham Group is pleased to report that it exceeded the targets of the plan for three key indicators, achieving a 6.7% reduction in CO_2 emissions, compared with a target reduction of 4.5%; an 8.0% decrease in the volume of water used, compared with a target of 6.0%; and a green procurement rate of 80.4%, well above the target rate of 75.0%. In contrast, while improvements were seen the Group fell short of its targets for reducing water consumption, increasing recycling and introducing vehicles that run on low-emission gas.

Going forward, the Nippon Ham Group will step up efforts to contribute to environmental protection and the realization of a sustainable society. These efforts will be guided by the Eco Action Plan Part III.

2 ISO 14001 Certification

The Nippon Ham Group is working to obtain certification under ISO 14001—the international standard for environmental management systems—at all of its major operating bases. As of March 31, 2009, 24 Nippon Ham sites and Group companies have been certified.

3 Efforts to Improve Containers and Packaging

The Nippon Ham Group is involved in a variety of efforts aimed at simplifying product containers and packaging. These include promoting the use of thinner plastic films and the elimination of polystyrene trays. In fiscal 2008, the Group participated in Gomi Herasou Jikken 2008 ("Waste Reduction Trial 2008"), sponsored by Gomi-jp, a designated nonprofit organization. The Group also collaborated with Japan's Reitaku University in a project to test market products with simplified packaging.

SCHAU ESSEN with simplified packaging

Note: The picture shows packaging developed and produced for the purpose of a test marketing project.

4 Product Life Cycle Assessments

In fiscal 2007, the Nippon Ham Group earned the Eco Leaf Label, a mark assigned to products judged to be environment-friendly, for its Australian beef. In fiscal 2008, as a participant in the Study Group for Developing and Promoting the Carbon Footprint System, the Nippon Ham Group conducted product lifestyle assessments for three products: *Mori-no-Kaori* coarse ground sausages, *Mori-no-Kaori Sliced Ham* and *Ishigama Kobo Margherita Pizza*. Looking ahead, the Group will continue to incorporate consideration of environmental impact over the entire life cycle into its R&D activities with the aim of developing environment-friendly products and services.

No. CP-07-001
Eco Leaf environmental label

Whyalla Feedlot Eco-Beef Label

The Nippon Ham Group's CSR Activities

The Nippon Ham Group strives to contribute to the realization of a culturally rich society and support the communities in which it operates through a wide range of activities, including the promotion of sports.

Championing Sports and Athletics

The Nippon Ham Group promotes sports as a way of creating opportunities for social interaction and to help build communities that enjoy strong personal ties. As owner of the Hokkaido Nippon Ham Fighters, a professional baseball team, and a participant in the management of Cerezo Osaka, a professional soccer team, the Group organizes baseball and soccer clinics nationwide. Through these clinics it aims not only to provide technical instruction, but also to inspire a passion for working to achieve a dream and an understanding of the importance of interacting with other people.

The Nippon Ham Group is also a special sponsor of the UNICEF Cup, a citizens' marathon, and hosts the Nippon Ham Flag Autumn Rubber Baseball Tournament for Kanto Area Students, a little league competition. Through such activities, the Group endeavors to broaden the support base for sports, as well as to contribute to the sound health and vibrant development of the youth of Japan.

Forest Preservation

The Nippon Ham Group is involved in a movement to preserve and protect forests as part of the "Corporate Forest" program sponsored by Japan's Forestry Agency. As part of this effort, Group employees work with local residents in three locations—Mount Onari in Hyogo Prefecture, Mount Tsukuba in Ibaraki Prefecture and Seto Jokoji in Aichi Prefecture—to plant trees and clear undergrowth and, in the process, provide an opportunity for residents to gain a new understanding of the importance of forests.

Support for Food Education

Guided by the slogan "Let's Enjoy Eating," the Nippon Ham Group encourages people to increase their knowledge of food and broaden the scope of their culinary experiences through education. Food education is important for promoting healthy diets and eating habits. By fostering awareness of the importance of food, the Group will continue to help people everywhere—from children to senior citizens—to realize richer and more varied culinary lifestyles.

Food Knowledge

Fighters Kids Summer Camp Food Education Seminar

Based on the nutrition and dietary management instructions provided to players on the Hokkaido Nippon Ham Fighters baseball team, a seminar is held for children in the team's baseball camps to encourage awareness of the importance of a healthy diet. The seminar is conducted like a three-day/two-night mini training camp.

Food Experience

Wiener-Making Seminar

Guided by its "Let's Enjoy Eating" slogan, the Nippon Ham Group dispatches experienced employees to schools to conduct seminars on making wieners. To date, approximately 3,000 people from close to 50 schools in Japan have taken part. In addition to providing an enjoyable experience, these seminars help to teach children about the importance of food.

Food Experience

Osaka Festa 2008

The Nippon Ham Group's booth featured a corner where visitors could watch a demonstration of how to cut a common food product—in this case, wieners—into fancy decorative shapes, a fun event designed to promote knowledge of food and an appreciation of the joy of eating.

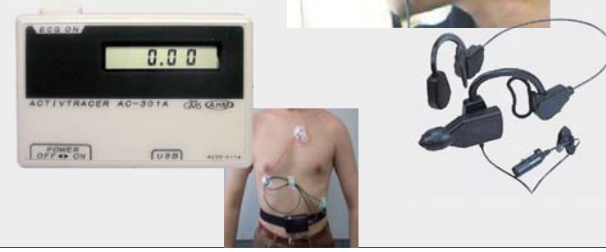
Hokkaido Nippon Ham Fighters:

Enhancing Corporate Value for the Nippon Ham Group

In 1973, the Nippon Ham Group acquired the professional baseball team that was later reborn as the Hokkaido Nippon Ham Fighters. In the years since, ownership of the team has provided an opportunity for interaction with local communities and reinforced public confidence in the Group. Today, the team's presence contributes significantly to enhanced name recognition, public support and brand value.

Analyzing fan behavior

Worn by fans attending baseball games at Sapporo Dome, this tiny unit combining camera and portable cardiac flow detector makes it possible to analyze the behavior of fans.



● Active and Scientific Approaches to Promoting the "Fan Service First" Concept

In March 2008, the Hokkaido Nippon Ham Fighters received the Japan 300 High-Service Award from Service Productivity and Innovation for Growth (SPRING), a service industry association in Japan, becoming the first professional sports organization to be so honored. The High-Service Award recognizes service industry companies that have reported outstanding achievements in process improvements and the development of value-added services and other cutting-edge efforts.

Subsequent to this award, the team's fan service efforts were selected by the Ministry of Economy, Trade and Industry (METI) as a theme for the Ministry's Service Innovation project, a three-year undertaking with the National Institute of Advanced Science and Technology (AIST) launched in June 2008. This project will analyze the frame of mind of fans watching Hokkaido Nippon Ham Fighters games by scientifically measuring such factors as the direction of their gaze and their heart rate in an effort to identify what types of fan service activities lead to increased repeat attendance at games.

Since its establishment, the Hokkaido Nippon Ham Fighters team has implemented a wide range of forward-looking initiatives in line with its "fan service first" philosophy with the aim of earning a committed fan following. These initiatives have contributed to increased recognition and have enhanced the appeal of the Nippon Ham brand.

● Becoming the First Professional Baseball Team in Japan to Be Certified Under ISO 14001

In the period under review, the Hokkaido Nippon Ham Fighters became the first professional baseball team in Japan to earn certification under ISO 14001, the International Organization for Standardization's standard for environmental management systems. In June 2008, the team launched the Fighters Eco Project with the aim of undertaking a range of environmental initiatives. As part of the project, the team is continuing to participate in a variety of efforts. These include a tree-planting scheme in the city of Chitose, Hokkaido. The team also hands out "*my hashi*" (personal chopsticks) and eco bags to fans at its home stadium, Sapporo Dome, as alternatives to resource-depleting disposable items, with the aim of encouraging a proactive awareness of the need to combat climate change.

● First Owner Yoshinori Okoso Inducted into the Japanese Baseball Hall of Fame

In January 2009, Yoshinori Okoso, the first owner of the Hokkaido Nippon Ham Fighters, was inducted into the Japanese Baseball Hall of Fame. Established in 1959, the Japanese Baseball Hall of Fame honors players, managers and other individuals who have made exceptional contributions to baseball in Japan. Although Mr. Okoso's original objective in purchasing the team that would become the Hokkaido Nippon Ham Fighters was to boost recognition of Nippon Ham, his induction underscores recognition from a CSR perspective of his contributions to the advancement of professional baseball and through this to the promotion of sports and the health of Japan's youth. Mr. Okoso's induction also highlights the value of his legacy through the importance of his contributions to professional baseball and to society.

Financial Section

Contents

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Five-Year Summary

Nippon Meat Packers, Inc. and Subsidiaries
For the Years Ended March 31

	Millions of Yen				
	2009	2008	2007	2006	2005
Net Sales	**¥1,028,449**	¥1,029,694	¥ 975,466	¥ 962,369	¥ 933,471
Cost of Goods Sold	**833,564**	840,512	788,131	788,118	735,059
Selling, General and Administrative Expenses	**173,468**	171,413	170,802	187,623	171,142
Income from Continuing Operations before Income Taxes, Equity in Losses of Associated Companies, Extraordinary Item and Cumulative Effect of Accounting Change	**6,195**	7,769	13,753	2,431	22,414
Net Income	**1,657**	1,555	11,386	952	11,839
Capital Expenditures	**22,148**	18,627	19,441	20,996	27,193
Depreciation and Amortization	**24,000**	23,939	22,975	23,731	22,954
Total Assets	**583,684**	608,809	612,933	591,426	611,250
Total Shareholders' Equity	**270,439**	287,457	298,428	291,580	268,621
Total Shareholders' Equity to Total Assets	**46.3%**	47.2%	48.7%	49.3%	43.9%
Interest-Bearing Debt	**168,950**	183,539	171,211	169,701	167,019
Net Cash Provided by (Used in) Operating Activities	**37,776**	29,690	33,164	(21,793)	34,679
Free Cash Flow	**22,379**	2,897	13,424	(38,454)	11,149
Cash and Cash Equivalents at End of the Year	**41,323**	44,249	34,482	27,180	66,793

	Yen				
Per Share Amounts:					
Basic earnings per share:					
Income from continuing operations before extraordinary item and cumulative effect of accounting change	**¥ 4.84**	¥ 16.94	¥ 50.03	¥ (0.25)	¥ 51.86
Extraordinary gain on negative goodwill				2.43	
Cumulative effect of accounting change				1.73	
Continuing operations	**4.84**	16.94	50.03	3.91	51.86
Discontinued operations	**2.42**	(10.13)	(0.14)	0.26	0.00
Net Income	**¥ 7.26**	¥ 6.81	¥ 49.89	¥ 4.17	¥ 51.86
Diluted earnings per share:					
Income from continuing operations before extraordinary item and cumulative effect of accounting change	**¥ 4.83**	¥ 16.92	¥ 49.97	¥ (0.25)	¥ 51.85
Extraordinary gain on negative goodwill				2.43	
Cumulative effect of accounting change				1.73	
Continuing operations	**4.83**	16.92	49.97	3.91	51.85
Discontinued operations	**2.42**	(10.12)	(0.14)	0.26	0.00
Net Income	**¥ 7.25**	¥ 6.80	¥ 49.83	¥ 4.17	¥ 51.85
Total Shareholders' Equity	**¥ 1,185.25**	¥1,259.74	¥1,307.77	¥1,277.41	¥1,176.72
Cash Dividends	**¥ 16.00**	¥ 16.00	¥ 16.00	¥ 16.00	¥ 16.00

	Percent				
Index					
Return on Equity (ROE)	**0.6%**	0.5%	3.9%	0.3%	4.5%
Return on Assets (ROA)	**1.0%**	1.3%	2.3%	0.4%	3.7%

Note 1. The above figures are based on the consolidated financial statements prepared in conformity with accounting principles generally accepted in the United States of America.

2. See Note 1 to the consolidated financial statements with respect to the determination of the number of shares in computing the per share amounts.

3. During the year ended March 31, 2006, the Company changed its method of inventory costing from an annual average cost method to a moving average cost method. Management believes this change is preferable and it provides for a more timely and appropriate determination of the amounts of cost of goods sold and inventory.
The cumulative effect of the change in the costing method as of April 1, 2005 was ¥396 million, net of taxes of ¥275 million and was presented in the consolidated statements of income as "Cumulative effect of accounting change." The effect of the change during the year ended March 31, 2006 was a decrease in net income from continuing operations before extraordinary item and cumulative effect of accounting change of ¥240 million (¥1.05 per share) and an increase in net income of ¥156 million (¥0.68 per share), respectively.

4. In accordance with Statement of Financial Accounting Standards ("SFAS") No. 141 "Business Combinations," the Companies recognized as an extraordinary gain the excess of fair value of additionally acquired net assets over the cost relating to an investment in a subsidiary for the year ended March 31, 2006. The extraordinary gain recognized was ¥555 million and was presented in the consolidated statements of income as "Extraordinary gain on negative goodwill."

5. In accordance with SFAS No.144, "Accounting for the Impairment or Disposal of Long-Lived Assets," the Companies present the results of discontinued operations as a separate line item in the consolidated statements of income under income (loss) from discontinued operations—net of applicable income taxes. Prior years' consolidated statements of income were reclassified to conform to the current year presentation to separately report the results of discontinued operations.

6. ROE = (Net income / Average total shareholders' equity) ×100
ROA = (Income from continuing operations before income taxes, equity in losses of associated companies, extraordinary item and cumulative effect of accounting change / Average total assets) ×100
Free Cash Flow = Net cash provided by operating activities – Net cash used in investing activities

Overview of Business

Signs of a global recession became increasingly evident in the second half of the fiscal year ended March 31, 2009, triggered by the financial crisis that originated in the United States. Against this backdrop, the Japanese economy deteriorated sharply as exports and corporate profits plunged. Conditions were further exacerbated by a harsh employment climate and sluggish consumer spending.

Despite a reversal in the trend toward higher prices for feed, raw materials and fuel, harsh operating conditions persisted, owing to the delay before declines were reflected in actual costs, combined with plummeting prices for fresh meats and stagnant consumer spending.

In this environment, the Nippon Ham Group ("the Group") sought to address a variety of management challenges under the guidance of the New Medium-Term Management Plan Part II, in line with the plan's stated goal of "corporate value improvement by continuous reform and challenge."

With consumers becoming increasingly distrustful of the safety and quality of food products, the Group continued to focus on measures aimed at ensuring a high level of product quality, as well as to implement safety examinations of raw materials and product safety audits, with the aim of advancing its "Management for No. 1 Quality" initiative.

The Processed Foods Business Division continued to promote ambitious television advertising and sales promotional activities in Japan to encourage sales of year-end gifts and core brands.

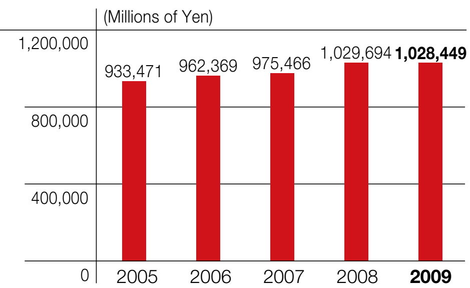
The Fresh Meats Business Division concentrated on leveraging its proprietary integrated production system, which encompasses all stages of the product life cycles, from production on Group farms to distribution through its nationwide network of sales companies. As a result, we strived to improve sales in this segment.

The Group also rationalized production, reviewed poorly performing businesses and divested idle assets as part of an effort to promote selectivity and focus and strengthen its financial position. These efforts notwithstanding, amid worsening global economic conditions in the second half of the period under review, the Group's operating results reflected steep declines in the markets for fresh meat and marine products, sharply reduced exports of Australian leather and the impact of fluctuating exchange rates on sales in overseas markets.

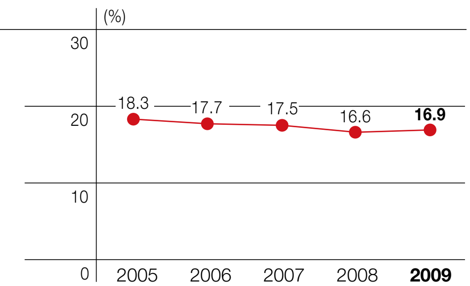
Net Sales

Sales of hams and sausages increased 4.6% from the previous fiscal year, as the Group bolstered sales, focusing on consumer products through sales promotions for core brands and the development and launch of new products. The Group also achieved a substantial increase in sales of gift products by stepping up sales promotions for the year-end gift-giving season. In processed foods, sales to commercial customers struggled whereas sales of chilled pizzas and bakery products

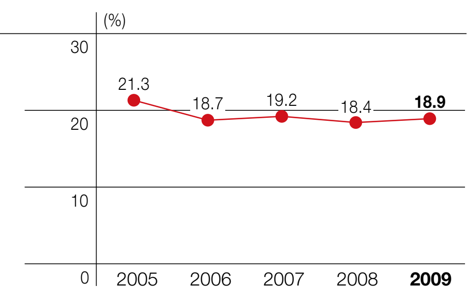
NET SALES



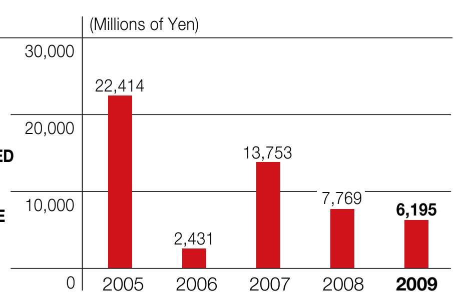
SELLING, GENERAL AND ADMINISTRATIVE EXPENSES RATIO[*1]



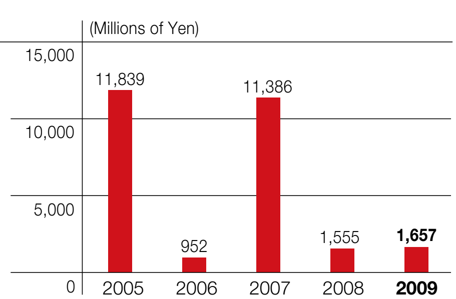
GROSS PROFIT RATIO[*1 *2]



INCOME FROM CONTINUING OPERATIONS BEFORE INCOME TAXES, EQUITY IN LOSSES OF ASSOCIATED COMPANIES, EXTRAORDINARY ITEM AND CUMULATIVE EFFECT OF ACCOUNTING CHANGE



NET INCOME



[*1] The figures for fiscal 2006 were calculated without including the settlement losses due to such actions as the transfer of the substitutional portion of the employees' benefit plans and special severance payment.
[*2] Gross profit represents net sales less cost of goods sold.

rose sharply, while in-store sales promotions and an increasing trend toward eating meals at home pushed category sales up 0.9%.

Sales of fresh meats increased 2.0% from the previous fiscal year, reflecting persistently high market prices for fresh meats supported by robust sales of products both upstream and downstream in Japan in the first half. First-half gains were only just sufficient to offset flagging sales in the second half, attributable to a sharp decline in market prices and plummeting demand.

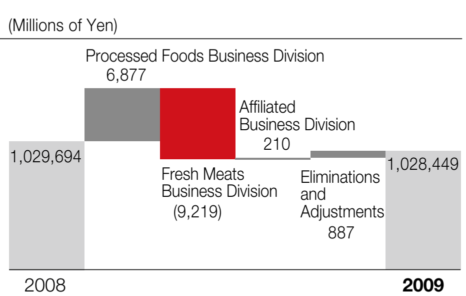
Sales of marine products were down 2.9% from the previous fiscal year despite brisk sales to volume retailers, as sales of mainstay sushi toppings and fillings to restaurants, the main sales channel for these products, slackened. Sales of dairy products increased slightly. Sales of existing products in this category weakened due to sales price revisions, but sales of yogurts and lactic acid probiotic beverages increased, thanks to robust results for the *Fat 0%* series of yogurt.

As a consequence of these and other factors, net sales for the fiscal year ended March 31, 2009, edged down 0.1%, to ¥1,028,449 million.

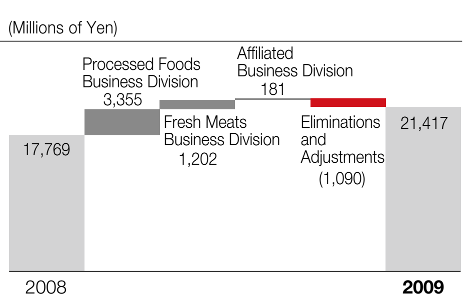
Gross Profit, Income from Continuing Operations before Income Taxes and Equity in Losses of Associated Companies, and Net Income

Cost of goods sold slipped 0.8%, to ¥833,564 million, equivalent to 81.1% of consolidated net sales, down from 81.6% in the previous fiscal year. Gross profit rose 3.0%, to ¥194,885 million, reflecting the decline in the cost of sales ratio. Selling, general and administrative expenses increased 1.2%, to ¥173,468 million, equivalent to 16.9% of net sales, up from 16.6% in the previous term.

FACTORS BEHIND THE DECREASE IN NET SALES



FACTORS BEHIND THE INCREASE IN OPERATING INCOME



Despite the increase in gross profit, income from continuing operations before income taxes and equity in losses of associated companies decreased 20.3%, to ¥6,195 million. This result reflected such factors as foreign exchange losses and impairment losses on fixed assets. The effective tax rate, based on income from continuing operations before income taxes and equity in losses of associated companies was 75.1%, up sharply from 50.1% in the previous fiscal year, owing mainly to an increase of the valuation allowance for deferred tax assets. Consequently, net income advanced 6.6%, to ¥1,657 million, while basic earnings per share totaled ¥7.26.

Overview of Business Results by Operating Segment

The operations of the Group consist of three business divisions. The Processed Foods Business Division is primarily involved in the manufacture and sales of hams, sausages, and deli and processed foods. The Fresh Meats Business Division engages mainly in the production and sales of fresh meats. The businesses of the Affiliated Business Division center on the production and sales of marine and dairy products.

● Processed Foods Business Division

In the hams and sausages business, the Group sought to bolster sales through efforts focused on core consumer products. These included ambitious sales promotions for mainstay products, notably a television advertisement for *SCHAU ESSEN* sausages and a sales campaign for the *Mori-no-Kaori* series in a tie-up with a major customer, as well as the development and launch of the *Shinsen Seikatsu ZERO* series, targeted at health-conscious consumers. For the year-end gift-giving season, the Group conducted active in-store advertising and publicity campaigns for *Utsukushi-no-Kuni* hams, which are made from pork produced at the Group's own farms in Japan. The Group also promoted efforts to enhance product quality and reduce costs though initiatives at individual plants.

Sales in the processed foods category also rose, despite subdued sales to commercial customers, supported by substantial increases for the *Ishigama Kobo* series of chilled pizzas and bakery products. Sales of *Chuka Meisai*, which had previously been underperforming, rallied as a consequence of effective in-store sales promotions and the increasing popularity of eating meals at home. The Group also implemented price revisions for certain products in this category in June 2008, and sought to raise production efficiency by promoting the integration of plants and lines. As a consequence, segment sales rose 2.3%, to ¥326,737 million, while operating income increased 146.3%, to ¥5,648 million.

● Fresh Meats Business Division

Against a backdrop of increasing consumer concern about food safety and security, the Group endeavored to expand sales by capitalizing on its comprehensive domestic capabilities for all types of livestock—centering on its integrated production system, which facilitates total control by the Group of all stages, from production on its own farms to sales through its own nationwide network of sales companies—and its global procurement capabilities. In the first half of the period, soaring market prices bolstered sales in upstream businesses and domestic products. In the second half, however, operating conditions were harsh as market prices fell sharply, cutting into margins on imported meats.

In Japan, the Group worked steadily to boost yields and improve upstream businesses by implementing disease control measures. On the sales side, efforts focused on increasing shipments and reducing costs. Nevertheless, these businesses struggled in the second half as a sharp decline in demand and plummeting market prices resulted in unrealized losses on inventories.

Overseas, the operating environment was equally harsh as recessionary conditions worldwide pushed down exports of fresh meat and leather. The Group responded by working to enhance the productivity of its farms and processing facilities and to increase sales volume. It also worked to dispose of idle assets and reassess poorly performing businesses, but the impact of such measures was limited as unfavorable currency exchange rates hindered sales.

Owing to these and other factors, sales in this segment slipped 1.4%, to ¥677,877 million. In contrast, operating income rose 8.0%, to ¥16,290 million.

● Affiliated Business Division

In the marine products business, with consumers increasingly concerned over food safety and security and the recession encouraging a preference for eating meals at home, sales to volume retailers remained firm, although these same trends hampered sales of mainstay sushi toppings and fillings to sushi restaurants, the principal sales channel for these products. Although steps were taken to reinforce core businesses—most notably, the establishment of a tuna farming joint venture and efforts to bolster sales of fresh fish from local waters and canned food—the division struggled in the second half, owing to an abrupt fall in market prices.

In the dairy products business, the *Fat 0%* series was firm in the yogurt and lactic acid probiotic beverages category, although a revision of sales prices prompted a decline in shipments of well-established category products. Despite sales promotions for mainstay products, notably *Vanilla Yogurt*, category sales languished. In contrast, sales of cheese rose as price increases met with general acceptance and the Group focused on developing products for restaurant chains.

Sales in the Affiliated Business Division edged up 0.1%, to ¥132,508 million. The segment reported an operating loss of ¥527 million, an improvement over the previous fiscal year's operating loss of ¥708 million.

Outlook for the Fiscal Year Ending March 31, 2010

The operating environment is expected to remain harsh in the fiscal year ending March 31, 2010. In line with its New Medium-Term Management Plan Part III, which commences in that period, the Group will continue to focus on reinforcing domestic operations while growing as a global player.

In the Processed Foods Business Division, raw materials and fuel prices, which have been persistently high in recent years, are expected to stabilize. The operating environment is likely to remain harsh, however, as consumers gravitate increasingly toward low-priced offerings and price competition intensifies. In response, the division's production and sales teams will rally their efforts to implement growth- and efficiency-enhancing strategies. Growth strategies will focus on maximizing frontline experience to reinforce sales capabilities, consolidating our position as the preferred business partner of choice and enhancing advertising and promotional initiatives to bolster our market share. Efforts will also emphasize market analysis and product development that incorporate the perspective of the customer, thereby facilitating the creation of new value. Strategies to enhance efficiency will center on supply chain management (SCM), with concrete objectives including minimizing wastage and reducing logistics costs. These will range from structural reforms—including a reorganization of production and sales teams—to a streamlining of our product portfolio aimed at eliminating excess and reinforcing competitiveness.

In the Fresh Meats Business Division, operating conditions are also expected to remain challenging. Although feed prices have come down and stabilized, market prices for fresh meat have declined even more sharply. In such an environment, the Group will leverage its integrated production system, which facilitates total control by the Group of all stages, from production on its own farms to sales through its own nationwide network of sales companies—thus giving it a key competitive advantage—to strengthen its market share. Specifically, the Group will reinforce its accumulated procurement and marketing capabilities to increase its share of the market for fresh meats for volume retailers. In addition to enhancing product quality and cost competitiveness in upstream markets, the Group will strengthen procurement from outside suppliers.

Recognizing that companies in the Affiliated Business Division in the marine and dairy products businesses are not among the top performers in their respective markets, the Group will take steps to increase market shares. It will achieve this by expanding opportunities for customer interaction and promoting a management style that prioritizes the views of individuals who deal directly with customers, and are thus positioned to best identify market needs. The Group will also foster promising, undeveloped new markets. In the marine products business, the Group is currently involved in a fish farming venture, an undertaking that will add to its store of expertise. In the dairy products business, the Group is reassessing its policies regarding its marketing channels and working to expand sales to commercial customers as a means of raising its profile in the market.

In line with its goal of establishing and evolving the concept of "Management for No. 1 Quality," set forth as a management policy in the New Medium-Term Management Plan Part III, the Group continues to rally its efforts to implement a variety of initiatives aimed at ensuring product safety and maintaining product quality. Through communication with customers, the Group is also promoting product and service development that incorporates their perspectives.

With public awareness of the need to reduce CO_2 emissions growing, the Group is striving to realize environmentally friendly facilities and production lines, thereby fulfilling its responsibility as a corporate citizen to help reduce emissions of greenhouse gases. In addition, the Group is working closely with its various business sites to minimize the environmental impact of such things as product containers. As a corporate citizen, the Group will also promote CSR by engaging in a range of distinctive initiatives that focus on the links between food and sport.

Operating in a harsh environment that is fraught with challenges, the Group has launched its New Medium-Term Management Plan Part III. Acting in accordance with the policies and strategies outlined in the plan, the management and employees of the Group pledge to rally their capabilities to achieve its targets, thereby reinforcing domestic operations while growing as a global player.

As of the publication of this annual report, the Group's forecasts for the fiscal year ending March 31, 2010, are consolidated net sales of ¥1,060.0 billion, an increase of 3.1% from the previous fiscal year; operating income of ¥24.0 billion, an increase of 12.1% from the previous fiscal year; combined income from continuing operations before income taxes and equity in gains (losses) of associated companies of ¥18.0 billion, up 190.6% from the previous fiscal year; and net income of ¥10.0 billion, an increase of 503.5% from the previous fiscal year.

Analysis of Financial Position

Assets

Total assets as of March 31, 2009, amounted to ¥583,684 million, a decrease of 4.1%. Trade note and accounts receivable declined 6.6%, to ¥102,791 million. Total current assets were ¥290,969 million, a decrease of 4.5%. Property, plant and equipment totaled ¥232,862 million, down 5.7%, as additions were made within the scope of depreciation and a loss on impairment of long-lived assets. Total investments and non-current receivables declined 10.6%, to ¥28,355 million, reflecting a decrease in unrealized gains on other investment securities.

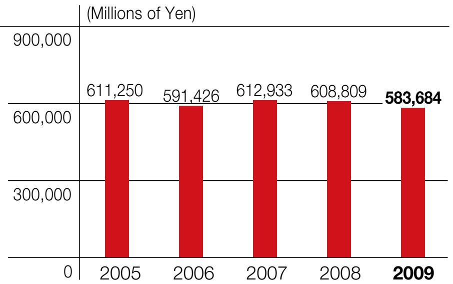
Liabilities

Total liabilities as of the fiscal year-end were ¥311,308 million, down 2.5% from a year earlier, as liability under retirement and severance program rose 62.7%, to ¥ 23,259 million, reflecting the redemption of straight bonds in the amount of ¥9,700 million. Interest-bearing debt decreased ¥14,589 million from the end of the previous fiscal year, to ¥168,950 million.

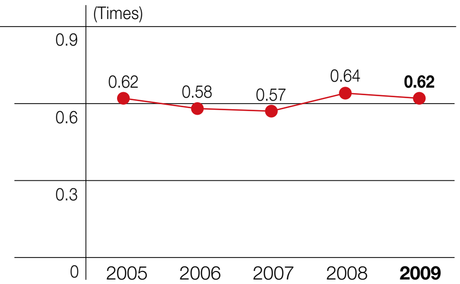
Shareholders' Equity

Total shareholders' equity declined 5.9%, to ¥270,439 million, as accumulated other comprehensive loss, including pension liability adjustments and foreign currency translation adjustments, was up ¥14,777 million from the end of the previous fiscal year. As a consequence, the shareholders' equity ratio declined 0.9 percentage point, to 46.3%. Return on equity (ROE), 0.5% at the end of the previous period, improved 0.1 percentage point, to 0.6%. Return on assets (ROA) decreased 0.3 percentage point, to 1.0%, from 1.3% a year earlier.

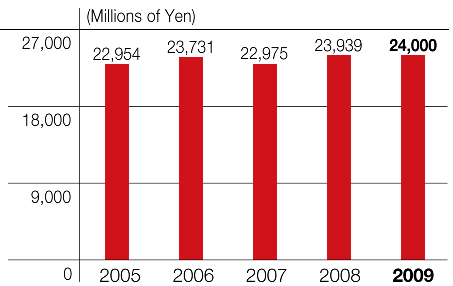
TOTAL ASSETS



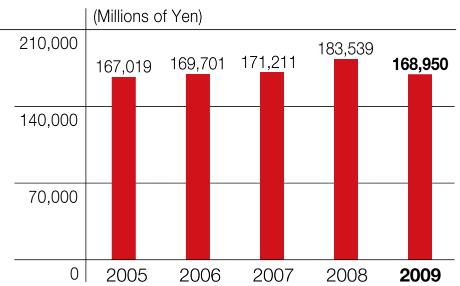
DEBT/ EQUITY RATIO



DEPRECIATION AND AMORTIZATION



INTEREST-BEARING DEBT



Cash Flows

● Cash Flows from Operating Activities

Net cash provided by operating activities amounted to ¥37,776 million, compared with ¥29,690 million provided by these activities in the previous fiscal year, as an increase in inventories was offset by a decrease in trade notes and accounts receivable, as well as by depreciation and amortization and foreign exchange translation adjustments.

● Cash Flows from Investing Activities

Net cash used in investing activities amounted to ¥15,397 million, down from ¥26,793 million used in these activities in the previous fiscal year, as a consequence of the application of cash to purchases of capital assets and of marketable securities and other investment securities.

● Cash Flows from Financing Activities

Net cash used in financing activities amounted to ¥24,761 million, compared with ¥7,451 million provided by these activities in the previous fiscal year, reflecting such factors as a decrease in long-term debt.

Owing to the operating, investing and financing activities of the Group in the period under review, cash and cash equivalents at end of the year totaled ¥41,323 million, ¥2,926 million less than at the end of the previous fiscal year.

Capital Expenditures

The Group has created an integrated production system that covers all aspects of its operations—from breeding through to processing, production, distribution and sales—and invests in fixed assets as necessary to enhance, rationalize and strengthen this system. In the fiscal year ended March 31, 2009, these investments totaled ¥22.1 billion (including software). The principal applications of these investments are described below.

● Processed Foods Business Division

The parent company allocated approximately ¥5.1 billion of capital expenditures to expand and upgrade production and marketing facilities for hams and sausages and processed foods. Consolidated subsidiaries, notably Nippon Ham Shokuhin Co., Ltd., also used roughly ¥5.1 billion to expand and upgrade production facilities for hams and sausages and marketing facilities.

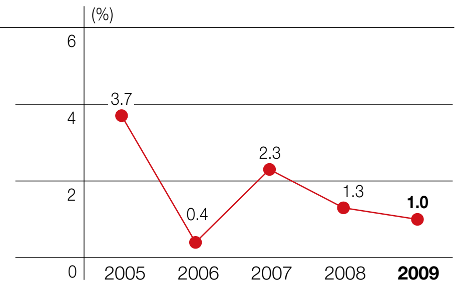
● Fresh Meats Business Division

The parent company applied capital expenditures of approximately ¥1.2 billion to upgrade and expand marketing facilities. Capital expenditures by subsidiaries totaled ¥7.5 billion. This included approximately ¥3.4 billion used by Nippon White Farm Co., Ltd., and Interfarm Co., Ltd., and others to upgrade and repair breeding facilities; ¥2.8 billion by Higashi Nippon Food, Inc. and others to enhance marketing facilities; and ¥1.0 billion by the Nippon Food Packer, Inc. and others to upgrade and expand processing and treatment facilities.

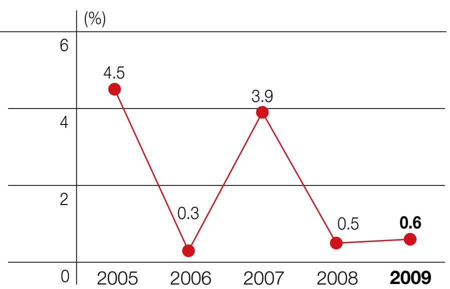
● Affiliated Business Division

Capital expenditures amounted to approximately ¥1.8 billion, which was applied to upgrading production and marketing facilities for the Marine Foods Corporation, Nippon Luna, Inc. and others.

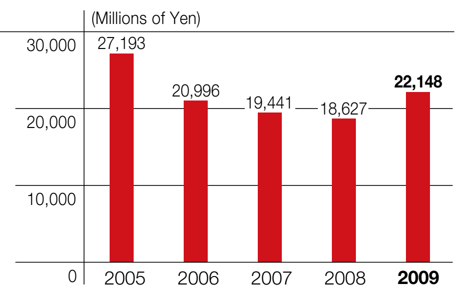
RETURN ON TOTAL ASSETS (ROA)



RETURN ON EQUITY (ROE)



CAPITAL EXPENDITURES



Business Risks

Risks with the potential to affect the Group's operating results and financial condition include, but are not limited to, the following major risks. Although these risks include items that are future-oriented, they constitute the majority of risks recognized by the Group as of March 31, 2009.

(1) Market-Related Risks

The Group's business centers on fresh meats and fresh meats-related processed products. As such, in addition to selling fresh meats, the Group uses fresh meats as raw materials for hams and sausages, processed foods and other applications. As a consequence, the Group's operating results and financial condition are vulnerable to fluctuations in market prices for livestock. Moreover, the Group's livestock breeding business, which supplies these fresh meats, is by its nature affected not only by fluctuations in product prices, but also by swings in feed prices. The Group also manufactures marine and dairy products, and is thus vulnerable to market conditions and fluctuations in the prices of raw materials used in these businesses.

To counter market-related risks, the Group works to diversify its product procurement channels, make use of commodity futures contracts, develop value-added products and establish distinctive marketing strategies. The Group also strives to ensure the stable procurement of raw materials in anticipation of product demand and to maintain appropriate inventories of fresh meats. Such measures do not, however, guarantee protection against the impact of these risks.

The Group's operating results and financial condition may also be significantly affected by outbreaks of disease—such as BSE, influenza and foot-and-mouth disease—as well as by the imposition of safeguard tariffs, that is, emergency restrictions on imports.

(2) Foreign Exchange Risks

The translation into yen of costs, income and trade receivables and payables associated with transactions undertaken by the Group denominated in other currencies may be affected by fluctuations in currency rates. To minimize exchange risks, the Group utilizes hedging instruments, including forward foreign exchange contracts, currency swap contracts and currency option contracts. Such measures do not, however, guarantee protection against the impact of these risks. Moreover, the use of hedging instruments to minimize foreign exchange risk may expose the Group to the risk of opportunity loss in the event exchange market fluctuations exceed management's estimates.

There is also a danger that translation losses, that is, losses arising from the translation of the financial statements of overseas subsidiaries denominated in other currencies into yen, may accumulate in the foreign currency translation adjustments, triggering fluctuations in shareholders' equity in the consolidated financial statements. Such fluctuations may affect the Group's operating results and financial condition.

To hedge risks associated with transactions in foreign currencies, the Group periodically assesses its exposure to foreign exchange risk and continually monitors exchange markets in accordance with its exchange risk management policies. All forward foreign exchange contracts, currency swap contracts and currency option contracts are carried out based on these policies and on internal regulations governing transactional authority and transaction amount limits.

(3) Interest Rate Risks

The Group raises the bulk of the funds it requires through loans from third parties and other interest-bearing debt.

Most of the Group's interest-bearing debt—¥169.0 billion as of March 31, 2009—is fixed-rate debt. Accordingly, interest rate increases should have no significant direct impact for the time being. However, to prepare for an increase in fund-raising costs associated with a projected increase in funding requirements, the Group is working to reduce interest-bearing debt by such measures as increasing cash flows from operating activities and maintaining capital investment within the scope of depreciation. However, with interest rates expected to rise, a resulting increase in the Group's interest burden has the potential to significantly affect the Group's operating results and financial condition.

(4) Share Price Risks

Marketable securities held by the Group consist principally of the shares of its business partners. As such, the Group is exposed to share price risks associated with market price fluctuations. As of March 31, 2009, these shares represented unrealized gains. However, share price movements in the future may significantly affect the Group's operating results and financial condition.

Additionally, should the value of pension plan assets be negatively affected by flagging conditions in the stock market, pension costs may increase and additional provisions for pension assets may become necessary.

(5) Risks Associated with Natural Calamities and Social Upheaval

The Group has operations in several countries. The geographical locations of these operations involve certain risks. Any of the following occurrences has the potential to affect the Group's operating results and financial condition:

- Earthquake, flood or other natural calamity
- Unforeseeable establishment of adverse, or repeal of favorable, laws or regulations
- Unforeseeable adverse economic or social event
- War, terrorist attack, conflict or other such event
- Social unrest caused by the spread of an infectious disease, such as influenza

(6) Risks Related to the Procurement of Materials

The Group strives to increase production efficiency and reduce inventory losses and distribution costs. Should the Group's efforts be unsuccessful in offsetting increases in costs related to the procurement of raw materials and fuel (due to such factors as high crude oil prices) or distribution, the resulting increase in costs has the potential to affect the Group's operating results and financial condition.

(7) Risk of Impairment Loss on Fixed Assets

Should the value of fixed assets owned by the Group decrease, and it becomes necessary to apply impairment accounting, resulting losses have the potential to affect the Group's operating results and financial condition.

(8) Risk of Leakage of Personal Information

The Group strives to rigorously protect and control the personal information it keeps and safeguards through such measures as employee education, in line with its regulations for safeguarding personal information. However, in the event of a leakage of personal information due to an unforeseeable event, the resulting negative impact on society's trust in the Group has the potential to affect the Group's operating results and financial condition.

(9) Safety-Related Risks

The Group has built rigorous quality control systems for which it has obtained recognized certification (i.e., ISO, HACCP). By further strengthening quality improvement initiatives, the Group will continue striving to ensure safety. However, in the event of a quality issue that falls outside the scope of these frameworks and initiatives, or is due to factors beyond the Group's control, the impact thereof has the potential to affect the Group's operating results and financial condition.

Consolidated Balance Sheets

Nippon Meat Packers, Inc. and Subsidiaries
March 31, 2009 and 2008

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2009	2008	**2009**
ASSETS			
CURRENT ASSETS:			
Cash and cash equivalents (Note 1)	**¥ 41,323**	¥ 44,249	**$ 421,663**
Time deposits	**4,923**	16,289	**50,235**
Marketable securities (Notes 1, 3 and 15)	**10,051**	388	**102,561**
Trade notes and accounts receivable (Note 1)	**102,791**	110,084	**1,048,888**
Allowance for doubtful receivables	**(674)**	(457)	**(6,878)**
Inventories (Notes 1 and 2)	**115,765**	112,218	**1,181,276**
Deferred income taxes (Notes 1 and 8)	**6,410**	8,566	**65,408**
Other current assets (Notes 3 and 16)	**10,380**	13,389	**105,918**
Total current assets	**290,969**	304,726	**2,969,071**
INVESTMENTS AND NON-CURRENT RECEIVABLES:			
Investments in and advances to associated companies (Notes 1 and 3)	**2,168**	2,220	**22,122**
Other investment securities (Notes 1, 3 and 15)	**15,811**	18,672	**161,337**
Deposits and other investments	**10,376**	10,830	**105,878**
Total investments and non-current receivables	**28,355**	31,722	**289,337**
PROPERTY, PLANT AND EQUIPMENT— At cost, less accumulated depreciation (Notes 1, 4, 6 ,7 and 13)	**232,862**	246,874	**2,376,143**
DEFERRED INCOME TAXES—Non-current (Notes 1 and 8)	**18,779**	12,954	**191,622**
OTHER ASSETS (Notes 5 and 9)	**12,719**	12,533	**129,786**
TOTAL	**¥583,684**	¥608,809	**$5,955,959**

See notes to consolidated financial statements.

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2009	2008	**2009**
LIABILITIES AND SHAREHOLDERS' EQUITY			
CURRENT LIABILITIES:			
Short-term bank loans (Note 7)	**¥ 56,455**	¥ 56,427	**$ 576,071**
Current maturities of long-term debt (Notes 7, 13 and 15)	**7,119**	18,540	**72,643**
Trade notes and accounts payable	**85,377**	87,296	**871,194**
Accrued income taxes (Notes 1 and 8)	**2,274**	1,983	**23,204**
Deferred income taxes (Notes 1 and 8)	**646**	579	**6,592**
Accrued expenses	**15,512**	15,460	**158,286**
Other current liabilities (Note 16)	**10,737**	11,242	**109,560**
Total current liabilities	**178,120**	191,527	**1,817,550**
LIABILITY UNDER RETIREMENT AND SEVERANCE PROGRAM (Notes 1 and 9)	**23,259**	14,299	**237,337**
LONG-TERM DEBT, LESS CURRENT MATURITIES AND OTHER LIABILITIES (Notes 7, 13, 15 and 16)	**107,437**	110,940	**1,096,296**
DEFERRED INCOME TAXES—Non-current (Notes 1 and 8)	**2,492**	2,471	**25,429**
MINORITY INTERESTS	**1,937**	2,115	**19,765**
COMMITMENTS AND CONTINGENT LIABILITIES (Notes 1 and 19)			
SHAREHOLDERS' EQUITY:			
Common stock, no par value—authorized, 570,000,000 shares;			
issued: 2009 and 2008—228,445,350 shares (Notes 1 and 11)	**24,166**	24,166	**246,592**
Capital surplus (Notes 1, 10 and 11)	**50,963**	50,944	**520,031**
Retained earnings:			
Appropriated for legal reserve (Note 11)	**7,013**	6,903	**71,561**
Unappropriated (Notes 11 and 20)	**206,588**	208,930	**2,108,041**
Accumulated other comprehensive loss (Note 12)	**(17,950)**	(3,173)	**(183,163)**
Treasury stock, at cost: 2009—274,689 shares			
2008—257,001 shares (Note 11)	**(341)**	(313)	**(3,480)**
Total shareholders' equity	**270,439**	287,457	**2,759,582**
TOTAL	**¥583,684**	¥608,809	**$5,955,959**

Consolidated Statements of Income

Nippon Meat Packers, Inc. and Subsidiaries
For the Years Ended March 31, 2009, 2008 and 2007

	Millions of Yen			Thousands of U.S. Dollars (Note 1)
	2009	2008	2007	**2009**
REVENUES:				
Net sales (Notes 1 and 16)	**¥1,028,449**	¥1,029,694	¥975,466	**$10,494,378**
Other	**1,299**	1,008	2,045	**13,255**
Total	**1,029,748**	1,030,702	977,511	**10,507,633**
COST AND EXPENSES:				
Cost of goods sold (Notes 2 and 16)	**833,564**	840,512	788,131	**8,505,755**
Selling, general and administrative expenses (Note 1)	**173,468**	171,413	170,802	**1,770,082**
Interest expense	**2,506**	2,771	2,913	**25,571**
Other (Notes 4, 6 and 9)	**14,015**	8,237	1,912	**143,011**
Total	**1,023,553**	1,022,933	963,758	**10,444,419**
INCOME FROM CONTINUING OPERATIONS BEFORE INCOME TAXES AND EQUITY IN LOSSES OF ASSOCIATED COMPANIES	**6,195**	7,769	13,753	**63,214**
INCOME TAXES (Notes 1 and 8)**:**				
Current	**2,746**	3,392	5,654	**28,020**
Deferred	**1,905**	501	(3,552)	**19,439**
Total	**4,651**	3,893	2,102	**47,459**
INCOME FROM CONTINUING OPERATIONS BEFORE EQUITY IN LOSSES OF ASSOCIATED COMPANIES	**1,544**	3,876	11,651	**15,755**
EQUITY IN LOSSES OF ASSOCIATED COMPANIES— Net of applicable income taxes (Note 1)	**(440)**	(10)	(233)	**(4,490)**
NET INCOME FROM CONTINUING OPERATIONS	**1,104**	3,866	11,418	**11,265**
INCOME (LOSS) FROM DISCONTINUED OPERATIONS— Net of applicable income taxes (Note 18)	**553**	(2,311)	(32)	**5,643**
NET INCOME	**¥ 1,657**	¥ 1,555	¥ 11,386	**$ 16,908**

	Yen			U.S. Dollars
PER SHARE AMOUNTS (Note 1)**:**				
Basic earnings per share:				
Continuing operations	**¥ 4.84**	¥ 16.94	¥ 50.03	**$ 0.05**
Discontinued operations	**2.42**	(10.13)	(0.14)	**0.02**
Net Income	**¥ 7.26**	¥ 6.81	¥ 49.89	**$ 0.07**
Diluted earnings per share:				
Continuing operations	**¥ 4.83**	¥ 16.92	¥ 49.97	**$ 0.05**
Discontinued operations	**2.42**	(10.12)	(0.14)	**0.02**
Net Income	**¥ 7.25**	¥ 6.80	¥ 49.83	**$ 0.07**

See notes to consolidated financial statements.

Consolidated Statements of Changes in Shareholders' Equity

Nippon Meat Packers, Inc. and Subsidiaries
For the Years Ended March 31, 2009, 2008 and 2007

	Millions of Yen						
	Common Stock	Capital Surplus	Retained Earnings Appropriated for Legal Reserve	Unappropriated Retained Earnings	Accumulated Other Comprehensive Income (Loss)	Treasury Stock	Total Shareholders' Equity
BALANCE, APRIL 1, 2006	¥24,166	¥50,688	¥6,741	¥203,542	¥ 6,664	¥(221)	¥291,580
Comprehensive income							
Net income				11,386			11,386
Other comprehensive income (loss) (Note 12)							
Net unrealized losses on securities available-for-sale (Notes 1 and 3)					(1,822)		(1,822)
Net unrealized gains on derivative financial instruments (Notes 1 and 15)					621		621
Minimum pension liability adjustments (Note 9)					2,062		2,062
Foreign currency translation adjustments					2,029		2,029
Comprehensive income							14,276
Adjustments to initially apply FASB Statement No. 158, net of income taxes (Note 9)					(3,817)		(3,817)
Cash dividends (Note 11)				(3,652)			(3,652)
Transfer to retained earnings appropriated for legal reserve (Note 11)			61	(61)			
Treasury stock acquired (Note 11)						(93)	(93)
Stock based compensation cost (Note 10)		134					134
Exercise of stock options (Note 10)		(9)		(3)		12	0
BALANCE, MARCH 31, 2007	24,166	50,813	6,802	211,212	5,737	(302)	298,428
Cumulative effect of adopting the provisions of FASB Interpretation No. 48 (Note 1)				(61)			(61)
Comprehensive loss							
Net income				1,555			1,555
Other comprehensive loss (Note 12)							
Net unrealized losses on securities available-for-sale (Notes 1 and 3)					(2,570)		(2,570)
Net unrealized losses on derivative financial instruments (Notes 1 and 15)					(1,005)		(1,005)
Pension liability adjustments (Note 9)					(1,838)		(1,838)
Foreign currency translation adjustments					(3,497)		(3,497)
Comprehensive loss							(7,355)
Cash dividends (Note 11)				(3,651)			(3,651)
Transfer to retained earnings appropriated for legal reserve (Note 11)			101	(101)			
Treasury stock acquired (Note 11)						(35)	(35)
Stock based compensation cost (Note 10)		131					131
Exercise of stock options (Note 10)				(24)		24	0
BALANCE, MARCH 31, 2008	24,166	50,944	6,903	208,930	(3,173)	(313)	287,457
Comprehensive loss							
Net income				**1,657**			**1,657**
Other comprehensive loss (Note 12)							
Net unrealized losses on securities available-for-sale (Notes 1 and 3)					**(1,516)**		**(1,516)**
Net unrealized losses on derivative financial instruments (Notes 1 and 15)					**(64)**		**(64)**
Pension liability adjustments (Note 9)					**(7,569)**		**(7,569)**
Foreign currency translation adjustments					**(5,673)**		**(5,673)**
Comprehensive loss							**(13,165)**
Effects of accounting change regarding pension plan measurement date pursuant to FASB Statement No.158, net of income taxes (Note 9)				**(238)**	**45**		**(193)**
Cash dividends (Note 11)				**(3,651)**			**(3,651)**
Transfer to retained earnings appropriated for legal reserve (Note 11)			**110**	**(110)**			
Treasury stock acquired (Note 11)						**(49)**	**(49)**
Stock based compensation cost (Note 10)		**40**					**40**
Exercise of stock options (Note 10)		**(21)**		**0**		**21**	**0**
BALANCE, MARCH 31, 2009	**¥24,166**	**¥50,963**	**¥7,013**	**¥206,588**	**¥(17,950)**	**¥(341)**	**¥270,439**

	Thousands of U.S. Dollars (Note 1)						
BALANCE, MARCH 31, 2008	$246,592	$519,837	$70,439	$2,131,939	$ (32,378)	$(3,194)	$2,933,235
Comprehensive loss							
Net income				**16,908**			**16,908**
Other comprehensive loss (Note 12)							
Net unrealized losses on securities available-for-sale (Notes 1 and 3)					**(15,469)**		**(15,469)**
Net unrealized losses on derivative financial instruments (Notes 1 and 15)					**(653)**		**(653)**
Pension liability adjustments (Note 9)					**(77,235)**		**(77,235)**
Foreign currency translation adjustments					**(57,887)**		**(57,887)**
Comprehensive loss							**(134,336)**
Effects of accounting change regarding pension plan measurement date pursuant to FASB Statement No.158, net of income taxes (Note 9)				**(2,429)**	**459**		**(1,970)**
Cash dividends (Note 11)				**(37,255)**			**(37,255)**
Transfer to retained earnings appropriated for legal reserve (Note 11)			**1,122**	**(1,122)**			
Treasury stock acquired (Note 11)						**(500)**	**(500)**
Stock based compensation cost (Note 10)		**408**					**408**
Exercise of stock options (Note 10)		**(214)**		**0**		**214**	**0**
BALANCE, MARCH 31, 2009	**$246,592**	**$520,031**	**$71,561**	**$2,108,041**	**$(183,163)**	**$(3,480)**	**$2,759,582**

See notes to consolidated financial statements.

Consolidated Statements of Cash Flows

Nippon Meat Packers, Inc. and Subsidiaries
For the Years Ended March 31, 2009, 2008 and 2007

	Millions of Yen			Thousands of U.S. Dollars (Note 1)
	2009	2008	2007	**2009**
OPERATING ACTIVITIES:				
Net income	**¥ 1,657**	¥ 1,555	¥ 11,386	**$ 16,908**
Adjustments to reconcile net income to net cash provided by operating activities:				
Depreciation and amortization	**24,646**	24,486	23,774	**251,490**
Impairment loss of long-lived assets	**2,730**	2,714	436	**27,857**
Income taxes deferred	**2,176**	138	(3,549)	**22,204**
Foreign exchange translation adjustments	**5,300**	(412)	311	**54,082**
Decrease (increase) in trade notes and accounts receivable	**5,705**	5,809	(12,345)	**58,214**
Decrease (increase) in inventories	**(8,149)**	408	3,458	**(83,153)**
Decrease in other current assets	**3,691**	811	280	**37,663**
Increase (decrease) in trade notes and accounts payable	**(310)**	(6,260)	5,805	**(3,163)**
Increase (decrease) in accrued income taxes	**362**	(1,994)	94	**3,694**
Increase in accrued expenses and other current liabilities	**200**	1,373	3,878	**2,041**
Other, net	**(232)**	1,062	(364)	**(2,367)**
Net cash provided by operating activities	**37,776**	29,690	33,164	**385,470**
INVESTING ACTIVITIES:				
Capital expenditures	**(16,877)**	(18,632)	(19,541)	**(172,214)**
Proceeds from sales of capital assets	**2,886**	1,650	1,296	**29,449**
Decrease (increase) in time deposits	**9,383**	(9,764)	(1,991)	**95,745**
Purchases of marketable securities and other investment securities	**(10,283)**	(2,137)	(687)	**(104,929)**
Proceeds from sales of marketable securities and other investment securities	**350**	2,270	119	**3,571**
Decrease (increase) in deposits and other investments	**(142)**	630	1,061	**(1,449)**
Other, net	**(714)**	(810)	3	**(7,286)**
Net cash used in investing activities	**(15,397)**	(26,793)	(19,740)	**(157,113)**
FINANCING ACTIVITIES:				
Cash dividends	**(3,663)**	(3,677)	(3,676)	**(37,378)**
Decrease in short-term bank loans	**(1,694)**	(7,633)	(8,625)	**(17,286)**
Proceeds from long-term debt	**40**	31,426	19,278	**408**
Repayments of long-term debt	**(19,395)**	(12,630)	(13,413)	**(197,908)**
Other, net	**(49)**	(35)	114	**(500)**
Net cash provided by (used in) financing activities	**(24,761)**	7,451	(6,322)	**(252,664)**
EFFECT OF EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS	**(544)**	(581)	200	**(5,551)**
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	**(2,926)**	9,767	7,302	**(29,857)**
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE YEAR	**44,249**	34,482	27,180	**451,520**
CASH AND CASH EQUIVALENTS AT END OF THE YEAR	**¥ 41,323**	¥ 44,249	¥ 34,482	**$ 421,663**
ADDITIONAL CASH FLOW INFORMATION:				
Interest paid	**¥ 2,521**	¥ 2,705	¥ 2,919	**$ 25,724**
Income taxes paid	**749**	6,904	4,458	**7,643**
Capital lease obligations incurred	**3,601**	2,034	1,400	**36,745**

See notes to consolidated financial statements.

Nippon Meat Packers, Inc. and Subsidiaries
For the Years Ended March 31, 2009, 2008 and 2007

1. BASIS OF FINANCIAL STATEMENTS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Operations
The Companies (as defined below) are engaged in the production and distribution of mainly hams & sausages, processed foods, fresh meats, marine products and dairy products. The Companies' operations are located principally in Japan.

Basis of Financial Statements
The accompanying consolidated financial statements are stated in Japanese yen, the currency of the country in which Nippon Meat Packers, Inc. (the "Company") is incorporated and operates. The translations of Japanese yen amounts into United States dollar amounts with respect to the year ended March 31, 2009 are included solely for the convenience of readers outside Japan and have been made at the rate of ¥98=$1, the approximate rate of exchange on March 31, 2009. Such translations should not be construed as a representation that Japanese yen amounts could be converted into United States dollars at the above or any other rate.

The accompanying consolidated financial statements have been prepared on the basis of accounting principles generally accepted in the United States of America. Certain adjustments have been reflected in the accompanying consolidated financial statements while they have not been entered in the general books of account of the Companies maintained principally in accordance with Japanese accounting practices.

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Certain reclassifications of the prior years' financial statements have been made to conform to the current year's presentation.

Summary of Significant Accounting Policies
Significant accounting policies applied in the preparation of the accompanying consolidated financial statements are summarized below:

(1) Consolidation
The consolidated financial statements include the accounts of the Company and all of its majority-owned subsidiaries (collectively, the "Companies"). Intercompany transactions and balances have been eliminated. Investments in associated companies (20% to 50% owned) are accounted for using the equity method of accounting.

(2) Cash and Cash Equivalents
Cash and cash equivalents consist of cash on hand and demand deposits. Time deposits in the consolidated balance sheets include those with the original maturities of 90 days or less.

(3) Receivables
The Companies grant credit to customers who are primarily retailers and wholesalers in Japan.

(4) Inventories
Inventories are stated at the lower of average cost or market value. Market value generally represents net realizable value.

(5) Marketable Securities and Investments
The Companies' investments in debt securities and marketable equity securities (included in "marketable securities" and "other investment securities") are classified as either Available-for-Sale or Held-to-Maturity based on the Companies' intent and ability to hold and the nature of securities. Investments classified as Available-for-Sale are reported at fair value with unrealized holding gains and losses, net of applicable income taxes, recorded as a separate component of shareholders' equity. Investments classified as Held-to-Maturity are recorded at amortized cost. All other investment securities are stated at cost unless the value is considered to have been impaired.

The Companies regularly review investments in debt securities and marketable equity securities for impairment based on criteria that include the extent to which the securities' carrying value exceeds its related market price, the duration of the market decline, and the Companies' ability and intent to hold the investments. Other investment securities stated at cost are reviewed periodically for impairment.

(6) Depreciation
The declining-balance method of depreciation is used for approximately 51%, 50% and 52% of total depreciable assets as of March 31, 2009, 2008 and 2007, respectively, and the straight-line method is used for the remaining depreciable assets. Depreciation expense includes depreciation related to capital lease assets which are depreciated over the shorter of lease terms or estimated useful lives. The ranges of estimated useful lives used in the computation of depreciation are as follows:

Buildings	15—38 years
Machinery and equipment	5—10 years

Effective April 1, 2007, the Company and its domestic subsidiaries reduced the estimated salvage values of property, plant and equipment. The Company and its domestic subsidiaries believe that this change is preferable because it better reflects values of assets at the point of their disposition.

In accordance with Statement of Financial Accounting Standards ("SFAS") No. 154 "Accounting Changes and Error Corrections, a replacement of APB Opinion No. 20 and FASB Statement No. 3," the change in estimated salvage values represents a change in accounting estimate. Accordingly, the effects of the change are accounted for prospectively beginning with the period of change, and therefore, prior period results have not been restated. The change in estimated salvage values caused an increase in depreciation expense by ¥902 million for the year ended March 31, 2008. Net income, basic net income per share and diluted net income per share decreased by ¥532 million, ¥2.33 and ¥2.33, respectively, for the year ended March 31, 2008.

(7) Impairment of Long-Lived Assets
The Companies apply SFAS No. 144, "Accounting for the Impairment or Disposal of Long-Lived Assets." This statement provides one accounting model for the impairment or disposal of long-lived assets. This statement also provides the criteria for classifying an asset as held for sale, broadens the scope of business to be disposed of that qualify for reporting as discontinued operations and changes the timing of recognizing losses on such operations.

Management reviews long-lived assets for impairment of value whenever events or changes in circumstances indicate the carrying amount of such assets may not be recoverable. If the Companies determine that they are unable to recover the carrying value of the assets, the assets are written down using an appropriate method.

In accordance with SFAS No.144, the Companies present the results of discontinued operations as a separate line item in the consolidated statements of income under income (loss) from discontinued operations—net of applicable income taxes. For more information, see "Note 18. Discontinued Operations."

(8) Goodwill and Other Intangible Assets

The Companies apply SFAS No. 142, "Goodwill and Other Intangible Assets." The statement requires that goodwill no longer be amortized, but instead be reviewed for impairment at least annually. The statement also requires recognized intangible assets be amortized over their respective estimated useful lives and reviewed for impairment. Any recognized intangible assets determined to have indefinite useful lives are not to be amortized, but instead are tested for impairment until their lives are determined to no longer be indefinite.

(9) Business Combinations

The Companies apply SFAS No. 141, "Business Combinations." In accordance with the provisions of SFAS No. 141, the acquisitions of subsidiaries were accounted for using the purchase method of accounting.

(10) Retirement and Severance Program

The Companies apply SFAS No. 87, "Employers' Accounting for Pensions" and SFAS No. 158, "Employer's Accounting for Defined Benefit Pension and Other Postretirement Plans" to account for the Companies' employee retirement and severance program.

As allowed under SFAS No. 88, "Employers' Accounting for Settlements and Curtailments of Defined Benefit Pension Plans and for Termination Benefits," the Companies do not recognize gain or loss on settlement of the pension obligations when the cost of all settlements during a year is less than or equal to the sum of the service cost and interest cost components of net periodic pension cost for the plan for the year.

(11) Fair Value of Financial Instruments

The Companies disclose the fair value of financial instruments in the notes to financial statements. When the fair value approximates the book value, no additional disclosure is made. Fair values are estimated using quoted market prices, estimates obtained from brokers and other appropriate valuation techniques based on information available at March 31, 2009 and 2008.

(12) Fair Value Measurements

In September 2006, the FASB issued SFAS No. 157, "Fair Value Measurements." SFAS No. 157 defines fair value, establishes a framework for measuring fair value, and expands disclosures about fair value measurements. In February 2008, the FASB issued Staff Positions ("FSP") No. FAS 157-1, "Application of FASB Statement No. 157 to FASB Statement No. 13 and Other Accounting Pronouncements That Address Fair Value Measurements for Purposes of Lease Classification or Measurement under Statement 13" and FSP No. FAS 157-2, "Effective Date of FASB Statement No. 157," which partially delay the effective date of SFAS No. 157 for one year for certain nonfinancial assets and liabilities and remove certain leasing transactions from its scope. The Companies adopted SFAS No. 157 on April 1, 2008 for all financial assets and liabilities that are measured and disclosed at fair value on a recurring basis. This adoption did not have a material effect on the consolidated financial statements. The adoption of SFAS No. 157 for certain nonfinancial assets and liabilities that are measured and disclosed at fair value on a non-recurring basis is not expected to have a material impact on the consolidated financial statements. In October 2008, the FASB issued FSP No. FAS 157-3 "Determining the Fair Value of a Financial Asset When the Market for That Asset Is Not Active." FSP No. FAS 157-3 clarifies the application of SFAS No. 157 in a market that is not active. FSP No. FAS 157-3 was effective upon issuance. The adoption of FSP No. FAS 157-3 did not have a material impact on the consolidated financial statements. For more information, see "Note 15. Fair Value Measurements."

(13) Income Taxes

The Companies apply SFAS No. 109, "Accounting for Income Taxes." In accordance with the provisions of SFAS No. 109, deferred tax assets and liabilities are computed based on the temporary differences between the financial statement and income tax bases of assets and liabilities, and tax losses and credits which can be carried forward, using the enacted tax rate applicable to periods in which the differences are expected to affect taxable income. Deferred income tax charges or credits are based on changes in deferred tax assets and liabilities from period to period, subject to an ongoing assessment of realization.

In June 2006, the FASB issued FASB Interpretation No. 48 ("FIN 48"), "Accounting for Uncertainty in Income Taxes, an interpretation of FASB Statement No. 109". FIN 48 clarifies the accounting for an uncertainty in income taxes recognized in an enterprise's financial statements in accordance with SFAS No. 109 and prescribes a recognition threshold and measurement process for financial statement recognition and measurement of a tax position taken or expected to be taken in a tax return. FIN 48 also provides guidance on derecognition, classification, interest and penalties, accounting in interim periods, disclosure, and transition. As a cumulative effect of adopting the provisions of FIN 48 on April 1, 2007, unappropriated retained earnings were decreased by ¥61 million at the beginning of the year, and net income was decreased by ¥132 million for the year ended March 31, 2008.

A provision for income taxes is not recorded on undistributed earnings of subsidiaries where the Company considers that such earnings are permanently invested or where, under the present Japanese tax law, such earnings would not be subject to additional taxation should they be distributed to the Company.

(14) Stock-Based Compensation

The Company applies SFAS No. 123R (revised 2004), "Share Based Payment." In accordance with the provisions of SFAS No. 123R, the share-based compensation is accounted for using the fair value method. Under the fair value based method, share-based compensation cost is measured at the grant date based on the fair value of the award and is recognized over the vesting period (one year). The fair value of the award is estimated using the Black-Scholes option-pricing model.

(15) Per Share Amounts

Basic Earnings Per Share ("EPS") is computed by dividing net income by the weighted-average number of common shares outstanding during the year. Diluted EPS is computed by dividing net income by the sum of the weighted-average number of common shares outstanding plus the dilutive effect of shares issuable through stock options.

The net income and shares used for basic EPS and diluted EPS are reconciled below.

	Millions of Yen			Thousands of U.S. Dollars
	2009	2008	2007	**2009**
Net Income (Numerator)				
Income available to shareholders	**¥1,657**	¥1,555	¥11,386	**$16,908**
	Thousands of Shares			
	2009	2008	2007	
Shares (Denominator)				
Average shares outstanding for basic earnings per share	**228,175**	228,192	228,236	
Dilutive effect of stock options	**410**	348	255	
Average shares outstanding for diluted earnings per share	**228,585**	228,540	228,491	

(16) Revenue Recognition

The Companies recognize revenue when the product is received by the customer, at which time title and risk of loss pass to the customer.

(17) Sales Promotion Expenses and Rebates

The Companies account for promotion expenses and rebates in accordance with the provisions of Emerging Issues Task Force Issue No. 01-09, "Accounting for Consideration Given by a Vendor to a Customer (Including a Reseller of Vendor's Products)" ("EITF 01-09"). EITF 01-09 requires that certain sales promotion expenses and rebates be classified as a reduction of net sales, rather than as selling, general and administrative expenses.

(18) Advertising

Advertising costs are expensed as incurred and included in "selling, general and administrative expenses." Advertising expenses amounted to ¥13,711 million ($139,908 thousand), ¥11,866 million and ¥14,003 million for the years ended March 31, 2009, 2008 and 2007, respectively.

(19) Research and Development

Research and development costs are expensed as incurred. Research and development costs amounted to ¥2,822 million ($28,796 thousand), ¥2,283 million and ¥2,459 million for the years ended March 31, 2009, 2008 and 2007, respectively.

(20) Derivative Instruments and Hedging Activities

The Companies account for derivative instruments and hedging activities in accordance with SFAS No. 133, "Accounting for Derivative Instruments and Hedging Activities," SFAS No. 138, "Accounting for Certain Derivative Instruments and Certain Hedging Activities, an amendment of FASB Statement No. 133" and SFAS No. 149, "Amendment of Statement 133 on Derivative Instruments and Hedging Activities." These statements require all derivative instruments to be recognized as assets or liabilities on the balance sheet and measured at fair value. Changes in the fair value of derivative instruments are recognized in either net income or other comprehensive income, depending on the designated purpose of the derivative instruments. Changes in fair value of derivative instruments designated as fair value hedges of recognized assets and liabilities and firm commitments are recognized in income. Changes in fair value of derivative instruments designated and qualifying as cash flow hedges of recognized assets and liabilities, firm commitments and forecasted transactions are reported in other comprehensive income. These amounts are reclassified into income in the same period as the hedged items affect income.

(21) Guarantees

The Companies account for guarantees in accordance with FASB Interpretation No. 45, "Guarantor's Accounting and Disclosure Requirements for Guarantees, Including Indirect Guarantees of Indebtedness of Others" ("FIN 45"), which addresses the disclosure to be made by a guarantor in its financial statements about its obligations under guarantees. FIN 45 also requires the recognition of a liability by a guarantor at the inception of certain guarantees. FIN 45 requires the guarantor to recognize at the inception of the guarantee, a liability for the fair value of the obligation undertaken in issuing the guarantee.

(22) Change in Presentation

For the year ended March 31, 2009, the Companies changed the display format of comprehensive income. The Companies disclose the components of other comprehensive income and total comprehensive income in the consolidated statement of changes in shareholder's equity, which were previously disclosed in the consolidated statement of comprehensive income. The amount of income tax expense or benefit allocated to each component of other comprehensive income and reclassification adjustments are disclosed in the notes to the consolidated financial statements. Prior years' presentations are reclassified to conform to the current year's presentation. For more information, see "Note 12. Other Comprehensive Income (Loss)."

(23) Recent Accounting Pronouncements:

The Fair Value Option for Financial Assets and Financial Liabilities—In February 2007, the FASB issued SFAS No. 159, "The Fair Value Option for Financial Assets and Financial Liabilities, Including an amendment of FASB Statement No. 115." SFAS No. 159 permits entities, at specified election dates, to choose to measure many financial instruments and certain other items at fair value that are otherwise not permitted to be accounted for at fair value under other generally accepted accounting principles. The Companies adopted SFAS No. 159 on April 1, 2008 but have not elected the fair value option. Accordingly, the adoption of SFAS No. 159 had no impact on the consolidated financial statements.

Business Combinations—In December 2007, the FASB issued SFAS No. 141 (revised 2007), "Business Combinations." SFAS No. 141(R) amends the principles and requirements for how an acquirer recognizes and measures in its financial statements the identifiable assets acquired, the liabilities assumed, any noncontrolling interest in the acquiree and the goodwill acquired. SFAS No. 141(R) also establishes disclosure requirements to enable the evaluation of the nature and financial effects of the business combination. SFAS No. 141(R) applies prospectively to business combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after December 15, 2008. The Companies will apply provisions of SFAS No. 141(R) prospectively to all business combinations subsequent to April 1, 2009.

Noncontrolling Interests in Consolidated Financial Statements—In December 2007, the FASB issued SFAS No. 160, "Noncontrolling Interests in Consolidated Financial Statements—an amendment of Accounting Research Bulletin No. 51." SFAS No. 160 establishes accounting and reporting standards for the noncontrolling interest in a subsidiary and for the deconsolidation of a subsidiary. SFAS No. 160 also establishes disclosure requirements that clearly identify and distinguish between the controlling and noncontrolling interests and requires the separate disclosure of income attributable to controlling and noncontrolling interests. SFAS No. 160 is effective for fiscal years, and interim periods within those fiscal years, beginning on and after December 15, 2008. The adoption of SFAS No. 160 will not have a significant impact on the consolidated financial statements.

Disclosure about Derivative Instruments and Hedging activities—In March 2008, the FASB issued SFAS No. 161, "Disclosure about Derivative Instruments and Hedging Activities, an amendment of FASB Statement No. 133." SFAS No. 161 amends and expands the disclosure requirements for derivative instruments and hedging activities in SFAS No. 133. SFAS No. 161 requires qualitative disclosures of objectives and strategies for using derivatives, quantitative disclosures in tabular format of (a) the location and fair values of derivative instruments in the statement of financial position and (b) the location and amount of gains and losses on derivative instruments in the statement of financial performance, and disclosures of credit-risk-related contingent features in derivative agreements. SFAS No. 161 is effective for fiscal years and interim periods beginning after November 15, 2008. The Companies adopted SFAS No. 161 in the fourth quarter of the year ended March 31, 2009. For more information, see "Note 16. Derivative Instruments and Hedging Activities."

The Hierarchy of Generally Accepted Accounting Principles—In May 2008, the FASB issued SFAS No. 162, "The Hierarchy of Generally Accepted Accounting Principles." SFAS No. 162 identifies the sources of accounting principles and framework for selecting the principles to be used in the preparation of financial statements of nongovernmental entities that are presented in conformity with generally accepted accounting principles in the United States. The Companies applied SFAS No. 162 on November 15, 2008.The adoption of SFAS No. 162 had no impact on our consolidated financial statements.

Employers' Disclosures about Postretirement Benefit Plan Assets—In December 2008, the FASB issued FSP No. FAS 132(R)-1, "Employers' Disclosures about Postretirement Benefit Plan Assets." FSP No. FAS 132(R)-1 is intended to improve financial reporting about plan assets of defined benefit pension and other postretirement plans by requiring enhanced disclosures to enable investors to better understand how investment allocation decisions are made and the major categories of plan assets. FSP No. FAS 132(R)-1 also requires disclosure of the inputs and valuation techniques used to measure fair value and the effect of fair value measurements using significant unobservable inputs on changes in plan assets. In addition, FSP No. FAS 132(R)-1 establishes disclosure requirements for significant concentrations of risk within plan assets. FSP No. FAS 132(R)-1 is effective for financial statements issued for fiscal years ending after December 15, 2009, with early application permitted. The Companies are currently evaluating the impact of adopting FSP No. FAS 132(R)-1 on the disclosures included within notes to consolidated financial statements.

Equity Method Investment Accounting Considerations—In November 2008, the FASB ratified Emerging Issues Task Force Issue No. 08-6, "Equity Method Investment Accounting Considerations" ("EITF 08-6"). EITF 08-6 clarifies the accounting for certain transactions and impairment considerations involving equity method investments. EITF 08-6 is effective for fiscal years beginning on or after December 15, 2008. Earlier application by an entity that has previously adopted an alternative accounting policy is not permitted. The Companies are in the process of evaluating the impact, if any, of EITF 08-6 on the consolidated financial statements.

Fair Value Measurements—In April 2009, the FASB issued FSP No. FAS 157-4, "Determining Fair Value When the Volume and Level of Activity for the Asset or Liability Have Significantly Decreased and Identifying Transactions That Are Not Orderly," FSP No. FAS 115-2 and FAS 124-2 "Recognition and Presentation of Other-Than-Temporary Impairments" and FSP No. FAS 107-1 and APB 28-1, "Interim Disclosure About Fair Value of Financial Instruments." FSP No. FAS 157-4 provides guidance on determining fair value when volume and level of activity for the asset or liability significantly decreased. FSP No. FAS 115-2 and FAS 124-2 addresses other-than-temporary impairments for debt securities. FSP No. FAS 107-1 and APB 28-1 requires fair value disclosures for financial instruments in interim periods. These FSPs are effective for interim and annual periods ending after June 15, 2009, with early adoption permitted. The Companies are currently reviewing these FSPs to determine an impact on the consolidated financial statements.

Subsequent Events—In May 2009, the FASB issued SFAS No.165, "Subsequent Events" which provides guidance on management's assessment of subsequent events. SFAS No. 165 clarifies that management must evaluate, as of each reporting period, events or transactions that occur after the balance sheet date through the date that the financial statements are issued or are available to be issued. SFAS No. 165 is effective prospectively for interim or annual financial periods ending after June 15, 2009. The Companies are currently reviewing SFAS No. 165 to determine its impact on future consolidated financial statements.

2. INVENTORIES

Inventories at March 31, 2009 and 2008 consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2009	2008	**2009**
Finished goods and merchandise	**¥ 76,348**	¥ 73,450	**$ 779,061**
Raw materials and work-in-process	**35,272**	34,253	**359,919**
Supplies	**4,145**	4,515	**42,296**
Total	**¥115,765**	¥112,218	**$1,181,276**

The Companies recognized a loss of ¥6,905 million ($70,459 thousand) and ¥1,995 million from writing inventories down to market, which are included in cost of goods sold in the consolidated statements of income for the years ended March 31, 2009 and 2008, respectively. The amount recognized for the year ended March 31, 2007 was immaterial.

3. MARKETABLE SECURITIES AND INVESTMENTS

The table below presents the aggregate cost, gross unrealized holding gains, gross unrealized holding losses and the aggregate fair value of debt securities and marketable equity securities (included in "marketable securities" and "other investment securities") at March 31, 2009 and 2008:

	Millions of Yen								Thousands of U.S. Dollars			
	2009				2008				**2009**			
	Cost	Gross Unrealized Holding Gains	Gross Unrealized Holding Losses	Fair Value	Cost	Gross Unrealized Holding Gains	Gross Unrealized Holding Losses	Fair Value	Cost	Gross Unrealized Holding Gains	Gross Unrealized Holding Losses	Fair Value
Available-for-sale:												
Equity securities	**¥12,435**	**¥2,071**	**¥(1,588)**	**¥12,918**	¥12,938	¥3,511	¥(480)	¥15,969	**$126,888**	**$21,133**	**$(16,204)**	**$131,817**
Debt securities	**333**	**1**	**(30)**	**304**	341	3	(5)	339	**3,398**	**10**	**(306)**	**3,102**
Held-to-maturity	**10,208**	**1**		**10,209**	300	0		300	**104,164**	**10**		**104,174**
Total	**¥ 22,976**	**¥2,073**	**¥(1,618)**	**¥23,431**	¥13,579	¥3,514	¥(485)	¥16,608	**$234,450**	**$21,153**	**$(16,510)**	**$239,093**

Fair value and gross unrealized holding losses of debt securities and marketable equity securities, aggregated by investment category and length of time that individual securities have been in a continuous unrealized loss position, at March 31, 2009 and 2008 were as follows:

	Millions of Yen				Thousands of U.S. Dollars	
	2009		2008		**2009**	
	Less than 12 Months		Less than 12 Months		Less than 12 Months	
	Fair Value	Gross Unrealized Holding Losses	Fair Value	Gross Unrealized Holding Losses	Fair Value	Gross Unrealized Holding Losses
Available-for-sale:						
Equity securities	**¥4,748**	**¥(1,588)**	¥3,102	¥(480)	**$48,449**	**$(16,204)**
Debt securities	**40**	**(30)**	39	(5)	**408**	**(306)**
Total	**¥4,788**	**¥(1,618)**	¥3,141	¥(485)	**$48,857**	**$(16,510)**

There were no investments in a continuous unrealized loss position for 12 months or more at March 31, 2009 and 2008.

The proceeds from sales of available-for-sale securities were ¥24 million ($245 thousand), ¥48 million and ¥83 million for the years ended March 31, 2009, 2008 and 2007, respectively. These sales resulted in gross realized gains and losses were as follows:

	Millions of Yen			Thousands of U.S. Dollars
	2009	2008	2007	**2009**
Realized gains	**¥ 2**	¥ 1	¥50	**$ 20**
Realized losses	**(11)**	(13)	0	**(112)**

In determining realized gains and losses, the cost of securities sold was based on the moving average cost of all shares of such security held at the time of sale.

Future maturities of debt securities classified as available-for-sale and held-to-maturity at March 31, 2009 are as follows:

	Millions of Yen		Thousands of U.S. Dollars	
	Cost	Fair Value	Cost	Fair Value
Due within one year	**¥10,021**	**¥10,011**	**$102,255**	**$102,153**
Due after one year through five years	**257**	**238**	**2,622**	**2,429**
Due after five years	**263**	**264**	**2,685**	**2,694**
Total	**¥10,541**	**¥10,513**	**$107,562**	**$107,276**

All other investments in securities, consisting principally of investments in privately-held unaffiliated companies for which there is no practicable method to estimate fair values, were carried at their cost of ¥2,432 million ($24,815 thousand) and ¥2,452 million at March 31, 2009 and 2008, respectively.

Investments in and advances to associated companies at March 31, 2009 and 2008 consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2009	2008	**2009**
Investments in capital stock	**¥2,055**	¥2,105	**$20,969**
Advances	**113**	115	**1,153**
Total	**¥2,168**	¥2,220	**$22,122**

Additionally, a short-term loan to an associated company of ¥100 million ($1,020 thousand) is included in other current assets in the consolidated balance sheets at March 31, 2009. The carrying value of investments in associated companies approximates the Company's equity in their net assets at March 31, 2009 and 2008.

4. PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment at March 31, 2009 and 2008 consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2009	2008	**2009**
Land	**¥ 86,976**	¥ 88,591	**$ 887,510**
Buildings	**252,634**	256,365	**2,577,898**
Machinery and equipment	**210,731**	217,496	**2,150,316**
Construction in progress	**1,037**	808	**10,582**
Total	**551,378**	563,260	**5,626,306**
Less accumulated depreciation	**(318,516)**	(316,386)	**(3,250,163)**
Property, plant and equipment—net	**¥ 232,862**	¥ 246,874	**$ 2,376,143**

The Companies recorded net losses on dispositions of property, plant and equipment of ¥321 million ($3,276 thousand), ¥479 million and ¥484 million for the years ended March 31, 2009, 2008 and 2007, respectively. These losses on dispositions are included in cost and expenses—other in the consolidated statements of income.

5. INTANGIBLE ASSETS

Intangible assets subject to amortization included in other assets in the consolidated balance sheets at March 31, 2009 and 2008 consisted of the following:

	Millions of Yen				Thousands of U.S. Dollars	
	2009		2008		**2009**	
	Gross Carrying Amount	Accumulated Amortization	Gross Carrying Amount	Accumulated Amortization	Gross Carrying Amount	Accumulated Amortization
Software	**¥13,808**	**¥6,002**	¥ 8,419	¥3,970	**$140,898**	**$61,245**
Software in progress	**2,915**		2,439		**29,745**	
Other	**882**	**564**	901	538	**9,000**	**5,755**
Total	**¥17,605**	**¥6,566**	¥11,759	¥4,508	**$179,643**	**$67,000**

Intangible assets not subject to amortization at March 31, 2009 and 2008 were immaterial.

Amortization expense was ¥2,058 million ($21,000 thousand), ¥1,498 million and ¥1,285 million for the years ended March 31, 2009, 2008 and 2007, respectively.

The weighted average amortization period is approximately 5 years.

Estimated amortization expense for the next five years ending March 31 is as follows:

Year Ending March 31	Millions of Yen	Thousands of U.S. Dollars
2010	¥3,109	$31,724
2011	2,545	25,969
2012	2,186	22,306
2013	1,768	18,041
2014	1,263	12,888

The carrying amount of goodwill at March 31, 2009 and 2008 and change in its carrying amount for the years ended March 31, 2009 and 2008 were immaterial to the Companies' operations.

6. IMPAIRMENT OF LONG LIVED ASSETS

The Companies recognized impairment losses of ¥2,730 million ($27,857 thousand) for the year ended March 31, 2009. The impairment losses relate principally to certain production facilities for leathers which are related to Fresh Meats Business Division and for processed foods which are related to Processed Foods Business Division and are reported in cost and expenses—other in the consolidated statements of income. The impairment losses are incurred mainly due to declining profitability as a result of deterioration of operating environment and decline in market value of assets.

For the year ended March 31, 2008, the Company's consolidated subsidiary in Australia, which has been engaged in producing and selling hogs, recognized an impairment loss on long-lived assets of ¥2,456 million, which is included in losses from discontinuing operations in the consolidated statements of income. See "Note 18. Discontinued Operations" for additional information. The impairment was due to the deterioration of future expected cash flows as a result of declining profitability. The reportable segment to which the impaired assets were related is Fresh Meats Business Division. The impairment losses reported in continuing operations for the year ended March 31, 2008 are immaterial and included in cost and expenses—other in the consolidated statements of income.

Impairment losses recognized for the year ended March 31, 2007 were immaterial.

The fair value of assets is calculated based on independent appraisal, market value or discounted future cash flows whichever the management considers the most appropriate.

7. SHORT-TERM BANK LOANS AND LONG-TERM DEBT

The annual interest rates applicable to the short-term bank loans outstanding at March 31, 2009 and 2008 range principally from 0.7% to 6.0% and from 0.9% to 10.7%, respectively.

The Company entered into contracts with certain financial institutions for committed credit lines totaling ¥76,000 million ($775,510 thousand) and ¥77,000 million at March 31, 2009 and 2008, respectively, which are available for immediate borrowings. There were no borrowings against these credit lines.

Long-term debt at March 31, 2009 and 2008 consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2009	2008	**2009**
Long-term debt with collateral:			
Mainly banks and insurance companies, maturing through 2019, interest rates ranging from 0.9% to 2.7% in 2009 and 2008	**¥ 11,183**	¥ 12,944	**$ 114,112**
Long-term debt without collateral:			
Mainly banks and insurance companies, maturing through 2012, interest rates ranging from 0.8% to 4.5% in 2009, and from 0.8% to 4.7% in 2008	**56,717**	61,411	**578,744**
2.25% bonds due September 2008		9,700	
1.45% bonds due December 2012	**20,000**	20,000	**204,082**
2.01% bonds due December 2017	**10,000**	10,000	**102,041**
Capital lease obligations, interest rates ranging from 0.8% to 4.4% in 2009 maturing through 2024, and from 1.0% to 4.4% in 2008 maturing through 2017	**14,595**	13,057	**148,929**
Non-interest-bearing debt	**1,067**	756	**10,888**
Total	**113,562**	127,868	**1,158,796**
Less current maturities	**(7,119)**	(18,540)	**(72,643)**
Long-term debt, less current maturities	**106,443**	109,328	**1,086,153**
Other liabilities	**994**	1,612	**10,143**
Long-term debt, less current maturities and other liabilities	**¥107,437**	¥110,940	**$1,096,296**

At March 31, 2009, the aggregate annual maturities of long-term debt are as follows:

Year Ending March 31	Millions of Yen	Thousands of U.S. Dollars
2010	¥ 7,119	$ 72,643
2011	42,096	429,551
2012	23,145	236,173
2013	23,220	236,939
2014	1,543	15,745
Thereafter	16,439	167,745
Total	¥113,562	$1,158,796

At March 31, 2009, property, plant and equipment with a net book value of ¥24,562 million ($250,633 thousand) was pledged as collateral for long-term debt of ¥11,183 million ($114,112 thousand).

Substantially all the short-term and long-term loans from banks are made under agreements, as is customary in Japan, which provide that under certain conditions, the banks may require the Companies to provide collateral (or additional collateral) or guarantors with respect to the loans, or may treat any collateral, whether furnished as security for short-term and long-term loans or otherwise, as collateral for all indebtedness to such banks. Default provisions of certain agreements grant certain rights of possession to the banks.

8. INCOME TAXES

Through the application of the consolidated tax filing system, from the fiscal year beginning April 1, 2007, the amount of taxable income for national income tax purposes is calculated by combining the taxable income of the Company and its wholly owned subsidiaries located in Japan. In addition, the realizable amounts of deferred tax assets relating to national income tax as of March 31, 2009 and 2008 were assessed based on the estimated future taxable income of the Company and its wholly owned subsidiaries located in Japan.

Income taxes in Japan applicable to the Company and domestic subsidiaries, imposed by the national, prefectural and municipal governments, in the aggregate result in a normal effective statutory rate of approximately 41.0% for the years ended March 31, 2009, 2008 and 2007, respectively. Foreign subsidiaries are subject to income taxes of the countries in which they operate.

The effective rates of income taxes reflected in the consolidated statements of income differed from the normal Japanese statutory tax rates for the following reasons:

	2009	2008	2007
Normal Japanese statutory tax rates	**41.0%**	41.0%	41.0%
Increase (decrease) in taxes resulting from:			
Difference in foreign subsidiaries tax rates	**5.1**	4.6	(3.4)
Change in the valuation allowance	**37.1**	17.9	(23.8)
Impact from restructuring of certain subsidiaries	**(11.6)**	(21.3)	
Permanently non-deductible expenses	**6.6**	6.9	3.9
Other—net	**(3.1)**	1.0	(2.4)
Effective income tax rates	**75.1%**	50.1%	15.3%

The approximate effects of temporary differences and net operating loss and tax credit carryforwards that gave rise to deferred tax balances at March 31, 2009 and 2008 were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2009	2008	**2009**
Deferred tax assets:			
Inventories	**¥**	¥ 872	**$**
Certain accrued prefectural income taxes	**408**	327	**4,163**
Accrued bonuses	**3,342**	3,211	**34,102**
Liability under retirement and severance program	**12,592**	7,159	**128,490**
Investments in subsidiaries	**273**	1,034	**2,786**
Land	**1,807**	2,277	**18,439**
Other temporary differences	**4,334**	4,394	**44,224**
Net operating loss and tax credit carryforwards	**10,982**	9,922	**112,061**
Total	**33,738**	29,196	**344,265**
Less valuation allowance	**(7,820)**	(6,460)	**(79,796)**
Total deferred tax assets	**25,918**	22,736	**264,469**
Deferred tax liabilities:			
Securities	**(109)**	(1,237)	**(1,112)**
Inventories	**(1,164)**	(534)	**(11,878)**
Investments in subsidiaries	**(2,157)**	(2,133)	**(22,010)**
Land	**(288)**	(288)	**(2,939)**
Other temporary differences	**(149)**	(74)	**(1,521)**
Total deferred tax liabilities	**(3,867)**	(4,266)	**(39,460)**
Net deferred tax assets	**¥22,051**	¥18,470	**$225,009**

The net changes in the total valuation allowance for the years ended March 31, 2009 and 2008 were an increase of ¥1,360 million ($13,878 thousand) and an increase of ¥1,614 million, respectively.

At March 31, 2009, the net operating loss carryforwards of the Companies for corporate income tax and local income tax purposes amounted to ¥15,094 million ($154,020 thousand) and ¥39,375 million ($401,785 thousand), respectively. The net operating loss carryforwards for corporate income tax and local income tax purposes subject to expiration in the period from 2010 to 2014 are ¥2,294 million ($23,408 thousand) and ¥24,125 million ($246,173 thousand), respectively. The remaining balances for corporate income tax and local income tax purposes, ¥12,800 million ($130,612 thousand) and ¥15,250 million ($155,612 thousand), respectively, will expire in years beyond 2014 or have an indefinite carryforward period. At March 31, 2009, the Companies had tax credit carryforward of ¥1,630 million ($16,633 thousand), of which ¥1,220 million ($12,449 thousand) will expire within 5 years while the remaining ¥410 million ($4,184 thousand) will expire beyond 2014 or have an indefinite carryforward.

The portion of the undistributed earnings of foreign subsidiaries which are deemed to be permanently invested amounted to ¥21,035 million ($214,643 thousand) at March 31, 2009. Provisions are not made for taxes on undistributed earnings and cumulative translation adjustments of foreign subsidiaries whose earnings are deemed to be permanently invested.

In accordance with the revised corporate tax law in Japan, which is effective for fiscal years beginning on and after April 1, 2009, 95 percent of dividends received from qualifying foreign subsidiaries can be excluded from calculations of corporate income taxes. There is no significant impact on the Company's consolidated financial statements as a result of enactment of the revised corporate tax law.

9. RETIREMENT AND SEVERANCE PROGRAM

Effective January 1, 2006, the Company introduced an amended contributory pension plan and lump-sum severance indemnities plan to establish a new formula for determining benefits including a "point-based benefits system" under which benefits are calculated based on accumulated points allocated to employees each year according to their job classification, performance and years of service. Market-related interest is added to the benefit of the contributory pension plan. The pension plans provide for annuity payments for the periods of 10 to 20 years commencing with mandatory retirement. The Company also introduced a defined contribution pension plan. The pension fund of non-contributory pension plan for active employees was transferred to the defined contribution pension plan. A part of the non-contributory pension plan still remains as a funded pension plan for the retired employees.

On March 31, 2007, the Companies adopted the recognition and disclosure provisions of SFAS No. 158. SFAS No. 158 required the Companies to recognize the funded status (i.e., the difference between the fair value of plan assets and the projected benefit obligations) of their pension plans in the March 31, 2007 consolidated balance sheet, with a corresponding adjustment to accumulated other comprehensive income, net of tax. The adjustment to accumulated other comprehensive income at adoption represented the unrecognized actuarial loss and unrecognized prior service credit, all of which were previously netted against the plans' funded status in the consolidated balance sheet pursuant to the provisions of SFAS No. 87. The adoption of SFAS No. 158 had no effect on the consolidated statements of income for the year ended March 31, 2007.

For the year ended March 31, 2009, the Company applied the measurement date provisions of SFAS No. 158. SFAS No. 158 requires the Company to measure plan assets and benefit obligation as of the date of its fiscal year-end balance sheet. As an effect of adopting the measurement date provisions of SFAS No. 158, unappropriated retained earnings were decreased by ¥238 million ($2,429 thousand),and accumulated other comprehensive loss was decreased by ¥45 million ($459 thousand).

The Company recognized the defined contribution cost of ¥262 million ($2,673 thousand), ¥285 million and ¥296 million for the years ended March 31, 2009, 2008 and 2007, respectively.

Net periodic benefit cost under the Company's retirement and severance program for the years ended March 31, 2009, 2008 and 2007 included the following components:

	Millions of Yen			Thousands of U.S. Dollars
	2009	2008	2007	**2009**
Service cost	**¥1,115**	¥1,207	¥1,188	**$11,378**
Interest cost	**768**	804	788	**7,837**
Expected return on plan assets	**(545)**	(551)	(514)	**(5,561)**
Amortization of prior service credit	**(264)**	(242)	(196)	**(2,694)**
Recognized actuarial loss	**664**	525	407	**6,776**
Settlement loss	**735**	593	448	**7,500**
Net periodic benefit cost	**¥2,473**	¥2,336	¥2,121	**$25,236**

The following table sets forth various information about the Company's plans as of March 31, 2009 and 2008.

	Millions of Yen		Thousands of U.S. Dollars
	2009	2008	**2009**
Change in projected benefit obligations:			
Projected benefit obligations at beginning of year	**¥ 39,720**	¥41,390	**$ 405,306**
Service cost	**1,115**	1,207	**11,378**
Interest cost	**768**	804	**7,837**
Actuarial (gain) loss	**2,573**	(169)	**26,255**
Benefits paid:			
Settlement paid	**(2,101)**	(1,744)	**(21,439)**
Others	**(2,226)**	(1,768)	**(22,714)**
SFAS No.158 measurement date adjustment	**452**		**4,612**
Projected benefit obligations at end of year	**40,301**	39,720	**411,235**
Change in fair value of plan assets:			
Fair value of plan assets at beginning of year	**39,527**	42,188	**403,337**
Actual loss on plan assets	**(10,330)**	(2,502)	**(105,408)**
Employer contribution	**1,821**	1,609	**18,582**
Benefits paid—Others	**(2,226)**	(1,768)	**(22,714)**
SFAS No.158 measurement date adjustment	**124**		**1,265**
Fair value of plan assets at end of year	**28,916**	39,527	**295,062**
Funded status at end of year	**¥(11,385)**	¥ (193)	**$(116,173)**

Amounts recognized by the Company in the consolidated balance sheets at March 31, 2009 and 2008 consisted of:

	Millions of Yen		Thousands of U.S. Dollars
	2009	2008	**2009**
Prepaid benefit cost	**¥ 101**	¥ 3,015	**$ 1,031**
Accrued benefit liability	**(11,486)**	(3,208)	**(117,204)**
	¥(11,385)	¥ (193)	**$(116,173)**

Amounts recognized by the Company in accumulated other comprehensive loss at March 31, 2009 and 2008 consisted of:

	Millions of Yen		Thousands of U.S. Dollars
	2009	2008	**2009**
Actuarial loss	**¥25,735**	¥13,832	**$262,602**
Prior service credit	**(2,678)**	(3,012)	**(27,327)**
	¥23,057	¥10,820	**$235,275**

The Company's accumulated benefit obligations for defined benefit plans at March 31, 2009 and 2008 were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2009	2008	**2009**
Accumulated benefit obligations	**¥40,301**	¥39,720	**$411,235**

The projected benefit obligations and the fair value of the plan assets for the Company's pension plans with projected benefit obligations in excess of plan assets, and the accumulated benefit obligations and the fair value of the plan assets for the Company's pension plans with accumulated benefit obligations in excess of plan assets were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2009	2008	**2009**
Plans with projected benefit obligations in excess of plan assets:			
Projected benefit obligations	**¥36,530**	¥9,555	**$372,755**
Fair value of plan assets	**25,045**	6,346	**255,561**
Plans with accumulated benefit obligations in excess of plan assets:			
Accumulated benefit obligations	**36,530**	9,555	**372,755**
Fair value of plan assets	**25,045**	6,346	**255,561**

Amounts recognized by the Company in the other comprehensive loss and reclassification adjustments of the other comprehensive loss for the years ended March 31, 2009 and 2008 were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2009	2008	**2009**
Current year actuarial loss	**¥13,448**	¥ 2,884	**$137,224**
Amortization of prior service credit	**264**	242	**2,694**
Recognition of actuarial loss	**(1,399)**	(1,118)	**(14,276)**

The estimated prior service credit and actuarial loss for the Company's defined benefit pension plans that will be amortized from accumulated other comprehensive loss into net periodic benefit cost over the next year are summarized as follows:

	Millions of Yen	Thousands of U.S. Dollars
Prior service credit	¥ (264)	$ (2,694)
Actuarial loss	1,468	14,980

Assumptions

Weighted-average assumptions used to determine the Company's benefit obligations at March 31, 2009 and 2008 were as follows:

	2009	2008
Discount rate	**1.5%**	2.0%

Weighted-average assumptions used to determine the Company's net periodic benefit cost for the years ended March 31, 2009, 2008 and 2007 were as follows:

	2009	2008	2007
Discount rate	**2.0%**	2.0%	2.0%
Rate of increase in future compensation levels			
Expected long-term rate of return on plan assets	**2.5%**	2.5%	2.5%

Effective January 1, 2006, the Company introduced an amended contributory pension plan and lump-sum severance indemnities plan to establish a new formula for determining benefits including a point-based benefits system. Under such system benefits are calculated based on accumulated points allocated to employees each year according to their job classification, performance and years of service. Accordingly, rate of increase in future compensation levels was not used to determine net periodic benefit cost for the years ended March 31, 2009, 2008 and 2007.

The Company's expected long-term rate of return was determined by estimating the future rate of return of each plan asset considering actual historical returns.

Plan Assets

The Company's pension plans' weighted-average asset allocations at March 31, 2009 and 2008 by asset category were as follows:

Asset category	**2009**	2008
Equity securities	**43.7%**	53.7%
Debt securities	**22.7**	26.2
Cash	**11.7**	3.9
Life insurance company general accounts	**20.3**	16.2
Others	**1.6**	
Total	**100.0%**	100.0%

The target asset allocation of the Company's contributory pension plan by asset category was 28% for equity securities, 62% for debt securities and 10% for life insurance company general accounts for the year ended March 31, 2009 and target allocation for the year ending March 31, 2010 is 28% for equity securities, 56% for debt securities, 10% for life insurance company general accounts and 6% for others. Plan assets of the employee retirement benefit trust are included in equity securities of the above table for both 2009 and 2008.

The fundamental policy of the investment of plan assets was to secure the necessary profit on a long-term basis to fund the payments for future pension benefits to eligible participants. Plan assets which were allocated in accordance with the plan assets allocation policy, established for the purpose of achieving a stable rate of return on a mid-term to long-term basis, were determined by taking into account the expected rate of return on each plan asset, a standard deviation and a correlation coefficient. The gap between long-term expected return and actual return of invested plan assets is evaluated on an annual basis and the plan assets' allocation policy is revised when considered necessary to achieve the expected long-term rate of return on plan assets.

Contributions

The Company expects to contribute ¥1,422 million ($14,510 thousand) to the contributory pension plan in the year ending March 31, 2010.

Estimated Future Benefit Payments

The following benefit payments, which reflect expected future services, as appropriate, are expected to be made by the Company:

Year Ending March 31	Millions of Yen	Thousands of U.S. Dollars
2010	¥ 2,347	$ 23,949
2011	1,936	19,755
2012	2,072	21,143
2013	2,015	20,561
2014	2,093	21,357
2015–2019	10,000	102,041

Certain of the Company's subsidiaries have non-contributory pension plans and lump-sum severance plans. The accrued retirement and severance liabilities of these subsidiaries are generally stated at actuarially determined present values of the future liabilities for benefits earned by eligible employees for their services as of the balance sheet date.

Summary information for the subsidiaries' plans as of and for the years ended March 31, 2009, 2008 and 2007 was as follows:

	Millions of Yen			Thousands of U.S. Dollars
	2009	2008	2007	**2009**
Net periodic benefit cost for the year	**¥ 1,745**	¥ 2,550	¥ 1,447	**$ 17,806**
Benefit obligations at end of year	**14,223**	16,221	14,820	**145,133**
Fair value of plan assets at end of year	**3,047**	5,686	5,443	**31,092**
Liabilities recognized at end of year	**11,176**	10,535	9,377	**114,041**

Assumptions used for the above plans were generally the same as those used for the Company's plans.

Additionally, the Companies provided for directors' retirement allowances of ¥597 million ($6,092 thousand) and ¥556 million at March 31, 2009 and 2008, respectively, based on its internal regulations.

Special severance benefits of ¥1,835 million ($18,724 thousand), ¥3,472 million and ¥312 million were paid in 2009, 2008 and 2007, respectively, to certain employees for early retirement and to employees transferred to certain subsidiaries. The amounts of special severance payments are included in cost and expenses—other in the consolidated statements of income.

10. STOCK-BASED COMPENSATION

The Company granted its shares of common stock to directors (excluding outside directors) and executive officers of the Company during the year ended March 31, 2008 and to directors, corporate auditors and executive officers of the Company for the year ended March 31, 2007 under a fixed stock option plan pursuant to a resolution at the shareholder's meeting. Options granted under the plan have an exercise price of ¥1. The options are vested ratably over a period of one year, and are generally excisable one year after retirement and up to 20 years from the date of grant. On May 9, 2008, the Board of Directors resolved to abolish the stock option plan except for those stock options granted before March 31, 2008.

The fair value of the option granted was estimated on the date of grant using the Black-Scholes option-pricing model with the following weighted-average assumptions for the years ended March 31, 2008 and 2007. The expected dividend yield was based on the Company's most recent history and expectation of dividend payouts. Expected volatility was based on the historical volatility of the Company's stock over the most recent period commensurate with the estimated expected life of the Company's stock options and other factors. The risk-free rate was based on the Japanese government bond in effect at the time of grant for a period commensurate with the estimated expected life. The expected life of options granted, which represents the period of time that the options were expected to be outstanding, was based primarily on historical exercise experience.

	2008	2007
Expected dividend yield	1.2%	1.2%
Expected volatility	25.2%	24.5%
Risk-free interest rates	1.5%	1.5%
Expected lives	6.3 years	5.6 years

A summary of option activity under the Company's stock option plan at March 31, 2009, and changes during the year then ended were as follows:

	Shares	Yen	Years	Millions of Yen	U.S. Dollars	Thousands of U.S. Dollars
	Number of Options	Exercise Price	Average Remaining Contractual Life	Aggregate Intrinsic Value	Exercise Price	Aggregate Intrinsic Value
Outstanding at March 31, 2008	**420,000**	**¥1**			**$0**	
Granted						
Exercised	**(17,000)**	**1**			**0**	
Outstanding at March 31, 2009	**403,000**	**1**	11.9	¥497	**0**	**$5,071**
Exercisable at March 31, 2009	**42,000**	**¥1**	3.7	¥ 52	**$0**	**$ 531**

	Millions of Yen			Thousands of U.S. Dollars
	2009	2008	2007	**2009**
Total compensation cost recognized under the fair value method during the year	**¥40**	¥131	¥134	**$408**
Total income tax benefit recognized during the year	**16**	54	42	**163**

The weighted-average grant-date fair value of stock options granted per share during the years ended March 31, 2008 and 2007 were ¥1,231 and ¥1,260, respectively. The total intrinsic value of options exercised during the years ended March 31, 2009, 2008 and 2007 was ¥21 million ($214 thousand), ¥24 million and ¥12 million, respectively.

Cash received from options exercised for the years ended March 31, 2009, 2008 and 2007 was immaterial.

11. SHAREHOLDERS' EQUITY

On and after May 1, 2006, Japanese companies are subject to a new companies act of Japan (the "Companies Act"), which reformed and replaced the Commercial Code of Japan with various revisions that are, for the most part, applicable to events or transactions which occur on or after May 1, 2006 and for the fiscal years ending on or after May 1, 2006. The significant changes in the Companies Act that affect financial and accounting matters are summarized below;

(a) Dividends

Under the Companies Act, companies can pay dividends at any time during the fiscal year in addition to the year-end dividend upon resolution at the shareholders' meeting. For companies that meet certain criteria such as; (1) having the Board of Directors, (2) having independent auditors, (3) having the Board of Corporate Auditors, and (4) the term of service of the directors is prescribed as one year rather than two years of normal term by its articles of incorporation, the Board of Directors of such company may declare dividends (except for dividends in kind) at any time during the fiscal year if the company has prescribed so in its articles of incorporation. The Company meets all the above criteria.

The Companies Act permits companies to distribute dividends-in-kind (non-cash assets) to shareholders subject to a certain limitation and additional requirements.

Semiannual interim dividends may also be paid once a year upon resolution by the Board of Directors if the articles of incorporation of the company so stipulate. The Companies Act provides certain limitations on the amounts available for dividends or the purchase of treasury stock. The limitation is defined as the amount available for distribution to the shareholders, but the amount of net assets after dividends must be maintained at no less than ¥3 million.

The amount available for dividends under the Companies Act is based on the amount recorded in the Company's nonconsolidated books of accounts in accordance with Japanese accounting practices. The amount available for dividends under the Companies Act as of March 31, 2009 was ¥124,231 million ($1,267,663 thousand).

(b) Increases/decreases and transfer of common stock, reserve and surplus

The Companies Act requires that an amount equal to 10% of dividends must be appropriated as a legal reserve (a component of retained earnings) or as additional paid-in capital (a component of capital surplus) depending on the equity account charged upon the payment of such dividends until the total of aggregate amount of legal reserve and additional paid-in capital equals 25% of the common stock. Under the Companies Act, additional paid-in capital and legal reserve may be reversed upon resolution of the shareholders. The Companies Act also provides that common stock, legal reserve, additional paid-in capital, other capital surplus and retained earnings can be transferred among the accounts under certain conditions upon resolution of the shareholders.

(c) Treasury stock and treasury stock acquisition rights

The Companies Act also provides for companies to purchase treasury stock and dispose of such treasury stock by resolution of the Board of Directors. The amount of treasury stock purchased cannot exceed the amount available for distribution to the shareholders which is determined by specific formula.

On May 20, 1993, the Company made a stock split by way of a free share distribution at the rate of 0.1 shares for each outstanding share, and 20,703,062 shares were issued to shareholders of record on March 31, 1993, resulting in no change in the balance of common stock or capital surplus. Corporations in the United States issuing shares in similar transaction would be required to account for them by reducing retained earnings and increasing appropriate capital accounts by an amount equal to the fair value of the shares issued. If such United States practice had been applied to the fiscal 1994 free share distribution made by the Company, capital surplus would have increased by ¥33,746 million with a corresponding decrease in unappropriated retained earnings.

12. OTHER COMPREHENSIVE INCOME (LOSS)

The amounts of income tax allocated to each component of other comprehensive income (loss) and reclassification adjustments for the years ended March 31, 2009, 2008 and 2007 are as follows:

	Millions of Yen								
	2009			2008			2007		
	Before-Tax Amount	Income Tax	After-Tax Amount	Before-Tax Amount	Income Tax	After-Tax Amount	Before-Tax Amount	Income Tax	After-Tax Amount
Net unrealized losses on securities available-for-sale									
Amounts arising during the year	**¥ (3,166)**	**¥1,298**	**¥ (1,868)**	¥ (5,280)	¥2,165	¥(3,115)	¥(3,051)	¥1,251	¥(1,800)
Reclassification adjustments for (gains) losses realized in net income	**597**	**(245)**	**352**	924	(379)	545	(38)	16	(22)
Net change during the year	**(2,569)**	**1,053**	**(1,516)**	(4,356)	1,786	(2,570)	(3,089)	1,267	(1,822)
Net unrealized gains (losses) on derivative financial instruments									
Amounts arising during the year	**136**	**(56)**	**80**	(1,168)	479	(689)	1,217	(499)	718
Reclassification adjustments for gains realized in net income	**(244)**	**100**	**(144)**	(536)	220	(316)	(177)	80	(97)
Net change during the year	**(108)**	**44**	**(64)**	(1,704)	699	(1,005)	1,040	(419)	621
Pension liability adjustments									
Amounts arising during the year	**(14,435)**	**5,918**	**(8,517)**	(4,049)	1,660	(2,389)			
Reclassification adjustments for losses realized in net income	**1,607**	**(659)**	**948**	934	(383)	551			
Net change during the year	**(12,828)**	**5,259**	**(7,569)**	(3,115)	1,277	(1,838)			
Minimum pension liability adjustments									
Amounts arising during the year							3,495	(1,433)	2,062
Foreign currency translation adjustments									
Amounts arising during the year	**(4,196)**		**(4,196)**	(3,497)		(3,497)	2,029		2,029
Reclassification adjustments for gains realized in net income	**(1,477)**		**(1,477)**						
Net change during the year	**(5,673)**		**(5,673)**	(3,497)		(3,497)	2,029		2,029
Other comprehensive income (loss)	**¥(21,178)**	**¥6,356**	**¥(14,822)**	¥(12,672)	¥3,762	¥(8,910)	¥ 3,475	¥ (585)	¥ 2,890

	Thousands of U.S. Dollars		
	2009		
	Before-Tax Amount	Income Tax	After-Tax Amount
Net unrealized losses on securities available-for-sale			
Amounts arising during the year	**$ (32,306)**	**$13,245**	**$ (19,061)**
Reclassification adjustments for losses realized in net income	**6,092**	**(2,500)**	**3,592**
Net change during the year	**(26,214)**	**10,745**	**(15,469)**
Net unrealized losses on derivative financial instruments			
Amounts arising during the year	**1,388**	**(571)**	**817**
Reclassification adjustments for gains realized in net income	**(2,490)**	**1,020**	**(1,470)**
Net change during the year	**(1,102)**	**449**	**(653)**
Pension liability adjustments			
Amounts arising during the year	**(147,296)**	**60,388**	**(86,908)**
Reclassification adjustments for losses realized in net income	**16,397**	**(6,724)**	**9,673**
Net change during the year	**(130,899)**	**53,664**	**(77,235)**
Foreign currency translation adjustments			
Amounts arising during the year	**(42,816)**		**(42,816)**
Reclassification adjustments for gains realized in net income	**(15,071)**		**(15,071)**
Net change during the year	**(57,887)**		**(57,887)**
Other comprehensive loss	**$(216,102)**	**$64,858**	**$(151,244)**

Accumulated other comprehensive loss, net of tax effects, at March 31, 2009 and 2008 consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2009	2008	**2009**
Net unrealized gains on securities available-for-sale	**¥ 262**	¥ 1,778	**$ 2,673**
Net unrealized losses on derivative financial instruments	**(399)**	(335)	**(4,071)**
Pension liability adjustments	**(13,080)**	(5,556)	**(133,469)**
Foreign currency translation adjustments	**(4,733)**	940	**(48,296)**
Accumulated other comprehensive loss	**¥(17,950)**	¥(3,173)	**$(183,163)**

13. LEASED ASSETS AND RENT EXPENSE

The Companies lease certain buildings, machinery and equipment under capital leases. The amounts of these leased assets included in the consolidated balance sheets at March 31, 2009 and 2008 were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2009	2008	**2009**
Buildings	**¥13,758**	¥13,375	**$140,388**
Machinery and equipment	**8,921**	5,661	**91,031**
Total	**22,679**	19,036	**231,419**
Less accumulated depreciation	**(9,597)**	(6,932)	**(97,929)**
Leased assets—net	**¥13,082**	¥12,104	**$133,490**

The following is a schedule of the future minimum lease payments under capital leases together with the present value of net minimum lease payments which is included in the consolidated balance sheets at March 31, 2009.

Year Ending March 31	Millions of Yen	Thousands of U.S. Dollars
2010	¥ 2,735	$ 27,908
2011	2,674	27,286
2012	2,503	25,541
2013	2,196	22,408
2014	1,785	18,214
Thereafter	3,803	38,806
Total minimum lease payments	15,696	160,163
Less amount representing interest	(1,101)	(11,234)
Present value of net minimum lease payments	14,595	148,929
Less current capital lease obligations	(2,413)	(24,622)
Long-term capital lease obligations	¥12,182	$124,307

The Companies also lease office space, employee housing and office equipment under operating leases. Rent expense under these leases amounted to ¥12,679 million ($129,378 thousand), ¥13,536 million, and ¥14,600 million for the years ended March 31, 2009, 2008 and 2007, respectively.

Future minimum lease payments under non-cancelable operating leases as of March 31, 2009 are as follows:

Year Ending March 31	Millions of Yen	Thousands of U.S. Dollars
2010	¥1,713	$17,480
2011	1,620	16,531
2012	1,552	15,837
2013	931	9,500
2014	475	4,847
Thereafter	1,573	16,051
Total minimum lease payments	¥7,864	$80,246

14. FOREIGN CURRENCY TRANSACTION GAINS AND LOSSES

Foreign currency transaction net gain of ¥996 million ($10,163 thousand), net loss of ¥2,129 million and net loss of ¥3,645 million were included in the determination of net income for the years ended March 31, 2009, 2008 and 2007, respectively.

15. FAIR VALUE MEASUREMENTS

SFAS No. 157 clarifies fair value in terms of the price in an orderly transaction between market participants to sell an asset or transfer a liability at the measurement date. SFAS No. 157 establishes a three-level fair value hierarchy that prioritizes the inputs used to measure fair value. Under SFAS No. 157, the Companies are required to classify certain assets and liabilities based on the following fair value hierarchy:

Level 1 Input—Quoted prices in active markets for identical assets or liabilities that are accessible at the measurement date.

Level 2 Input—Inputs other than quoted prices included within Level 1 that are observable for the assets or liabilities, either directly or indirectly

Level 3 Input—Unobservable inputs for the assets or liabilities

Assets and liabilities measured at fair value on a recurring basis as of March 31, 2009 are as follows:

	Millions of Yen				Thousands of U.S. Dollars			
Assets	Level 1	Level 2	Level 3	Total	Level 1	Level 2	Level 3	Total
Securities and Investments	**¥12,918**	**¥ 304**		**¥13,222**	**$131,816**	**$ 3,102**		**$134,918**
Derivative instruments (Note 16)		**827**		**827**		**8,439**		**8,439**
Total assets	**¥12,918**	**¥1,131**		**¥14,049**	**$131,816**	**$11,541**		**$143,357**

	Millions of Yen				Thousands of U.S. Dollars			
Liabilities	Level 1	Level 2	Level 3	Total	Level 1	Level 2	Level 3	Total
Derivative instruments (Note 16)		**¥ 627**		**¥ 627**		**$ 6,398**		**$ 6,398**
Total liabilities		**¥ 627**		**¥ 627**		**$ 6,398**		**$ 6,398**

Valuation techniques used to measure fair value are as follows:

Securities and Investments

Securities and investments consist of marketable securities and mutual funds. Marketable securities are measured at fair value using quoted prices in active markets for identical assets. These inputs fall within Level 1. Mutual funds are measured at fair value using observable market data, which fall within Level 2.

Derivative instruments

Derivative instruments consist of foreign currency forward contracts, currency swap contracts and interest rate swap contracts. These derivatives are measured at fair value using observable market data such as forward exchange rates and market interest rates, which fall within Level 2.

The carrying amounts and fair values of financial instruments at March 31, 2009 and 2008 were as follows:

	Millions of Yen				Thousands of U.S. Dollars	
	2009		2008		**2009**	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value	Carrying Amount	Fair Value
Marketable equity and debt securities (Note 3)	**¥ 23,431**	**¥ 23,431**	¥ 16,608	¥ 16,608	**$ 239,092**	**$ 239,092**
Derivative instruments	**200**	**200**	(2,363)	(2,363)	**2,041**	**2,041**
Long-term debt	**(97,900)**	**(96,856)**	(114,055)	(113,262)	**(998,980)**	**(988,327)**

The carrying values of all other financial instruments approximate their estimated fair values. The fair values of long-term debt are estimated using market interest rates.

16. DERIVATIVE INSTRUMENTS AND HEDGING ACTIVITIES

The Companies are exposed to certain risks relating to their ongoing business operations. The primary risks managed by using derivative instruments are foreign exchange rate risk (principally in U.S. dollars), interest rate risk and lean hog price risk. The Companies use foreign currency forward contracts, currency swap contracts and currency option contracts to mitigate foreign exchange risk. The Company uses interest rate swap contract to mitigate interest rate risk relating to floating-rate borrowing. Forward contracts on lean hog prices are entered into to mitigate lean hog prices risk.

The Companies document their risk management objectives and strategies for undertaking hedge transactions. All derivative financial instruments are entered into under these objectives and strategies and related rules which regulate transactions.

SFAS No.133 requires the Companies to recognize all derivative instruments as either assets or liabilities at fair value in the statement of financial position. In accordance with SFAS No.133, the Companies designate certain foreign currency forward contracts and currency swap contracts as cash flow hedges of forecasted transactions and designate interest swap contract as cash flow hedges of future interest payments.

Cash flow hedges

For derivative instruments that are designated and qualify as a cash flow hedge, the effective portion of the gain or loss on the derivative is reported as a component of other comprehensive income and reclassified into earnings in the same period or periods during which the hedged transaction affects earnings. Gains and losses on the derivative representing either hedge ineffectiveness or hedge components excluded from the assessment of effectiveness are recognized in current earnings. If the critical terms of derivative instruments and the hedged items are the same, changes in fair value or cash flows attributable to the risk being hedged are expected to completely offset at inception and on an ongoing basis. The net gains or losses excluded from the assessment of hedge effectiveness were immaterial for the years ended March 31, 2009, 2008 and 2007.

At March 31, 2009, contract amounts or notional principal amounts of derivative instruments that qualify for cash flow hedges are set forth below:

Foreign currency forward contracts and currency swap contracts	¥12,672 million ($129,306 thousand)
Interest swap contract	¥5,000 million ($51,020 thousand)

At March 31, 2009, an unrecognized loss (net of tax) relating to existing foreign currency forward contracts and currency swap contracts is included in accumulated other comprehensive loss. The amount of ¥222 million ($2,265 thousand) is expected to be reclassified into loss within 12 months from March 31, 2009. The maximum length of time over which the Companies are hedging their exposures to the variability in future cash flows for forecasted transactions is approximately 33 months.

At March 31, 2009, an unrecognized loss (net of tax) relating to existing interest rate swap contracts is included in accumulated other comprehensive loss. The amount to be reclassified into loss within 12 months from March 31, 2009 is immaterial.

Derivative instruments which do not qualify for hedge accounting

These derivative instruments are used to manage foreign exchange risk. The change in fair value of such derivative instruments are recorded in earnings immediately.

At March 31, 2009, contract amounts of derivative instruments that do not qualify for hedge accounting set forth below:

Foreign forward exchange contracts ¥32,199 million ($328,561 thousand)

The Companies also have a policy that the derivatives are not used for other than hedging activities.

As of March 31, 2009, the Companies had no significant concentration of credit risk.

The Companies' derivative instruments contain no provisions that require the Companies' debt to maintain an investment grade credit rating from each of the major credit rating agencies.

The location and fair value amounts of derivative instruments on the consolidated balance sheets are as follows:

	2009			
	Derivative assets		Derivative liabilities	
Millions of Yen	Balance Sheet Location	Fair Value	Balance Sheet Location	Fair Value
Derivatives designated as hedging instruments under SFAS No. 133				
Interest rate contracts			Other current liabilities	**¥ 8**
			Long-term debt and other liabilities	**8**
Foreign exchange contracts			Other current liabilities	**313**
			Long-term debt and other liabilities	**284**
Sub-Total				**613**
Derivatives not designated as hedging instruments under SFAS No. 133				
Foreign exchange contracts	Other current assets	**¥827**	Other current liabilities	**14**
Sub-Total		**827**		**14**
Total (Note 15)		**¥827**		**¥627**

Thousands of U.S. Dollars	2009			
	Derivative assets		Derivative liabilities	
	Balance Sheet Location	Fair Value	Balance Sheet Location	Fair Value
Derivatives designated as hedging instruments under SFAS No. 133				
Interest rate contracts			Other current liabilities	**$ 82**
			Long-term debt and other liabilities	**82**
Foreign exchange contracts			Other current liabilities	**3,193**
			Long-term debt and other liabilities	**2,898**
Sub-Total				**6,255**
Derivatives not designated as hedging instruments under SFAS No. 133				
Foreign exchange contracts	Other current assets	**$8,439**	Other current liabilities	**143**
Sub-Total		**8,439**		**143**
Total (Note 15)		**$8,439**		**$6,398**

The effect of derivative instruments designated and qualifying in cash flow hedges under SFAS No. 133 on the consolidated statements of income and changes in shareholders' equity for the three months ended March 31, 2009 is as follows:

Millions of Yen	Amount of Gain Recognized in Other Comprehensive Income on Derivative (Effective Portion)	Amount of Loss Reclassified from Accumulated Other Comprehensive Loss into Income (Effective Portion)		Amount of Gain (Loss) Recognized in Income on Derivative (Ineffective Portion and Amount Excluded from Effectiveness Testing)	
	Three months ended March 31, 2009	Location	Three months ended March 31, 2009	Location	Three months ended March 31, 2009
Interest rate contract	**¥ 11**				
Foreign exchange contracts	**966**	Cost of goods sold	**¥(91)**		
Total	**¥977**		**¥(91)**		

Thousands of U.S. Dollars	Amount of Gain Recognized in Other Comprehensive Income on Derivative (Effective Portion)	Amount of Loss Reclassified from Accumulated Other Comprehensive Loss into Income (Effective Portion)		Amount of Gain (Loss) Recognized in Income on Derivative (Ineffective Portion and Amount Excluded from Effectiveness Testing)	
	Three months ended March 31, 2009	Location	Three months ended March 31, 2009	Location	Three months ended March 31, 2009
Interest rate contract	**$ 112**				
Foreign exchange contracts	**9,857**	Cost of goods sold	**$(929)**		
Total	**$9,969**		**$(929)**		

The effect of derivative instruments not designated or qualifying as hedging instruments under SFAS No. 133 on the consolidated statements of income for the three months ended March 31, 2009 is as follows:

	Millions of Yen		Thousands of U.S. Dollars
	Amount of Gain Recognized in Income on Derivative		Amount of Gain Recognized in Income on Derivative
	Location	Three Month Ended March 31, 2009	Three Month Ended March 31, 2009
Foreign exchange contracts	Net sales	**¥ 52**	**$ 531**
	Cost of goods sold	**473**	**4,827**
Total		**¥525**	**$5,358**

17. SEGMENT INFORMATION

SFAS No.131 requires a public business enterprise to report information about operating segments in financial statements. Operating segments are defined as components of an enterprise about which separate financial information is available that is evaluated regularly by the chief operating decision maker in deciding how to allocate resources and in assessing performance. The operating segments are determined based on the nature of the products and services offered. The Companies' reportable segments consist of the following three business groups.

Processed Foods Business Division—Production and sales of mainly hams & sausages, processed foods
Fresh Meats Business Division —Production and sales of mainly fresh meats
Affiliated Business Division —Production and sales of mainly marine products and dairy products
Intersegment transactions are made with reference to prevailing market prices.

The Operating segment information at March 2008 and 2007 and for the years then ended has been reclassified to conform to the current year presentation.

The following table presents certain information regarding the Companies' operating segments at March 31, 2009, 2008 and 2007 and for the years then ended.

Operating segment information

	Millions of Yen					
	2009					
	Processed Foods Business Division	Fresh Meats Business Division	Affiliated Business Division	Total	Eliminations, adjustments and others	Consolidated
Net sales						
External customers	**¥312,845**	**¥598,632**	**¥129,198**	**¥1,040,675**	**¥ (12,226)**	**¥1,028,449**
Intersegment	**13,892**	**79,245**	**3,310**	**96,447**	**(96,447)**	
Total	**326,737**	**677,877**	**132,508**	**1,137,122**	**(108,673)**	**1,028,449**
Operating expenses	**321,089**	**661,587**	**133,035**	**1,115,711**	**(108,679)**	**1,007,032**
Segment profit (loss)	**5,648**	**16,290**	**(527)**	**21,411**	**6**	**21,417**
Assets	**174,207**	**298,444**	**43,885**	**516,536**	**67,148**	**583,684**
Depreciation and amortization	**8,989**	**9,460**	**1,601**	**20,050**	**3,950**	**24,000**
Capital expenditures	**9,963**	**8,835**	**1,768**	**20,566**	**1,582**	**22,148**

	Millions of Yen					
	2008					
	Processed Foods Business Division	Fresh Meats Business Division	Affiliated Business Division	Total	Eliminations, adjustments and others	Consolidated
Net sales						
External customers	¥305,968	¥607,851	¥128,988	¥1,042,807	¥ (13,113)	¥1,029,694
Intersegment	13,401	79,964	3,403	96,768	(96,768)	
Total	319,369	687,815	132,391	1,139,575	(109,881)	1,029,694
Operating expenses	317,076	672,727	133,099	1,122,902	(110,977)	1,011,925
Segment profit (loss)	2,293	15,088	(708)	16,673	1,096	17,769
Assets	173,298	309,584	43,860	526,742	82,067	608,809
Depreciation and amortization	9,587	9,933	1,542	21,062	2,877	23,939
Capital expenditures	6,527	9,722	756	17,005	1,622	18,627

	Millions of Yen					
	2007					
	Processed Foods Business Division	Fresh Meats Business Division	Affiliated Business Division	Total	Eliminations, adjustments and others	Consolidated
Net sales						
External customers	¥299,335	¥560,867	¥127,299	¥ 987,501	¥ (12,035)	¥975,466
Intersegment	13,153	76,014	3,026	92,193	(92,193)	
Total	312,488	636,881	130,325	1,079,694	(104,228)	975,466
Operating expenses	306,782	624,943	131,325	1,063,050	(104,117)	958,933
Segment profit (loss)	5,706	11,938	(1,000)	16,644	(111)	16,533
Assets	177,377	317,265	47,811	542,453	70,480	612,933
Depreciation and amortization	9,398	9,269	1,645	20,312	2,663	22,975
Capital expenditures	6,763	11,320	856	18,939	502	19,441

	Thousands of U.S. Dollars					
	2009					
	Processed Foods Business Division	Fresh Meats Business Division	Affiliated Business Division	Total	Eliminations, adjustments and others	Consolidated
Net sales						
External customers	**$3,192,296**	**$6,108,490**	**$1,318,347**	**$10,619,133**	**$ (124,755)**	**$10,494,378**
Intersegment	**141,755**	**808,622**	**33,776**	**984,153**	**(984,153)**	
Total	**3,334,051**	**6,917,112**	**1,352,123**	**11,603,286**	**(1,108,908)**	**10,494,378**
Operating expenses	**3,276,418**	**6,750,888**	**1,357,500**	**11,384,806**	**(1,108,969)**	**10,275,837**
Segment profit (loss)	**57,633**	**166,224**	**(5,377)**	**218,480**	**61**	**218,541**
Assets	**1,777,622**	**3,045,347**	**447,806**	**5,270,775**	**685,184**	**5,955,959**
Depreciation and amortization	**91,724**	**96,531**	**16,337**	**204,592**	**40,306**	**244,898**
Capital expenditures	**101,663**	**90,153**	**18,041**	**209,857**	**16,143**	**226,000**

1. "Eliminations, adjustments and others" include unallocated items and intersegment eliminations.
2. Except for a few unallocated items, corporate overhead expenses and profit and loss of certain subsidiaries are allocated to each reportable operating segment. These subsidiaries provide indirect services and operational support for the Companies included in each reportable operating segment.
3. Segment profit (loss) represents net sales less cost of goods sold and selling, general and administrative expenses.
4. Unallocated corporate assets included in "Eliminations, adjustments and others" mainly consist of time deposits, marketable securities and other investment securities of the Company.
5. Depreciation and amortization consist of depreciation of tangible fixed assets and amortization of intangible fixed assets which are specifically related to each reportable segment and do not include depreciation and amortization which are included in the corporate overhead expenses and profit and loss of certain subsidiaries as described at Note 2 above.
6. Capital expenditures represent the additions to tangible and intangible fixed assets.
7. Discontinued operations are included in Fresh Meats Business Division. The reclassification to income (loss) from discontinued operations is included in "Eliminations, adjustments and others."

The following table shows reconciliations of the total of the segment profit to income from continuing operations before income taxes and equity in losses of associated companies for the years ended March 31, 2009, 2008 and 2007.

	Millions of Yen			Thousands of U.S. Dollars
	2009	2008	2007	**2009**
Segment profit total	**¥ 21,411**	¥16,673	¥16,644	**$ 218,480**
Interest expenses	**(2,506)**	(2,771)	(2,913)	**(25,571)**
Other revenues and expenses	**(12,716)**	(7,229)	133	**(129,756)**
Eliminations, adjustments and others	**6**	1,096	(111)	**61**
Income from continuing operations before income taxes and equity in losses of associated companies	**¥ 6,195**	¥7,769	¥13,753	**$ 63,214**

Net sales to external customers for products and services for the years ended March 31, 2009, 2008 and 2007 were as follows:

	Millions of Yen			Thousands of U.S. Dollars
	2009	2008	2007	**2009**
Hams and sausages	**¥ 138,876**	¥ 132,820	¥131,987	**$ 1,417,102**
Processed foods	**187,456**	185,734	184,320	**1,912,816**
Fresh meats	**566,423**	555,372	508,863	**5,779,827**
Marine products	**83,759**	86,226	83,353	**854,684**
Dairy products	**22,215**	22,124	21,832	**226,684**
Others	**29,720**	47,418	45,111	**303,265**
Consolidated total	**¥1,028,449**	¥1,029,694	¥975,466	**$10,494,378**

Certain information about geographic areas at March 31, 2009, 2008 and 2007 and for the years then ended was as follows:

(1) Net sales to external customers

	Millions of Yen			Thousands of U.S. Dollars
	2009	2008	2007	**2009**
Japan	**¥ 952,490**	¥ 936,068	¥882,952	**$ 9,719,286**
Other countries	**75,959**	93,626	92,514	**775,092**
Total	**¥1,028,449**	¥1,029,694	¥975,466	**$10,494,378**

Net sales to external customers are attributed to geographic areas based on the countries of the Companies' domiciles.

(2) Long-lived assets

	Millions of Yen			Thousands of U.S. Dollars
	2009	2008	2007	**2009**
Japan	**¥226,212**	¥232,167	¥235,322	**$2,308,286**
Other countries	**19,369**	26,480	30,433	**197,643**
Total	**¥245,581**	¥258,647	¥265,755	**$2,505,929**

Long-lived assets mainly consist of property, plant and equipment.

There were no sales to a single major external customer for the years ended March 31, 2009, 2008 and 2007.

18. DISCONTINUED OPERATIONS

During the year ended March 31, 2009, the Company's consolidated subsidiary in Australia, which engaged in producing and selling hogs, sold its entire fixed assets to a third party. The decision to discontinue the operation was due to the deterioration of future expected cash flows as a result of declining profitability. The operations fall under the discontinued operations in accordance with SFAS No. 144 and are included in the Fresh Meats Business Division under SFAS No. 131.

Prior years' consolidated statements of income were reclassified to conform to the current year presentation to separately report the results of discontinued operations.

The components of income (loss) from discontinued operation for the years ended March 31, 2009, 2008 and 2007 are summarized as follows:

	Millions of Yen			Thousands of U.S. Dollars
	2009	2008	2007	**2009**
Revenues	**¥2,507**	¥ 2,692	¥2,086	**$25,581**
Cost and expenses	**2,270**	5,538	2,171	**23,163**
Gain on disposal	**587**			**5,990**
Income (loss) before income taxes	**824**	(2,846)	(85)	**8,408**
Income taxes	**271**	(535)	(53)	**2,765**
Income (loss) from discontinued operations—Net of applicable income taxes	**¥ 553**	¥(2,311)	¥ (32)	**$ 5,643**

The financial positions of discontinued operation at March 31, 2009 and 2008 are summarized as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2009	2008	**2009**
Current assets	**¥20**	¥639	**$204**
Fixed assets		760	
Other fixed assets		448	
Current liabilities	**15**	536	**153**
Fixed liabilities		132	

19. COMMITMENTS AND CONTINGENT LIABILITIES

The Companies guarantee certain financial liabilities of certain suppliers. The maximum potential amount of future payments which the Companies could be required to make under these guarantees is ¥390 million ($3,980 thousand) at March 31, 2009. The guarantee with a supplier is secured by certain property and real estate. At March 31, 2009, the Company has entered into non-cancelable lease agreements for logistics facilities which will commence during the year ending March 31, 2010. Future rent payment under these agreements amount to ¥11,400 million ($116,327 thousand) with the maximum lease term of 20 years.

20. EVENTS SUBSEQUENT TO MARCH 31, 2009

On May 15, 2009, the Board of Directors resolved to pay cash dividends to shareholders of record at March 31, 2009 of ¥16 ($0.16) per share, for a total of ¥3,651 million ($37,255 thousand).

Deloitte.

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INDEPENDENT AUDITORS' REPORT

To the Board of Directors and Stockholders of Nippon Meat Packers, Inc.:

We have audited the accompanying consolidated balance sheets of Nippon Meat Packers, Inc. and subsidiaries as of March 31, 2009 and 2008 and the related consolidated statements of income, changes in shareholders' equity and cash flows for each of the three years in the period ended March 31, 2009 (all expressed in Japanese yen). These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the financial position of Nippon Meat Packers, Inc. and subsidiaries at March 31, 2009 and 2008, and the results of their operations and their cash flows for each of the three years in the period ended March 31, 2009 in conformity with accounting principles generally accepted in the United States of America.

Our audits also comprehended the translation of Japanese yen amounts into United States dollar amounts and, in our opinion, such translation has been made in conformity with the basis stated in Note 1. Such United States dollar amounts are presented solely for the convenience of readers outside Japan.

Deloitte Touche Tohmatsu

June 12, 2009

Member of
Deloitte Touche Tohmatsu

NOTE TO READERS:
Following is an English translation of management's report on internal control over financial reporting filed under the Financial Instruments and Exchange Act of Japan. Readers should be aware that this report is presented merely as supplemental information.

Readers should be particularly aware of the differences between an assessment of internal control over financial reporting ("ICFR") under the Financial Instruments and Exchange Act ("ICFR under FIEA") and one conducted under the standards of the Public Company Accounting Oversight Board (United States) ("ICFR under PCAOB");

- In an assessment of ICFR under FIEA, there is detailed guidance on the scope of an assessment of ICFR, such as quantitative guidance on business location selection and/or account selection. In an assessment of ICFR under PCAOB, there is no such detailed guidance. Accordingly, for the assessment of entity-level internal controls, the companies which represent the top 95% of consolidated net sales and other financial indicators are selected. For the assessment of internal control over business processes, the companies which cover approximately two-thirds of the previous year's consolidated net sales and cost of goods sold (excluding inter-company transactions) are selected. Additional business processes, if any, which could have a significant impact on financial reporting, are also included in the scope.
- In an assessment of ICFR under FIEA, the scope includes ICFR of equity method investees. In an assessment of ICFR under PCAOB, the scope does not include ICFR of equity method investees.

Management's Report on Internal Control

1. Matters relating to the basic framework for internal control over financial reporting

Hiroshi Kobayashi, President and Representative Director, is responsible for designing and operating effective internal control over financial reporting of our company ("the Company") and has designed and operated internal control over financial reporting of the consolidated financial statements in accordance with the basic framework for internal control set forth in "The Standards and Practice Standards for Management Assessment and Audit of Internal Control Over Financial Reporting" published by the Business Accounting Council.

The internal control is designed to achieve its objectives to the extent reasonable through the effective function and combination of its basic elements. Therefore, there is a possibility that misstatements may not be completely prevented or detected by internal control over financial reporting.

2. Matters relating to the scope of assessment, the basis date of assessment and the assessment procedures

The assessment of internal control over financial reporting was performed as of March 31, 2009, which is the end of this fiscal year. The assessment was performed in accordance with assessment standards for internal control over financial reporting generally accepted in Japan.

In conducting this assessment, we evaluated internal controls which may have a material effect on our entire financial reporting on a consolidation basis ("entity-level controls") and based on the results of this assessment, we selected business processes to be tested. We analyzed these selected business processes, identified key controls that may have a material impact on the reliability of the Company's financial reporting, and assessed the design and operation of these key controls. These procedures have allowed us to evaluate the effectiveness of the internal controls of the Company.

We determined the required scope of assessment of internal control over financial reporting for the Company, as well as its consolidated subsidiaries and equity-method affiliated companies, from the perspective of the materiality that may affect the reliability of their financial reporting. The materiality that may affect the reliability of the financial reporting is determined taking into account the materiality of quantitative and qualitative impacts on financial reporting. In light of the results of assessment of entity-level controls conducted for the Company and its consolidated subsidiaries, we reasonably determined the scope of assessment of internal control over business processes. Regarding certain consolidated subsidiaries and equity-method affiliated companies that did not fall within the top 95% in terms of potential financial impact, calculated using net sales and other financial indicators, we concluded that they do not have any material impact on the consolidated financial statements, and thus, did not include them in the scope of assessment of entity-level controls.

Regarding the scope of assessment of internal control over business processes, we selected locations and business units to be tested based on the previous year's consolidated net sales and cost of sales (after elimination of inter-company transactions), and top twenty one companies whose net sales and cost of sales reach two-thirds of the total sales and cost of sales on a consolidation basis, were selected as "significant locations and/or business units." We included in the scope of assessment, at the selected significant locations and/or business units, business processes leading to sales, accounts receivable and inventories as significant accounts that may have a material impact on the business objectives of the Company. Further, in addition to selected significant locations and/or business units, we also selected for testing, as business processes having greater materiality, business processes relating to (i) greater likelihood of material misstatements and/or (ii) significant accounts involving estimates and the management's judgment and/or (iii) a business or operation dealing with high-risk transactions, taking into account their impact on the financial reporting.

3. Matters relating to the results of the assessment

As a result of the assessment described above, as of the end of this fiscal year, we concluded that the Company's internal control over financial reporting of the consolidated financial statements was effectively maintained.

4. Supplementary information

—

5. Other matters warranting special mention

—

Hiroshi Kobayashi
President and Representative Director
Nippon Meat Packers, Inc.

NOTE TO READERS:
Following is an English translation of the Independent Auditors' Report filed under the Financial Instruments and Exchange Act of Japan. Readers should be aware that this report is presented merely as supplemental information.

Readers should be particularly aware of the differences between an audit of internal control over financial reporting ("ICFR") under the Financial Instruments and Exchange Act ("ICFR under FIEA") and one conducted under the standards of the Public Company Accounting Oversight Board (United States) ("ICFR under PCAOB");

- In an audit of ICFR under FIEA, the auditors express an opinion on management's report on ICFR, and do not express an opinion on the Company's ICFR directly. In an audit of ICFR under PCAOB, the auditors express an opinion on the Company's ICFR directly.
- In an audit of ICFR under FIEA, there is detailed guidance on the scope of an audit of ICFR, such as quantitative guidance on business location selection and/or account selection. In an audit of ICFR under PCAOB, there is no such detailed guidance. Accordingly, for the assessment of entity-level internal controls, the companies which represent the top 95% of consolidated net sales and other financial indicators are selected. For the assessment of internal control over business processes, the companies which cover approximately two-thirds of the previous year's consolidated net sales and cost of goods sold (excluding inter-company transactions) are selected. Additional business processes, if any, which could have a significant impact on financial reporting, are also included in the scope.
- In an audit of ICFR under FIEA, the scope includes ICFR of equity method investees. In an audit of ICFR under PCAOB, the scope does not include ICFR of equity method investees.

(TRANSLATION)

INDEPENDENT AUDITORS' REPORT
(filed under the Financial Instruments and Exchange Act of Japan)

June 25, 2009

To the Board of Directors of Nippon Meat Packers, Inc.

Deloitte Touche Tohmatsu
Designated Partner, Engagement Partner, Certified Public Accountant: Koji Yabuki
Designated Partner, Engagement Partner, Certified Public Accountant: Wakyu Shinmen
Designated Partner, Engagement Partner, Certified Public Accountant: Koichi Sekiguchi

Audit of Financial Statements

Pursuant to the first paragraph of Article 193-2 of the Financial Instruments and Exchange Act, we have audited the consolidated financial statements included in the Financial Section, namely, the consolidated balance sheet and the related consolidated statements of income, changes in shareholders' equity and cash flows, and consolidated supplementary schedules of Nippon Meat Packers, Inc. and consolidated subsidiaries for the fiscal year from April 1, 2008 to March 31, 2009. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in Japan. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the consolidated financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall consolidated financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Nippon Meat Packers, Inc. and consolidated subsidiaries as of March 31, 2009, and the consolidated results of their operations and their cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America (Refer to Note 1 to the consolidated financial statements).

Audit of Internal Control over Financial Reporting

Pursuant to the second paragraph of Article 193-2 of the Financial Instruments and Exchange Act, we have audited management's report on internal control over financial reporting of Nippon Meat Packers, Inc. as of March 31, 2009. The Company's management is responsible for designing and operating effective internal control over financial reporting and preparing its report on internal control over financial reporting. Our responsibility is to express an opinion on management's report on internal control over financial reporting based on our audit. There is a possibility that material misstatements will not completely be prevented or detected by internal control over financial reporting.

We conducted our audit in accordance with auditing standards for internal control over financial reporting generally accepted in Japan. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether management's report on internal control over financial reporting is free of material misstatement. An audit includes examining, on a test basis, the scope, procedures and results of assessment of internal control made by management, as well as evaluating the overall presentation of the management's report on internal control over financial reporting. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, management's report on internal control over financial reporting referred to above, which represents that the internal control over financial reporting of Nippon Meat Packers, Inc. as of March 31, 2009 is effectively maintained, presents fairly, in all material respects, the assessment of internal control over financial reporting in conformity with assessment standards for internal control over financial reporting generally accepted in Japan.

Our firm and the engagement partners do not have any financial interest in the Company for which disclosure is required under the provisions of the Certified Public Accountants Law.

The above represents a translation, for convenience only, of the original report issued in the Japanese language.

Main Group Companies

As of March 31, 2009

● Production and Breeding
Nippon White Farm Co., Ltd. (Japan)
Interfarm Co., Ltd. (Japan)
Nippon Feed Co., Ltd. (Japan)
Oakey Holdings Pty. Ltd. (Australia)
Texas Farm, LLC. (USA)

● Processing and Packing of Fresh Meat
Nippon Food Packer, Inc. (Japan)
Nippon Food Packer Kagoshima, Inc. (Japan)
Nippon Food Packer Shikoku, Inc. (Japan)
Nippon Pure Food, Inc. (Japan)
Oakey Abattoir Pty. Ltd. (Australia)
Thomas Borthwick & Sons (Australia) Pty. Ltd. (Australia)
New Wave Leathers Pty. Ltd. (Australia)

● Sales of Fresh Meat
Higashi Nippon Food, Inc. (Japan)
Kanto Nippon Food, Inc. (Japan)
Naka Nippon Food, Inc. (Japan)
Nishi Nippon Food, Inc. (Japan)
Nippon Meat Packers Australia Pty. Ltd. (Australia)
Day-Lee Foods, Inc. (USA)

● Production and Sales of Hams and Sausages
Nippon Ham Hokkaido Factory Co., Ltd. (Japan)
Tohoku Nippon Ham Co., Ltd. (Japan)
Shizuoka Nippon Ham Co., Ltd. (Japan)
Nagasaki Nippon Ham Co., Ltd. (Japan)
Minami Nippon Ham Co., Ltd. (Japan)
Hakodate Carl Raymon Co., Ltd. (Japan)
Kamakura Ham Tomioka Co., Ltd. (Japan)
Tochiku Ham Co., Ltd. (Japan)
Kyodo Foods Co., Ltd. (Japan)
Japan Assorted Business Services Co., Ltd. (Japan)

● Production of Processed Foods
Nippon Ham Shokuhin Co., Ltd. (Japan)
Nippon Ham Sozai Co., Ltd. (Japan)
Nippon Shokuhin Mexicana S.A. de C.V. (Mexico)
Weihai Nippon Shokuhin Co., Ltd. (China)
Shandong Rilong Foodstuffs Co., Ltd. (China)
Thai Nippon Foods Co., Ltd. (Thailand)

● Sales of Hams, Sausages and Processed Foods
Nippon Ham Hokkaido Hanbai Co., Ltd. (Japan)
Nippon Ham Higashi Hanbai Co., Ltd. (Japan)
Nippon Ham Nishi Hanbai Co., Ltd. (Japan)
Nippon Ham Customer Communication Co., Ltd. (Japan)

● Production and Sales of Processed Marine Products
The Marine Foods Corporation (Japan)
Hoko Co., Ltd. (Japan)

● Production and Sales of Dairy Products and Lactic Acid Probiotic Beverages
Nippon Luna, Inc. (Japan)
Hoko Co., Ltd. (ROLF Division) (Japan)

● Production and Sales of Natural Seasonings
Nippon Pure Food, Inc. (Japan)

● Production and Sales of Freeze-Dried and Frozen Foods
Nippon Dry Foods Co., Ltd. (Japan)
Nippon Ham Deli News Co., Ltd. (Japan)

● Production and Sales of Health Foods
Nippon Ham Health Creation Co., Ltd. (Japan)

● Restaurant Operation
Suehiro Restaurant System Co., Ltd. (Japan)

● Professional Sports
Hokkaido Nippon Ham Fighters Baseball Club Co., Ltd. (Japan)
Osaka Football Club Co., Ltd. (Cerezo Osaka) (Japan) (equity method company)

● IT, Services and Other Businesses
Nippon Ham Business Expert Corporation (Japan)
Nippon Ham Life Service Co., Ltd. (Japan)
Nippon Ham Career Consulting, Inc. (Japan)
Nippon Ham Designing, Inc. (Japan)
Mine Corporation (Japan)

● Logistics and Trading
Nippon Logistics Group, Inc. (Japan)
Nippon Chilled Logistics, Inc. (Japan)
Nippon Logistics Center, Inc. (Japan)
Nippon Ham Logistics Co., Ltd. (Japan)
Nippon Route Service Co., Ltd. (Japan)
Japan Food Corporation (Japan)
Nippon Meat Packers Inc. (Chile) Y Compania Limitada (Chile)
Nippon Meat Packers Singapore Pte. Ltd. (Singapore)
Nippon Meat Packers U.K. Ltd. (The United Kingdom)
Nippon Meat Packers (Taiwan) Inc. (Taiwan)

Nippon Meat Packers, Inc.

Investor Information

As of March 31, 2009

● Corporate Data

Established	May 30, 1949
Capital	¥24,166 million
President	Hiroshi Kobayashi
Employees	14,722 (consolidated)
	1,984 (non-consolidated)
Main Businesses	Manufacture and sale of processed meats (hams, sausages, etc.) and cooked foods (retort-packed food, pre-prepared foods, etc.), and the import, purchase and sale of fresh meats
Head Office	6-14, Minami-Honmachi 3-chome, Chuo-ku, Osaka 541-0054, Japan
Tel:	+81-6-6282-3031

● Share Data

Authorized shares	570,000,000
Issued and outstanding	228,445,350
Shareholders	9,079

Shareholders by Category

Financial institutions	66	(139,706 thousand shares)
Foreign investors	351	(44,610 thousand shares)
Other companies	337	(22,492 thousand shares)
Individual/Other	8,288	(15,918 thousand shares)
Other	37	(5,716 thousand shares)

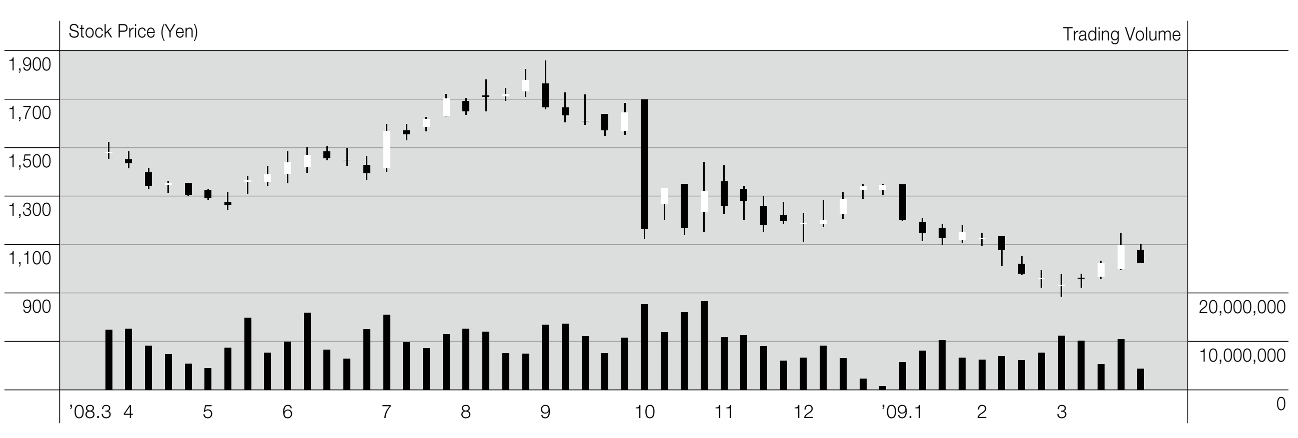
Shareholders by Holding

Less than 1,000	1,914	(292 thousand shares)
1,000–Less than 10,000	6,700	(10,748 thousand shares)
10,000–Less than 100,000	301	(8,744 thousand shares)
100,000–Less than 1 million	128	(39,128 thousand shares)
1 million–Less than 5 million	26	(58,135 thousand shares)
More than 5 million	10	(111,393 thousand shares)

Major Shareholders (Top 10 by shareholding)

Name	Shareholding (thousands of shares)
The Master Trust Bank of Japan, Ltd. (Trust account)	19,829
Japan Trustee Services Bank, Ltd. (Trust account 4G)	16,454
Japan Trustee Services Bank, Ltd. (Trust account)	15,249
Hyakujushi Bank, Ltd.	10,037
Meiji Yasuda Life Insurance Company	9,806
Mitsubishi Corporation	9,515
The Norinchukin Bank	8,926
The Bank of Tokyo-Mitsubishi UFJ, Ltd.	7,326
The Dai-ichi Mutual Life Insurance Company	7,287
Nippon Life Insurance Company	6,962

Stock Price Trend



Nippon Meat Packers, Inc.

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