Nippon Meat Packers, Inc.

Annual Report 2010

Year Ended March 31, 2010

Management for No. 1 *Quality*

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

Nippon Ham Group

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

Contents

Forward-looking Statements

This annual report contains “forward-looking statements,” including statements concerning the company’s outlook for fiscal 2010 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.

Financial Highlights

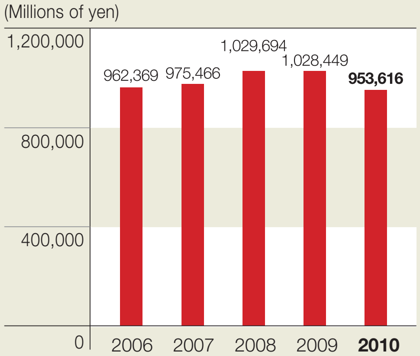
Nippon Meat Packers, Inc. and Subsidiaries
For the Years Ended March 31, 2010, 2009 and 2008

	Millions of Yen			Thousands of U.S. Dollars
	2010	2009	2008	**2010**
Net Sales	**¥ 953,616**	¥1,028,449	¥1,029,694	**$10,253,935**
Operating Income	**24,855**	21,417	17,769	**267,257**
Income from Continuing Operations before Income Taxes and Equity in Earnings (Losses) of Associated Companies	**24,024**	6,287	7,760	**258,322**
Net Income from Continuing Operations	**15,903**	1,196	3,857	**170,999**
Income (Loss) from Discontinued Operations—Net of Applicable Income Taxes		553	(2,311)	
Net Income	**15,903**	1,749	1,546	**170,999**
Less: Net (Income) Loss Attributable to Noncontrolling Interests	**(182)**	(92)	9	**(1,957)**
Net Income Attributable to Nippon Meat Packers, Inc.	**15,721**	1,657	1,555	**169,042**
Total Assets	**604,201**	583,684	608,809	**6,496,784**
Total Nippon Meat Packers, Inc. Shareholders' Equity	**271,908**	270,439	287,457	**2,923,742**
	Yen			U.S. Dollars
Per Share Amounts:				
Basic Earnings per Share Attributable to Nippon Meat Packers, Inc. Shareholders:				
Continuing Operations	**¥ 69.69**	¥ 4.84	¥ 16.94	**$ 0.75**
Discontinued Operations		2.42	(10.13)	
Net Income	**¥ 69.69**	¥ 7.26	¥ 6.81	**$ 0.75**
Diluted Earnings per Share Attributable to Nippon Meat Packers, Inc. Shareholders:				
Continuing Operations	**¥ 68.99**	¥ 4.83	¥ 16.92	**$ 0.74**
Discontinued Operations		2.42	(10.12)	
Net Income	**¥ 68.99**	¥ 7.25	¥ 6.80	**$ 0.74**
Total Nippon Meat Packers, Inc. Shareholders' Equity	**¥1,278.83**	¥ 1,185.25	¥ 1,259.74	**$ 13.75**
Cash Dividends	**¥ 16.00**	¥ 16.00	¥ 16.00	**$ 0.17**
	Percent			
Index				
Ratio of Operating Income to Net Sales	**2.6%**	2.1%	1.7%	
Return on Equity (ROE)	**5.8%**	0.6%	0.5%	
Return on Assets (ROA)	**4.0%**	1.1%	1.3%	

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 ¥93=$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 attributable to Nippon Meat Packers, Inc. shareholders.
4. In accordance with the Accounting Standards Codification ("ASC") of the U.S. Financial Accounting Standards Board Topic 810, "Consolidation" (former Statement of Financial Accounting Standards ("SFAS") No. 160, "Noncontrolling Interests in Consolidated Financial Statements—an amendment of ARB No. 51,") prior years' consolidated financial statements were reclassified to conform to the current year presentation to separately report the results of Noncontrolling Interests.
5. In accordance with ASC Topic 205, "Presentation of Financial Statements" (former 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.
6. Operating income represents net sales less cost of goods sold and selling, general and administrative expenses.
7. ROE = (Net income attributable to Nippon Meat Packers, Inc. / Average total Nippon Meat Packers, Inc. shareholders' equity) ×100
ROA = (Income from continuing operations before income taxes and equity in earnings (losses) of associated companies / Average total assets) ×100

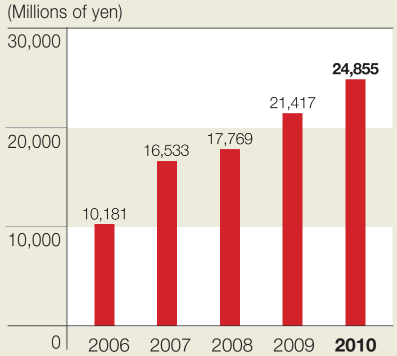
Net Sales

(Millions of yen)



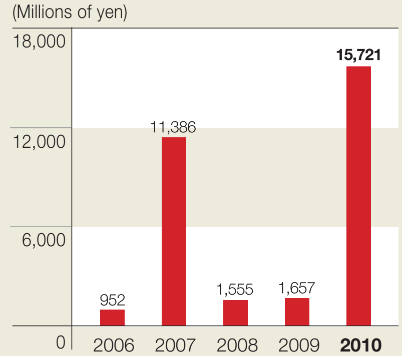
Operating Income

(Millions of yen)



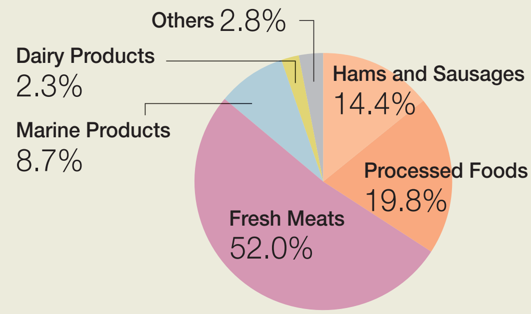
Net Income Attributable to Nippon Meat Packers, Inc.

(Millions of yen)



Business Domains

From its origins as a manufacturer of hams and sausages, the Nippon Ham Group has grown into a major corporation with consolidated net sales in fiscal 2009 (the year ended March 31, 2010) of ¥953.6 billion and diverse business domains that include processed foods, fresh meats, dairy products, marine products, and health foods. Through its various businesses, the Group will continue working to realize the promise of its brand statement—"The Brilliance of People for the Future of Food."



Consolidated Net Sales in Fiscal 2009

Position in the Global Fresh Meats Market

Major Global Fresh Meats Companies based on Net Sales	Net Sales (Millions of Yen)	Headquarters	Fiscal Year Reported
JBS S.A.	2,885,454	Brazil	Year ended December 2009
Tyson Foods, Inc.	2,484,540	U.S.A.	Year ended September 2009
Smithfield Foods, Inc.	1,161,884	U.S.A.	Year ended April 2009
VION Food Group (non-listed)	1,129,277	Netherlands	Year ended December 2009
Brasil Foods S.A.	1,093,958	Brazil	Year ended December 2009
Nippon Meat Packers, Inc.	953,616	Japan	Year ended March 2010
Danish Crown Group	751,157	Denmark	Year ended September 2009
Hormel Foods Corporation	607,923	U.S.A.	Year ended October 2009
Marfrig Alimentos S.A.	502,436	Brazil	Year ended December 2009
Maple Leaf Foods Inc.	477,082	Canada	Year ended December 2009

Position in the Japanese Food Products Market

Major Domestic Food Companies based on Net Sales	Millions of Yen		
	Net Sales	Operating Income	Fiscal Year Reported
Japan Tobacco Inc.	6,134,695	296,504	Year ended March 2010
Kirin Holdings Co., Ltd.	2,278,473	128,435	Year ended December 2009
Suntory Holdings Ltd. (non-listed)	1,550,719	83,544	Year ended December 2009
Asahi Breweries, Ltd.	1,472,468	82,777	Year ended December 2009
Ajinomoto Co., Inc.	1,170,876	64,034	Year ended March 2010
Meiji Holdings Co., Ltd.	1,106,645	28,786	Year ended March 2010
Nippon Meat Packers, Inc.	953,616	24,855	Year ended March 2010
Yamazaki Baking Co., Ltd.	885,683	22,738	Year ended December 2009
Maruha Nichiro Holdings, Inc.	828,715	10,763	Year ended March 2010
Morinaga Milk Industry Co., Ltd.	585,116	17,102	Year ended March 2010

Position in the Japanese Fresh Meats Market

Major Domestic Fresh Meats Companies based on Net Sales	Millions of Yen		
	Net Sales	Operating Income	Fiscal Year Reported
Nippon Meat Packers, Inc.	953,616	24,855	Year ended March 2010
Itoham Foods Inc.	452,453	2,090	Year ended March 2010
Prima Meat Packers, Ltd.	252,607	5,625	Year ended March 2010
Starzen Co., Ltd.	238,726	3,846	Year ended March 2010
Marudai Food Co., Ltd.	196,667	5,156	Year ended March 2010
Yonekyu Co., Ltd.	168,717	4,387	Year ended February 2010
S Foods Inc.	119,077	5,603	Year ended February 2010
Hayashikane Sangyo Co., Ltd.	51,566	956	Year ended March 2010
Takizawa Ham Co., Ltd.	29,985	425	Year ended March 2010
Fukutome Meat Packers, Ltd.	29,886	855	Year ended March 2010

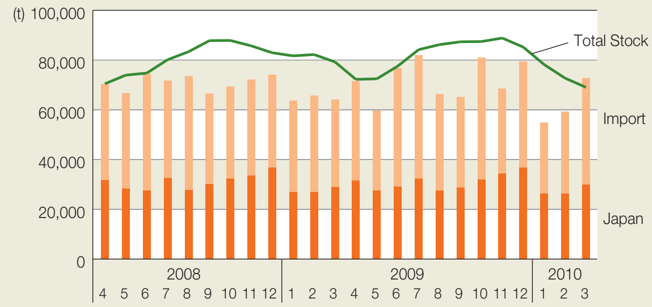
Notes: 1. Operating results are taken from published financial data for the most recent fiscal year, with the exception of JBS S.A. and Brasil Foods S.A., for which pro forma figures are used for comparison purposes only.
2. Net sales for companies outside of Japan are translated into yen at the closing rate on March 31, 2010.
3. Based on Nippon Meat Packers data

The Nippon Ham Group is engaged in the production and sales of fresh meats worldwide. As such, its operating results are affected by such factors as fluctuations in meat supply and demand in the markets in which it operates. This page looks at key meat and feed market trends in Japan in fiscal 2009.

Prices and Supply/Demand for Beef

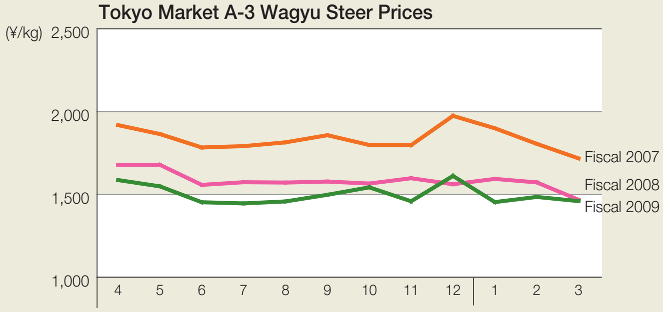
- Owing to the increasing preference of consumers for low-priced products, market prices for domestic beef plummeted.
- Consumption of Australian beef stalled, while prices remained low throughout the period.

Beef Supply and Demand Trends



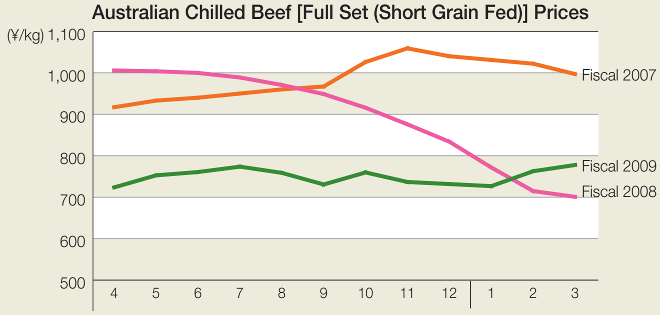
Source: Agriculture & Livestock Industries Corporation

Tokyo Market A-3 Wagyu Steer Prices



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

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

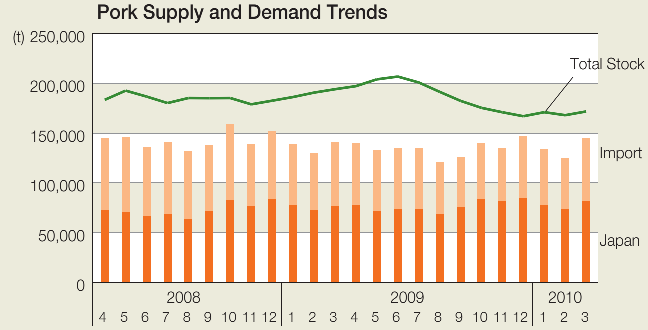


Source: Agriculture & Livestock Industries Corporation (all graphs based on average prices)

Prices and Supply/Demand for Pork

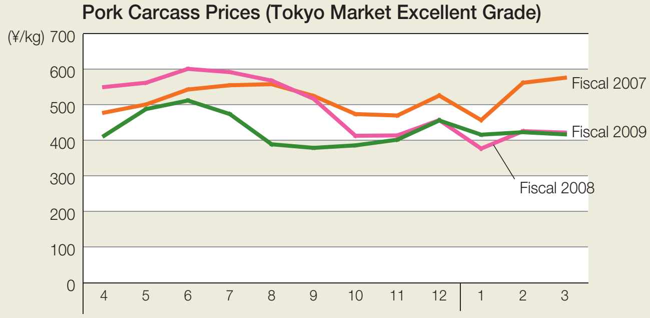
- Prices remained low throughout the period, but bottomed out in the second half as the Japanese government invoked adjustment storage measures.
- Import inventory was carried over from the previous fiscal year; operating conditions for imports deteriorated as sales of domestically produced pork rose, prompting prices to sag.

Pork Supply and Demand Trends



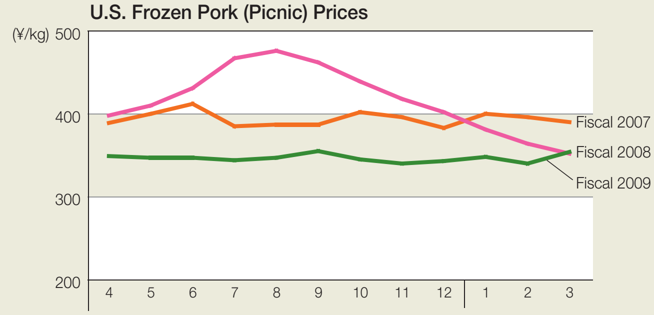
Source: Agriculture & Livestock Industries Corporation

Pork Carcass Prices (Tokyo Market Excellent Grade)



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

U.S. Frozen Pork (Picnic) Prices

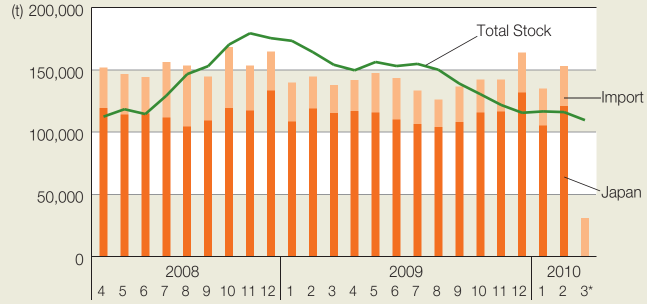


Source: Agriculture & Livestock Industries Corporation (all graphs based on average prices)

Prices and Supply/Demand for Poultry

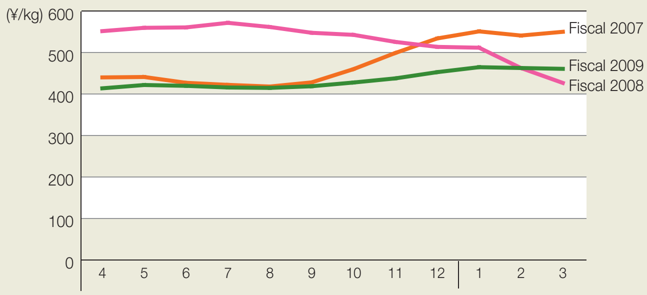
- Prices remained low for domestic poultry, reflecting sluggish economic conditions and an overabundant supply of imports. However, in the second half, domestic poultry prices started to show signs of recovery.
- Prices for imported poultry were slow to recover, owing to excess inventories and flagging consumption from 2008 onward. Nonetheless, signs of an improvement in the supply/demand situation were visible.

Poultry Supply and Demand Trends



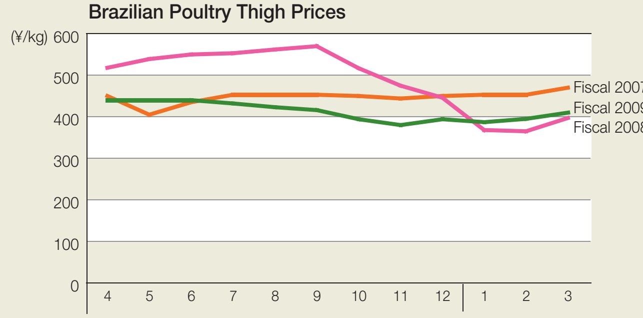
Source: Agriculture & Livestock Industries Corporation
*The disclosure of domestic poultry supply and demand trends will end in February 2010.

Domestic Poultry Wholesale Prices (Weighted Average)



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

Brazilian Poultry Thigh Prices

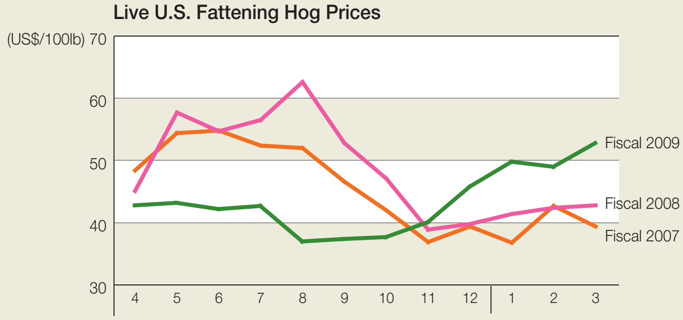


Source: Agriculture & Livestock Industries Corporation (all graphs based on average prices)

Overseas Livestock Prices

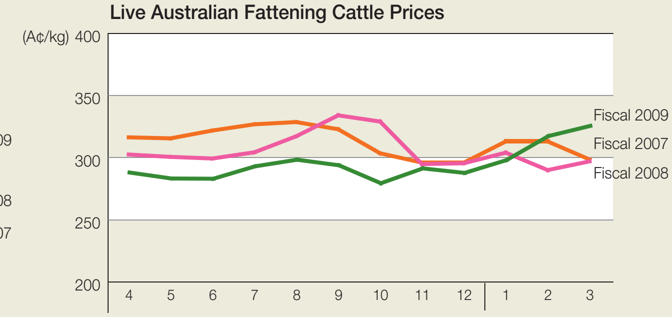
- U.S. hog farming business: Prices remained sluggish, owing to a persistent surfeit of animals. In the second half, however, efforts to cull sows resulted in a decline in the number of sows shipped, and prices picked up.
- Australian beef business: Prices were slow through the first half, but a decline in shipments from northern Australia, a consequence of flooding, and an increase in exports to Indonesia combined to push prices up in the second half.

Live U.S. Fattening Hog Prices



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

Live Australian Fattening Cattle Prices

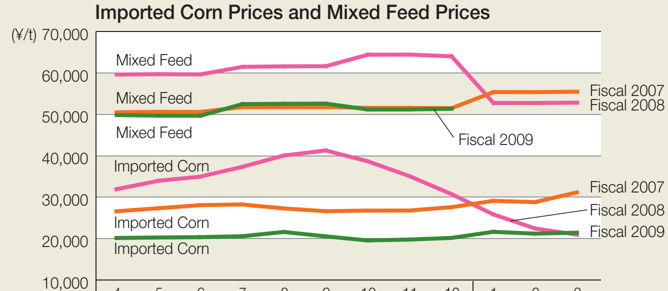


Source: Agriculture & Livestock Industries Corporation (all graphs based on average prices)

Feed Prices

- Feed prices declined steadily, a trend that was attributable to falling grain prices and the appreciation of the yen.

Imported Corn Prices and Mixed Feed Prices



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

Guided by our corporate philosophy and management principles, the entire Nippon Ham Group family is working to attain the targets we have set and achieve further growth.

The Nippon Ham Group experienced a tough operating climate in fiscal 2009, the year ended March 31, 2010. Key developments included deflation stemming from a global recession, with lower corporate profits and rising employment combining to constrain capital expenditures and consumer spending. The Processed Foods Business Division benefited from downturns in crude oil and grain prices, which had rocketed a year earlier, but the Fresh Meats Business Division continued to suffer from declines in its markets. Other factors were intensifying price competition and even higher consumer concerns about overall food safety.

We set about reinforcing domestic operations and becoming a global enterprise in line with the New Medium-Term Management Plan Part III, which we launched in April 2009. We pushed ahead with three prime management policies. These are to establish and evolve our concept of “Management for No. 1 Quality,” improve profitability through greater selectivity and focus, and create a global business structure. Unfortunately, net sales suffered from sluggish demand in the fresh meats market, which accounts for a large proportion of revenues, and from the impact of an overseas business overhaul.

We expect another tough operating climate in fiscal 2010. Still, employees will stay true to our corporate philosophy and management principles in making concerted efforts to attain our growth goals. We will address the needs of society, customers, and business partners in these difficult times, learning with and from them in collaborating to fulfill the promise of our brand statement—“The Brilliance of People for the Future of Food.”

I look forward to the ongoing understanding and support of our shareholders and investors in the years ahead.

July 2010

Hiroshi Kobayashi

Hiroshi Kobayashi
President and Representative Director

Business Climate Perception and Operational Overview

Q

Looking back at fiscal 2009, what changes in the business climate have you seen?

A

Operating conditions have been tough over the past fiscal year, and we expect this climate to continue. However, we will focus on reinforcing our businesses to drive growth.

The Lehman Brothers bankruptcy in September 2008 transformed the business environment and triggered a worldwide recession. It also calmed the heated supply and demand situation, dulled demand in booming emerging markets, notably in the BRICs (Brazil, Russia, India, and China), and pushed feed and fresh meat prices down from high levels. Demand declined as never before in Japan's fresh meats market. Still, in light of the supply and demand situation, we assume that global food markets will rebound in the medium and long terms, and Japan could again find itself losing out to resource-rich countries in securing supplies.

Domestic consumer trends have also changed dramatically. Deteriorating corporate earnings and employment insecurity amid poor economic conditions have drawn consumers toward lower-priced products. Retailers have cultivated low-end private brand offerings, while price competition among national brands has further intensified. Trading houses are driving a fresh meat industry consolidation, and we need to keep close tabs on developments. We believe that the sector overhaul is about pursuing scale and strength to fend off further price competition in a shrinking domestic market and compete globally. The Nippon Ham Group prioritizes business improvements, not scale.

Q

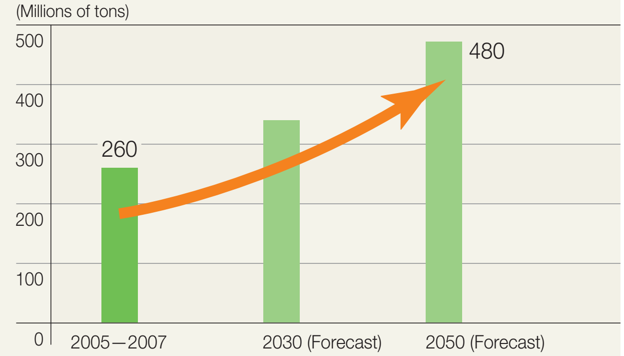
How would you assess your consolidated performance in the period under review?

A

Operating income rose with a recovery in the Processed Foods Business Division.

The production of fresh meats will dramatically increase to 480 million tons in 2050.

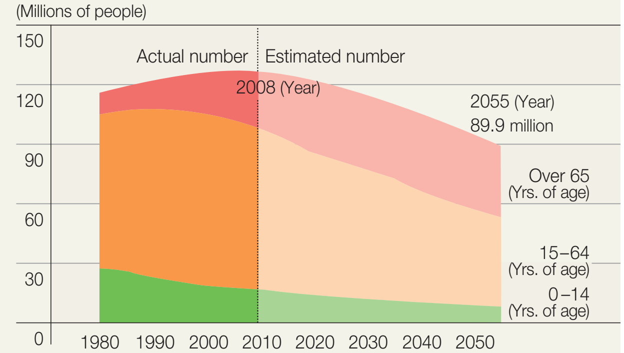
Global Fresh Meat Production Forecast



Source: The Ministry of Agriculture, Forestry and Fisheries

The Japanese population will fall short of 100 million in 2046, after peaking in 2004.

Forecast of Japanese Population by Age Group



Source: The Cabinet Office

We improved earnings in fiscal 2009 despite falling prices, which hampered sales. As a manufacturer, we are upbeat about boosting profitability, particularly in the Processed Foods Business Division. That unit built on its reforms over the past few years to expand sales of *SCHAU ESSEN* and other major brands while cutting expenses and taking advantage of lower raw material costs. We increased income in all business segments. This was because the Fresh Meats Business Division drew on sales of imported meats to rebuild profitability, while the Affiliated Business Division returned to the black. Earnings were up in the United States and Asia, but the situation remained tough in Australia.

Quantitative Achievements

Year Ended March 31, 2010	Billions of Yen		
	Target	Actual Result	Difference
Net sales	1,060.0	953.6	–106.4
Operating income	24.0	24.8	0.8
Income from continuing operations before income taxes and equity in earnings (losses) of associated companies	18.0	24.0	6.0
Net income attributable to Nippon Meat Packers, Inc.	10.0	15.7	5.7

Progress of New Medium-Term Management Plan Part III

Q

Fiscal 2009 was the first year of the New Medium-Term Management Plan Part III. What progress did you make in terms of your numerical targets?

A

Although we missed our net sales goal, operating income was on target.

The first year of this plan targeted consolidated net sales of ¥1.06 trillion and operating income of ¥24 billion. We missed our net sales goal, but operating income was as we had envisaged. We analyzed the revenue shortfall and concluded that the main factors were reduced prices in the Processed Foods Business Division because of deflation and consumer thriftiness and stagnant markets in the first half for the Fresh Meats Business Division. In contrast, the Affiliated Business Division maintained sales by expanding shipments of marine and other products, offsetting the impact of lower prices amid deflation.

For fiscal 2010, we look for ¥1 trillion in net sales, ¥30 billion in operating income, and a 3% operating income ratio. We seek ¥35 billion in operating income in fiscal 2011, the last year of the New Medium-Term Management Plan Part III.

Q

The New Medium-Term Management Plan Part III has three main policies. How have you done in terms of the first of these, which is establishing and evolving the concept of "Management for No. 1 Quality"?

A

We've accomplished a lot, and we aim to do even better by supplying products and services that reflect consumer needs.

We have moved forward in product safety and quality to enhance customer satisfaction. We will further improve corporate competitiveness while evolving our quality assurance system. We will engage more with consumers to identify and deliver the products and services they want.

Q

What about your second policy, for improving profitability through greater selectivity and focus?

A

We made sound progress in reinforcing domestic operations.

We have reviewed our businesses in the past few years. We shut down or sold some operations, and are looking to deal with unprofitable ones. At the same time, we are strengthening the Processed Foods Business Division and Fresh Meats Business Division and expanding the marine and dairy products businesses. We have made sound progress in bolstering the domestic segment of the Processed Foods Business Division, notably by developing products in response to the health orientation of consumers. Our challenges for fiscal 2010 include overhauling supply chain management in the Processed Foods Business Division, further strengthening and enhancing integration operations in the Fresh Meats Business Division, and increasing shipments and profitability in the Affiliated Business Division.

New Medium-Term Management Plan Part III

(Fiscal 2009–Fiscal 2011)

Challenges: Reinforce domestic operations while growing as a global player

●Theme and Management Policies

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

●Management Strategies

1. Strengthen and enhance integration across the Group
2. Reinforce the foundation of overseas operations
3. Fortify domestic operations by restructuring the processed foods business
4. Increase profits through the creation of value
5. Promote Group brand management

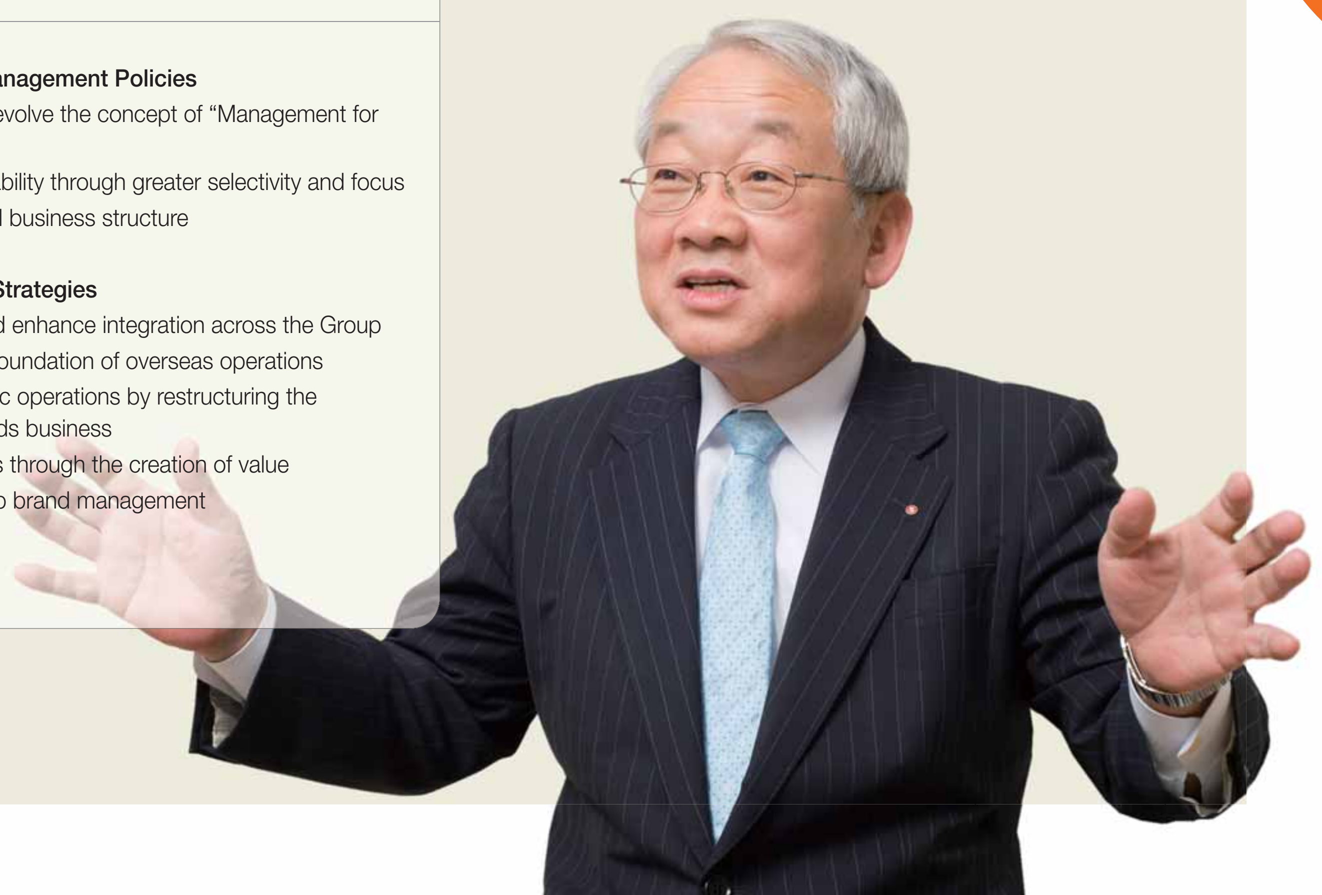
Q

And what are you doing in terms of your third policy, of creating a global business structure?

A

We are strengthening our 58 overseas business units to boost sales.

It is important to further reinforce our 58 overseas business units and their sales. We took steps to strengthen these businesses, notably by appointing a director to coordinate them and report directly to me on their progress. We will build a cross-departmental strategic overseas business structure over the next three to five years, making our offshore operations more important. We will focus especially on China and Southeast Asia, whose GDPs are growing fast, reinforcing our presence in Asia. And while the situation in Australia remains tough, we will make improvements in view of that country's importance as a stable supplier of fresh meats over the medium to long term.



Addressing Business Environment Changes

Q

Given tough market conditions, what are your priorities in managing the Group?

A

It is important to treasure our founding spirit and cement bonds within the Nippon Ham Group.

It is important to boost ties between Group companies while continuing to cherish our founding spirit to overcome deflation and low growth. We will pursue expansion by combining the strengths of all Group employees and acting in line with our corporate philosophy and management principles. It will be important to fully harness Group capabilities for growth. For those reasons, we can only tackle the challenges of social changes by eschewing stereotypes and rules of thumb. We will need zeal, passion, and tenacity in transforming ourselves into an even stronger Group to reach our growth goals.

Q

Where do the Nippon Ham Group's strengths lie?

A

Our greatest strength is that we are a manufacturer and committed to the concept of "workmanship."

Our origins are in manufacturing, a prime strength that differentiates us from the competition. We have always invested heavily in making things. As of the end of fiscal 2009, the Group had ¥461.5 billion in invested capital and around ¥227.1 billion in property, plant and equipment. We are far larger in those respects than our rivals in the fresh meats industry, and at the risk of repeating myself, this is because of our consistent commitment to manufacturing. We maintain 69 processing plants in Japan and 22 overseas, plus 305 sales offices worldwide. We have deployed more than 800 quality assurance officers in Japan and abroad. We will sharpen our competitive edge against industry peers by solidifying our manufacturing strengths.

Q

What activities are you undertaking to that end?

A

We are pursuing a hands-on approach to achieve results.

Our manufacturing employees are taking advantage of in-house production to differentiate on the basis of quality products and advanced development capabilities. Our sales people are endeavoring to increase revenues by emphasizing the strengths and benefits that derive from manufacturing. That is why they encourage as many customers as possible to tour our processing plants. We make and sell everything ourselves. We are doing a lot in manufacturing. So, we take a hands-on approach to generating results from what we have learned from manufacturing. This approach is also always important for Group management. That is why we maintain a policy of formulating strategies of seeing our sites and products to truly understand reality.

Pursuing Further Growth

Q

What are your growth strategies?

A

We will draw on the policies and strategies of the New Medium-Term Management Plan Part III to reinforce manufacturing.

We target a 3% operating income ratio under this plan, but we ought to reach 5% as a manufacturer. So, we will continue to focus on operating income and cash flow. We cannot get by without investing for further growth, and we will do so as needed, spending more aggressively when generating profits. The Processed Foods Business Division will pursue successful supply chain management, cutting costs by streamlining logistics while reviewing its sales management system to increase productivity. The Fresh Meats Business Division will reinforce integration and upstream businesses for both poultry and pork while expanding market share among volume retailers. The Affiliated Business Division will focus more on nurturing operations to become a third core operational segment. The operating climate for fiscal 2010 will likely remain adverse. We will continue to focus more on manufacturing while encouraging all Group employees to prize our values of appreciating the bounty of nature, maintaining an uncompromising commitment to quality, freshness, and great taste, and engaging with customers in keeping with the policies and strategies of the New Medium-Term Management Plan Part III.

Q

What is management's stance on shareholders and returns?

A

Management is committed to enhancing corporate value for shareholders and maintaining stable dividends.

Shareholder-oriented management enhances corporate value. So, we need to further reinforce our competitive edge and expand operating income by tapping all our human resources. This means generating added economic value to boost profitability while improving asset efficiency and raising our market capitalization by pursuing investment efficiency. Regarding shareholder returns, we maintain stable dividends from a long-term strategic perspective.

Q

Could you tell us about the importance of governance to Group management?

A

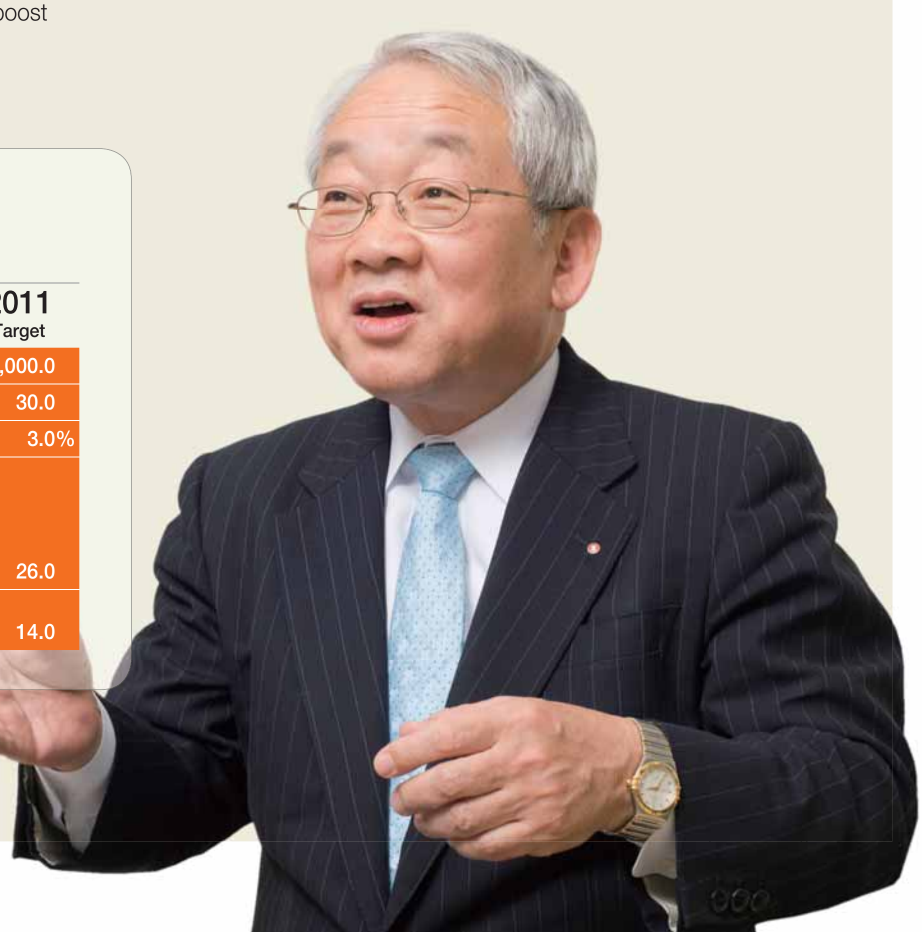
We continue to refine our corporate governance capabilities.

Corporate governance is the lifeline of Group management. We will remain accountable to stakeholders by improving transparency. We will further enhance management by optimally combining the autonomy and expansionary efforts of each Group company with the internal strengths of our brand. Compliance, environmental measures, and corporate social responsibility will be integral to this process.

Performance Targets for the Year Ending March 31, 2011

Billions of Yen

	2010 Actual Result	2011 Target
Net sales	953.6	1,000.0
Operating income	24.8	30.0
Operating income ratio	2.6%	3.0%
Income from continuing operations before income taxes and equity in earnings (losses) of associated companies	24.0	26.0
Net income attributable to Nippon Meat Packers, Inc.	15.7	14.0



Improving Profitability through Greater Selectivity and Focus

The 2009 Annual Report outlined initiatives for establishing and evolving the concept of "Management for No. 1 Quality," one of three core policies in the New Medium-Term Management Plan Part III. In this year's report, Noboru Takezoe, vice president, explains efforts to boost profitability through greater selectivity and focus.

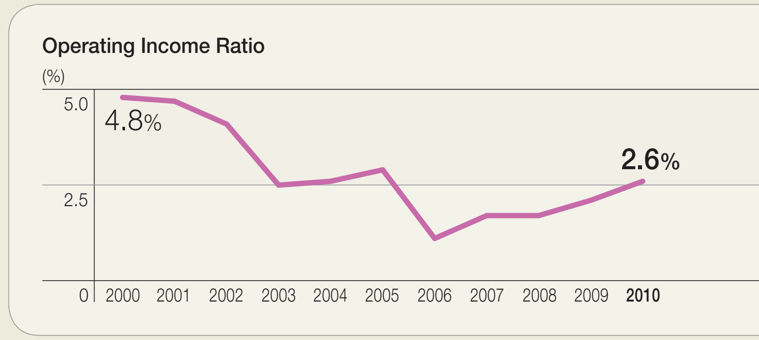
Current Situation of the Nippon Ham Group

Q

Improving profitability through greater selectivity and focus is a cornerstone of the New Medium-Term Management Plan Part III, during which time you seek to generate a 3% operating income ratio. How did you arrive at this target?

A

The 3% operating income ratio target has two main underpinnings.



The first point about the 3% operating income ratio target is that it is a stepping-stone toward our ultimate goal of 5%. Our operating income ratio slipped to 1.1% in fiscal 2005 after peaking at 4.8% in fiscal 1999, but has steadily improved since fiscal 2006. Another point is that the Nippon Ham Group's invested capital during the last decade has totaled about ¥450 billion. At 4%, capital costs are ¥18 billion. We would need ¥30 billion in operating income, or 3% of ¥1 trillion in net sales, to absorb this level of capital investment. So, to raise our operating income ratio to 3% we need to become more profitable through greater selectivity and focus, clarifying our direction by analyzing our strong business portfolio while assessing market growth potential.

The New Medium-Term Management Plan Part II that we started in fiscal 2006 sought ¥33 billion in operating income. But with raw material prices soaring amid a supply and demand imbalance, fiscal 2008 operating income was just ¥21.4 billion. We aim for ¥35 billion in operating income by the final year of the New Medium-Term Management Plan Part III, which would translate into a 3% operating income ratio.

Noboru Takezoe

Vice President, Representative Director

Q

What are the Nippon Ham Group's strengths and market growth potential?

A

Our greatest strength is upstream through downstream business integration. We have ample market growth potential.

Our first strength is our overwhelming scale of production and sales as a manufacturer. The second is the quality assurance system we have in place domestically and overseas. Our third advantage is that we have integrated upstream through downstream in the fresh meats businesses. In other words, we handle everything from production to sales.

Market conditions have changed significantly from when we formulated the New Medium-Term Management Plan Part III. Unit prices of hams, sausages, and other processed foods have declined in a deflationary economic spiral, and the fresh meats market has been sluggish. As a result, net sales in fiscal 2009 were down around 7%.

Still, we anticipate a gradual recovery in the fresh meats market, so we will pursue net sales gains of about 5% from fiscal 2010 by harnessing Group strengths.

Growth Initiatives

Q

What prospective growth drivers did your portfolio analysis reveal?

A

There are three drivers: Developing No. 1 products in each category, integration, and the growth potential of the Affiliated Business Division.

Our first growth driver is the Processed Foods Business Division's ability to develop category-leading products. The Group dominates the competition in terms of the scale of its sales force and the numbers of its business sites and vehicles. We will organically combine our resources to become No. 1 in our categories. We aim to increase share in the consumer market for processed foods by building strategic partnerships with supermarkets. In the commercial domain, we will continue to strengthen strategic partnerships with major customers.

The second growth driver is integration in the Fresh Meats Business Division. We will expand market shares through a regionally based sales structure, a Group strength, reinforcing beef, pork, and poultry procurement. We will particularly prioritize stepping up targeting of volume retailers and sales in metropolitan Tokyo, which is Japan's biggest market.

Our third growth driver will be augmenting Group expansion with marine products, lactic acid probiotic beverages, and cheeses in the Affiliated Business Division. Specifically, we will get fully under way with the tuna farming business that the Marine Foods Corporation launched in December 2009. Hoko Co., Ltd. will expand sales channels for its cheeses, including through major restaurant chains, while increasing the productivity of its processing plants. Nippon Luna, Inc. will strive to improve market share for its dairy products in metropolitan Tokyo by revamping its sales structure. Over the medium through long terms, we aim to generate 60% of our operating income from the Fresh Meats Business Division, with 30% coming from the Processed Foods Business Division and the Affiliated Business Division accounting for 10%.

We aim to reinforce overseas operations, too. So far, our business model has entailed manufacturing and importing products to Japan. We will start marketing abroad as well. We will thus invest heavily in Asia, which offers strong economic growth potential, building a regional sales network.

Q

What is your stance on capital investments in prospective growth areas?

A

We are efficiently allocating ¥70 billion in capital investments to all operating segments.

Our capital expenditure budget for the three years of the New Medium-Term Management Plan Part III is ¥70 billion. We will allocate funds to food processing, sales and logistics, farming and processing, overseas, and information technology operations. This amount is about ¥10 billion higher than under the previous management plan. Significant investments include installing high-productivity lines and constructing additional processing plants to cultivate the Processed Foods Business Division's Asian operations. We are also earmarking funds for building sites to increase the marketing capabilities of each Nippon Food company, which handles maintenance and sales for farming operations in the Fresh Meats Business Division. In information technology, we will spend heavily to streamline our supply chain management system.

Q

How well have your capital investments performed?

A

Investment with the right priorities has steadily borne fruit.

We formulate three-year management plans. I can explain how we have done by referring to capital spending under the past eight plans, or 24 years. We divide those 24 years into five medium-term management plans that covered 15 years from 1988, with new initiatives over nine years since 2003. Under the first five plans, we made annual capital investments averaging ¥30 billion over 15 years. But the yearly average for the following nine years was just ¥22 billion, down ¥8 billion.

Targets under Management Plan III

Billions of Yen

	Management Plan II (Three-year total)	Management Plan III (Three-year total)
Property, plant and equipment (aggregated)	60.2	70.0
Depreciation and amortization (aggregated)	70.9	70.0

That is because we constrained annual capital investments to around the level of depreciation over the past nine years, as we have already attained competitive superiority through timely investment efforts made earlier. So, interest-bearing debt at the end of fiscal 2009 was about ¥187.6 billion, representing a ¥31.8 billion improvement over the roughly ¥219.4 billion recorded at the close of fiscal 1999.

Initiatives to Improve Management Efficiency

Q

What steps are you taking to improve management efficiency?

A

We aim to improve our balance sheets and eliminate our high-cost structure.

To invest effectively in growth fields, it is crucial to leave businesses that do not offer synergies or integration benefits or enhance asset efficiency. We are improving our balance sheets on that basis. We withdrew from restaurant operations and hog farming in Australia and sold idle farmland. We cannot simply end operations just because they are in the red, as our strength is in integration. So, the Board of Directors decides to shed businesses only if they fail to meet certain criteria. As a result, we shrank total assets from ¥623.5 billion at the end of fiscal 2001 to ¥604.2 billion by the close of fiscal 2009—that's a reduction of roughly ¥20 billion. We will continue to bolster asset efficiency by selling idle capital assets and withdrawing from unprofitable businesses.

We are taking various steps to reduce manufacturing costs, such as by reviewing production lines, cutting the number of products, and rotating personnel. In sales, we aim to lower unit costs by increasing shipments while consolidating products and sites. We will further cut administrative costs at headquarters.

Cash Flow Targets under Management Plan III

Billions of Yen

	Management Plan II (Three-year total)	Management Plan III (Three-year total)
Cash flow from operating activities	100.6	112.0
Cash flow from investing activities	−61.9	−73.7
Cash flow from financing activities	−23.6	−31.6
Free cash flow	38.7	38.3

Management Challenges

Q

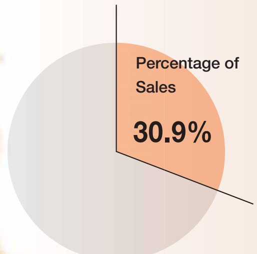
Finally, what challenges will management tackle?

A

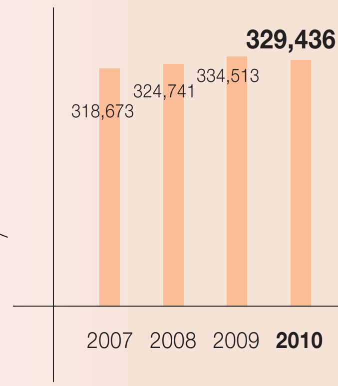
We will deploy EVA® (economic value added) as a benchmark and address four management challenges.

Focusing on the EVA® concept and cash flows will be essential for driving growth and improving efficiency. So, we believe that there are four management challenges for the Nippon Ham Group. The first one is to attain EVA® centered on growth drivers. The second one is to pursue an expansion strategy. While focusing on the United States and Australia overseas, we will build sales by positioning Asia as a strategic priority. In Japan, we will accelerate integration as a Group strength. The third challenge will be to keep aligning the interests of management and shareholders so that we can enhance corporate value. The fourth challenge is to strengthen our balance sheets by maximizing free cash flow. Such flow is an important source for generating shareholder returns, constraining interest-bearing debt, deploying growth strategies, and making capital investments. Under the New Medium-Term Management Plan III, we seek to generate ¥38.3 billion in free cash flow. We are well on the way to reaching that target. We generated a record ¥67.4 billion in cash from operating activities in fiscal 2009, and are positioned to attain a solid cash level in fiscal 2010. Accordingly, we will continue to harness EVA® to accomplish these four management goals.

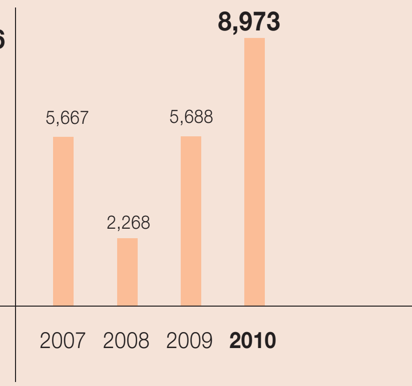
Processed Foods
Business Division



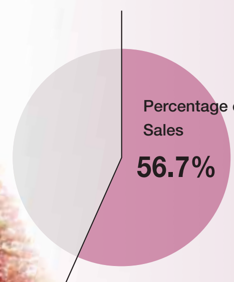
Sales
(Millions of Yen)



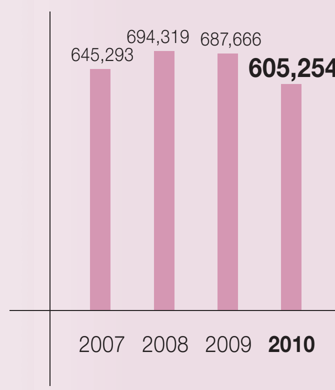
Operating Income
(Millions of Yen)



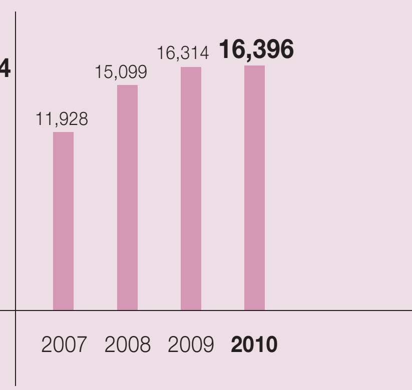
Fresh Meats
Business Division



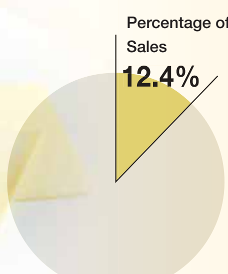
Sales
(Millions of Yen)



Operating Income
(Millions of Yen)

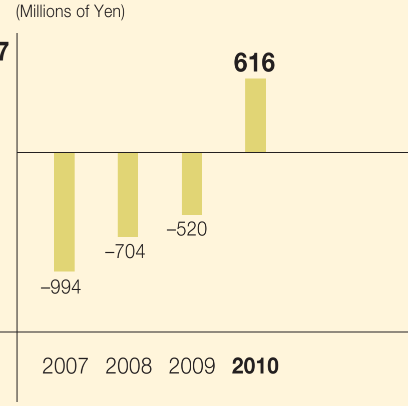


Affiliated
Business Division



Sales
(Millions of Yen)

Operating Income (Loss)
(Millions of Yen)



Business Description

- 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*.

Business Results

- Notwithstanding ambitious sales promotions in the hams and sausages business and the processed foods business, sales languished as consumers gravitated increasingly toward lower-priced products. As a consequence, divisional sales edged down from the previous fiscal year.
- Operating income rose significantly, owing to a decline in raw material costs and steps taken to reduce production costs.

*Deli and processed foods refer to delicatessen products and cooked foods.

SCHAU ESSEN

Winny

Chuka Meisai (Sweet and sour pork)

Ishigama Kobo (Pizza Margherita)

- 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.

- Divisional sales declined from the previous fiscal year. This result was despite efforts throughout the period to expand sales by capitalizing on global procurement capabilities and the marketing prowess of sales companies, and reflected the significant impact of flagging conditions in the markets for fresh beef and pork.
- Operating income rose slightly, reflecting improvements in the profitability of overseas businesses and sales of imported fresh meats.

Main brands of beef

Main brands of pork

Main brands of poultry

- 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, Hoko Co., Ltd., and Nippon Luna, Inc. This ensures that the Nippon Ham Group can continue to provide decisive responses to the increasingly diverse needs of customers.

- The marine products business struggled, owing to flagging sales prices, but sales for the period remained on a par with the previous fiscal year.
- In the dairy products business, yogurt sales rose, spurred by sales promotions for *Vanilla Yogurt*.
- Operating income improved substantially. This was due to increased sales volume, which boosted gross profit, and to the positive impact of efforts to reduce costs.

Commercial-use sushi ingredients

ROLF Smoked Cheese

Vanilla Yogurt

Shakishaki-shita Kuki-Wakame Soup

Placenta Drink–Celeb no Jikan

Processed Foods
Business Division

Results for Fiscal 2009

Sales slipped 1.5% from fiscal 2008, owing to sluggish economic conditions and a rising awareness among consumers of the need to protect standards of living, which pushed down selling prices. In contrast, operating income climbed 57.8%, bolstered by higher operating rates at production facilities—attributable to the expansion of sales promotional activities—and to declining prices for raw materials and efforts to reduce costs.

Hams and Sausages Division

- In the area of consumer products, the division sought to shore up divisional sales through ambitious sales promotions for mainstay products, including a new television advertisement and the sale of special extra-sized packages to commemorate the 25th anniversary of *SCHAU ESSEN*. Other efforts to increase sales included an organized in-store sales promotion for “Healthy Selection,” a new retail display concept designed to appeal to today’s increasingly health-conscious consumers, and the concurrent introduction of a number of new, reasonably priced products.
- Sales of gift products rose substantially, supported by a new television advertisement promoting *Utsukushi-no-Kuni*—a premium ham made with pork from Nippon Ham Group farms in Japan—for traditional summer gift-giving, and by efforts to reinforce the Nippon Ham brand through increased use of magazine advertisements and in-store sales promotions.

Deli & Processed Foods Division

- In response to the increasing popularity of dining at home, the division strengthened sales promotions for mainstay consumer products, adding new products to the *Chuka Meisai* series that reflected consumer perspectives, conducting a sales promotion for *Ishigama Kobo* pizza that highlighted its “homemade taste” and holding a highly successful sale in collaboration with the Hokkaido Nippon-Ham Fighters to celebrate the team’s victory in the Pacific League pennant race.
- In the area of products for commercial use, the division worked with customers to develop and launch a number of major new products, spurring a sharp increase in sales volume.

Sales of Core Brands Compared with the Previous Period

Hams and Sausages	*SCHAU ESSEN*	106%
	Mori-no-Kaori wiener	91%
	Ham series	100%
	Bacon series	106%
Deli & Processed Foods	*Ishigama Kobo* series	97%
	Chuka Meisai series	103%
	Prefried series	87%
	Hamburgers and meatballs series	96%

Sales by Channel Compared with the Previous Period

	Consumer	Commercial	Total
Hams and Sausages	100%	96%	99%
Deli & Processed Foods	96%	105%	100%

Sales of Gift Products

	Fiscal 2009 (Thousand Units)	Change
Summer gifts	1,926	114%
Year-end gifts	4,813	94%
Total	6,739	99%

Topics

SCHAU ESSEN: 25 and Better than Ever

Cultivating New Markets for a Classic Sausage

Nippon Meat Packers' classic *SCHAU ESSEN* sausage turned 25 in 2009. One of the Company's all-time best sellers, *SCHAU ESSEN* has sold more than three billion packages in the quarter-century since it was launched. Today, retail sales total approximately ¥43 billion annually, making it the top-selling sausage brand in Japan.

SCHAU ESSEN resulted from the determination of Nippon Meat Packers' founder, Yoshinori Okoso, to make an "authentic" sausage. Prior to *SCHAU ESSEN*, the Japanese sausage market was dominated by products aimed at children. Recognizing consumers' increasing interest in authenticity, Okoso made repeated visits to the home of sausages, Germany, and produced dozens of prototypes, modifying traditional flavors to suit the Japanese palate, before he was satisfied. The result of this effort was *SCHAU ESSEN*, which came on the market in 1985.

Made from 100% ground pork in a natural casing made from ovine intestines, *SCHAU ESSEN* boasts a pleasantly firm texture and a juicy, rich flavor that is enhanced by a crisp "snap" when the sausage is bitten. Aged slowly, and featuring a blend of spices and cooking process that draws on the accumulated expertise of Nippon Meat Packers, *SCHAU ESSEN* reached consumers in 1985 accompanied by a promotional campaign with the catch phrase, "Flavor you can hear." Sales, which topped ¥10 billion in the launch year, soared to ¥26 billion in year two. *SCHAU ESSEN* soon asserted its position as a major hit, with annual sales in excess of ¥40 billion, firmly establishing Nippon Meat Packers as the creator of a new market for "authentic" sausages.

25th

Further Strengthening Promotional Activities for Portfolio Mainstay

To further bolster sales of *SCHAU ESSEN*, one of the core products in its portfolio, Nippon Meat Packers is planning a sales promotion in 2010 around the theme of "healthy and tasty tables." This initiative will feature a customer-oriented campaign, a mobile website, television commercials, and magazine advertisements, as well as product information and menu suggestions for consumers at retail locations.

Product Quality: An Ongoing Challenge

Since launching *SCHAU ESSEN*, Nippon Meat Packers has worked tirelessly to enhance its flavor, establishing the Freshness Control System, which ensures maintenance of an appropriate temperature during production and effective control of freshness, in 2002, and introducing Fresh & Tasty Critical Control Point (FT-CCP), a proprietary production quality control system, in 2007. As its name indicates, FT-CCP places primary emphasis on freshness and flavor, yielding a numerical representation for flavor that will continue to support efforts to improve the *SCHAU ESSEN* quality.

SCHAU ESSEN remains the face of Nippon Ham, both in name and in substance. Recognizing the importance of avoiding complacence, everyone involved in development, processing, and sales is committed to further enhancing the quality of this key product.

FT-CCP

FT-CCP stands for Fresh & Tasty Critical Control Point, referring to the fact that products are required to meet critical control standards for freshness and tastiness.

Important Management Targets *FT-CCP* ▶ Maintain Strict Standards *Technology Development* ▶ *High Quality Improvements in "Freshness" and "Tastiness"*

Basic Policies and Key Strategies

By implementing a dual-barreled strategy focused on brand strength and market share, we are aiming to attain an unparalleled market share.

Addressing fiscal 2010 challenges

Q

How would you summarize the first year of the New Medium-Term Management Plan Part III?

A

We continued to face a harsh operating environment, as consumers sought increasingly to curb spending. Nonetheless, efforts to expand sales and achieve profit targets that reflect both manufacturing and sales perspectives yielded credible results. By working with customers to address challenges, rather than simply acting as a supplier, we sought to build genuine partnerships and this, together with efforts to foster products that enjoy number one status in their respective categories, supported our drive to increase our market share.

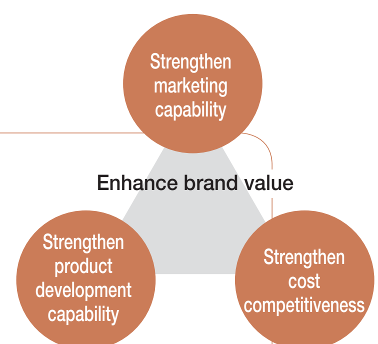
While these and other efforts sustained shipments, a growing preference for lower-priced products resulted in a decline in unit sales prices. Accordingly, the biggest challenge facing us as we move forward is to ensure that we are able to offer high-quality

Processed Foods Business Division Results for Fiscal 2009

Sales (Millions of yen)	329,436
Operating income (Millions of yen)	8,973
Operating income ratio (%)	2.7

Koji Uchida

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



"To secure stable growth in fiscal 2010, the key challenges will be to further enhance and expand sales of our category-leading products. With consumers increasingly favoring lower-priced products, a consequence of persistent deflation, we recognize that to survive and flourish we must remain actively committed to promoting and creating value. Maintaining a firm consumer perspective, we continue working to offer timely, distinctive products that reflect lifestyle changes and to use marketing approaches that emphasize such considerations as the flavor of food, healthy eating, and the positive impact of technological advances on the way people live.

Fiscal 2010 will also be seen as the culmination of SCM reforms. With the market increasingly polarized into 'winners' and 'losers,' we will strive to maintain our current momentum as we work to transform difficulties into opportunities, ensuring our operations and approach to doing business are in step with the times and enhancing profitability, thereby positioning ourselves for dramatic growth. We aim to secure an unassailable position as the market leader by pursuing both brand power and market share."

Chicken Meister Fat Off
Smoked Ham

Shinsen Seikatsu ZERO
Roast Ham

Shinsen Seikatsu GREEN LABEL Low Salt
Roast Ham

products at reasonable prices. To this end, we must revamp production processes and reduce costs, while promoting the visualization of growth strategies to identify weaknesses and stepping up efforts to develop hit products by leveraging our manufacturing and sales capabilities.

Q You have said that one of the key tasks you face is to lower costs. How are you accomplishing this?

A In the period under review, we sought to transform the division into an entity capable of overcoming the competition by reforming supply chain management (SCM) with the aim of reducing wastage and increasing efficiency. As part of our drive to reform frontline operations, we focused on reducing manufacturing costs and slashing administrative expenses, implementing measures that yielded positive results. We also sought to incorporate manufacturing and sales perspectives into efforts to introduce high-output lines and increase operating rates at our production facilities. Another element of our strategy is to withdraw from businesses with minimal growth prospects. In fiscal 2010, we expect efforts to reform SCM will enable us to establish new business models and further reinforce our cost competitiveness.

Q Can you tell us about the key strategies you plan to implement in fiscal 2010?

A We will continue striving to develop and market products that deliver new value, with the goal of attracting new customers. We will also step up structural reforms and efforts to reduce costs, and at the same time reinforce our commitment to ensuring the safety, reliability, and quality of our food products. Our efforts to implement these and other key strategies will be guided by four concepts—“increase market share,” “reinforce ‘Management for No. 1 Quality,’” “promote SCM reform and enhanced profitability,” and “ensure reliable frontline capabilities.”

Q What are your main growth strategies?

A We have set forth three key strategies, which are to fortify Group strengths, attract new customers, and drive market growth. Through these efforts, we aim to achieve the following targets:

1. **Consumer channels:** Further enhance brand value and attain the top domestic market share
   - **Hams and sausages:** Foster products that enjoy number one status in their respective categories, establish a new category for “health-conscious” foods, and introduce new products based on the concept of environmental consciousness
   - **Gifts:** Maximize our proprietary integrated production system and expand sales of our *Utsukushi-no-Kuni* premium gift hams
2. **Commercial channels:** Leverage the capabilities of our plants to ensure product safety and reliability and boost cost competitiveness through increased production volume, positioning us to secure the leading market position in key product categories
3. **Overseas business:** Make use of our existing overseas production bases and cooperate with business partners to expand sales within the Nippon Ham Group.

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

A Our first priority is to press ahead with SCM with the aim of increasing profitability. In addition, we will capitalize on our channel-specific marketing capabilities, in line with the concept of “selectivity and focus,” in an effort to bolster sales. Given the increasingly global nature of our markets, it is absolutely essential that we continue to increase the quality of our operations. Our principal tool here will be our newly introduced sales planning system, which will enable us to minimize lost opportunities across all divisions. We will also strive to raise the efficiency of logistics, reducing inventories and costs, and to increase productivity by harmonizing production processes. Finally, we will emphasize the importance of frontline capabilities, and will foster employees who are global in outlook and have the ability to develop and execute strategies.

Fresh Meats

Business Division

Results for Fiscal 2009

In fiscal 2009, sales fell 12% year on year, reflecting consumers' increasing preference for lower-priced products and stagnant market conditions, particularly in the first half of the period. Despite a reversal in meat prices, which were high in the previous period, operating income edged up 0.5%, bolstered by higher sales volumes and improved results in our U.S. businesses.

Domestic business

● Production

The hog farming business faced a difficult environment, owing to sluggish conditions in the domestic pork market, although profits were up in the pork processing business. In contrast, results in the poultry farming business rallied, despite the negative impact of a change in the breed of poultry raised, thanks to the introduction of new breeding methods. The cattle farming business faced harsh operating conditions amid a sluggish economy. With prices for livestock feed having stabilized, efforts to reduce production costs in this business are expected to begin yielding positive results.

● Sales

Sales of fresh meats faced a tough environment in the first half, a consequence of torpid consumption and increases in domestic inventories. With customers gravitating toward lower-priced products, sales of comparatively inexpensive domestic poultry were firm, while sales of high-end domestic beef struggled. Thanks to efforts to regulate domestic inventories in the second half, shipments of imported poultry and pork picked up in the early months of 2010. Despite intense competition, sales companies handling fresh meats continued to take active steps to boost sales. As a consequence, sales volume for the period was up.

Overseas business

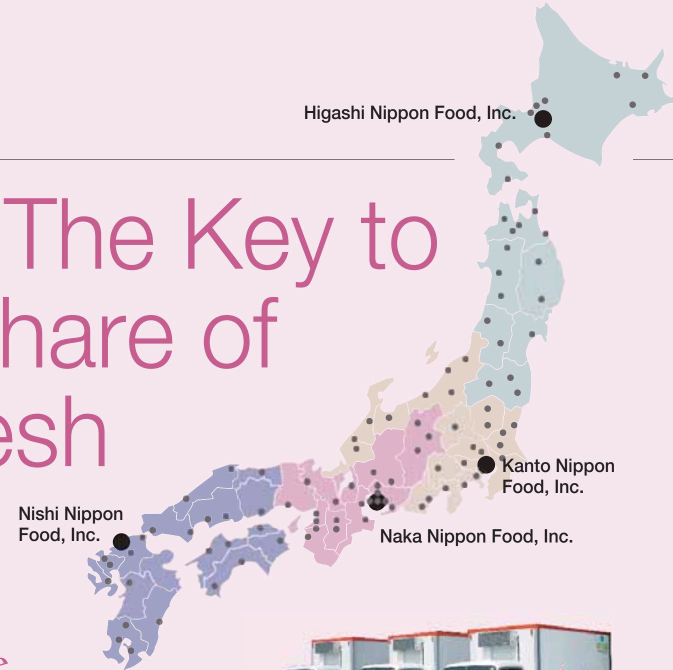
● Australia

In our Australian beef production business, the impact of the global economic downturn persisted, while sales prices failed to improve, resulting in a decline in sales of high-grade loin-section meats. Operating conditions remained severe, a consequence of flooding in the vicinity of our Australian farms. This combined with an increase in shipments of live animals to Southeast Asia pushed down shipments within Australia, resulting in a decline in operating rates at local plants. In contrast, results in our leather business improved, bolstered by the closure or divestiture of loss-making facilities and the resulting integration of production, which improved yields, as well as by a decline in the local population of bulls, which drove up leather prices.

● North America and South America

Operating conditions remained harsh for our U.S. hog farming business, as a surfeit of animals shipped within the United States drove down prices for live hogs, negating the impact of ongoing efforts to lower costs. Since the beginning of 2010, prices for livestock feed have stabilized, reducing costs, while prices for live hogs rallied. Accordingly, results for this business are expected to improve. Results in our U.S. fresh meats export business remained robust. In our South American fish farming business, successful efforts to improve profitability contributed to an increase in operating income.

Topics



Domestic Sales: The Key to Increasing Our Share of the Domestic Fresh Meats Market

The Companies of Nippon Food Continue to Form the Core of Our Domestic Fresh Meat Sales Operations

The Nippon Ham Group's ability to provide safe, high-quality fresh meats to consumers in Japan is due to its integrated production system, which facilitates total control by the Group at all stages, from breeding through to butchery, processing, and sales. Within this system, the downstream sector, that is, sales, is handled by Nippon Food.

The four companies comprising Nippon Food—Higashi Nippon Food, Inc., Kanto Nippon Food, Inc., Naka Nippon Food, Inc., and Nishi Nippon Food, Inc.—are responsible for fresh meat sales nationwide. Each company is responsible for a different region, with its own dedicated sales network tailored to local markets, positioning it to respond effectively to the needs of different sales channels. As a result, Nippon Food has a total of 120 sales offices nationwide, 2,400 employees, and 1,600 sales vehicles, facilitating effective route sales, which encompasses not only delivering merchandise by truck but also offering proposal-based consulting services, including menu suggestions and sales ideas. Acting through its customers, Nippon Food also strives to provide consumers with safe and tasty recipes that use fresh meat.

Expanding Hiring of Food Advisors to Further Bolster Market Share

Acknowledging that enhanced sales capabilities are essential to increasing the Nippon Ham Group's share of the domestic fresh meats market, the companies of Nippon Food are stepping up efforts to better serve volume retailers, one of its core sale channels. Playing a central role here are the companies' female sales executives, who are known as "food advisors," or FAs. The companies continue to expand hiring of FAs, having recognized the effectiveness of sales executives who can identify directly with the needs of consumers who purchase fresh meats—the majority of whom are women. At present, the companies' frontline sales team includes 63 of these skilled individuals.

In addition to providing sales support services for customers and consumers, FAs help volume retailers to display attractive, attention-getting retail spaces and visit stores to obtain first-hand information on sales trends, based on which they suggest and help implement improvements. The most important advantage is their knowledge—gained through experience—of the volume retail setting, which helps retailers to display merchandise in a manner that motivates consumers to purchase. By working with retailers to develop menu suggestions and by going around in person to verify the effectiveness of such efforts, FAs also help retailers to ensure subsequent menu suggestions yield quantifiable results in the form of increased sales. Going forward, the companies of Nippon Food will further increase the hiring of FAs to further bolster sales of the Nippon Ham Group's fresh meats through Japan's volume retailers.

Operating Results of the Four Companies of Nippon Food in Fiscal 2009

Sales (Major volume retailers): +12%
Total sales (four companies): +7%

In line with our slogan of "Challenge 30: Always positive and full of energy," we plan to lift our share of the Japanese market for fresh meats from 21% to 30%.

Addressing fiscal 2010 challenges

Fresh Meats Business Division Results for Fiscal 2009

Sales (Millions of yen)	605,254
Operating income (Millions of yen)	16,396
Operating income ratio (%)	2.7

Q

How would you summarize the first year of the New Medium-Term Management Plan Part III?

A

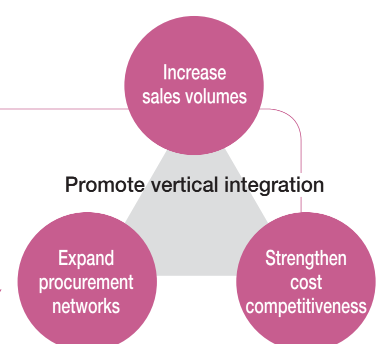
In fiscal 2009, we continued to suffer from the global recession that began a year earlier, a collapse in the livestock market, and inventory losses, particularly on imported poultry. Compounding this situation, sales competition was intense, reflecting lackluster consumer spending, chronic deflation, and a downturn in the fresh meats market. The recession prompted consumers to move away from big-ticket beef to lower-priced poultry. Increased shipments triggered a domestic pork market slump, prompting the Japanese government to provide emergency support by adjusting stockpiles from the end of the year.

In the first half, sales of the four companies of Nippon Food increased year on year, but price competition intensified in the second half amid worsening deflation. Our Australian beef business faced significantly higher costs because lower shipments drove up livestock market prices and cut operating rates at

Takaharu Chujo

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

"An adverse operating climate prevented us from reaching our goals in fiscal 2009. The key factors were the recession that followed the failure of Lehman Brothers, stagnant domestic consumption, and consumers' gravitation toward lower-priced offerings. Still, downstream sales grew, while production operations made significant progress in cutting costs. I believe that the experiences of fiscal 2009 strengthened our people and our organization. I'm always seeking to repay the predecessors who cultivated our business by striving to exceed their achievements. I have renewed my determination to do better than ever before in fiscal 2010 by harnessing the collective might of all Group companies and people."



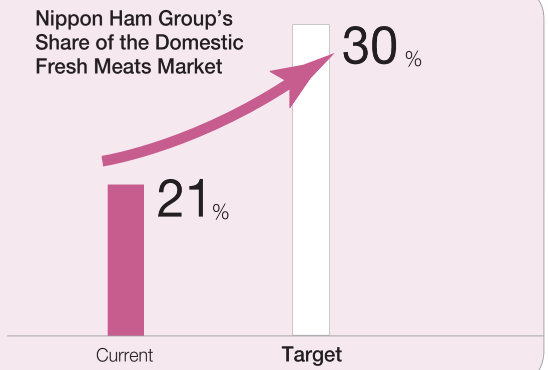
processing plants. Export sales were again hit hard by sluggish consumption and lower prices owing to the recession that affected Japan and numerous other countries. The hog-farming business in the United States suffered from further declines in live hog prices.

Q

What does your division's slogan "Challenge 30" mean?

A

It means that we're targeting 30% of the domestic fresh meats market—currently 21%— and that we are emphasizing positivity and energy to encourage employees to help us reach that goal.



Q

What steps are you taking to expand sales and attain that target?

A

The four companies of Nippon Food sell three-quarters of our division's offerings through their national network of offices. We distribute the remaining quarter internally and externally as processed food ingredients and to the restaurant industry. Nippon Food has unrivaled scale and marketing clout, making it a key strength of the Nippon Ham Group.

We will continue to expand sales by taking full advantage of Nippon Food's channels to supply high-quality merchandise, drawing on our finely tuned proposal-based marketing and global procurement capabilities while meeting customer needs.

Q

People are also important. How are you fostering employee growth?

A

People are a company's engine. The Nippon Ham Group is a top player with outstanding employees. It is vital for divisional and Group company heads to build reputations for professionalism among external peers and become industry leaders. It is also important to train young employees who will eventually drive us forward while giving them as much experience as possible in the meantime.

Q

What are you doing to enhance integration?

A

It is central to that process to build value and our industry presence by developing our fresh meat brand and making it more cost competitive. So, we have to eliminate all quality issues and increase customer satisfaction. Our production, processing, and sales operations will concertedly boost quality and value.

Affiliated
Business Division

Fiscal 2009 Overview

Despite falling prices amid deflation, the Affiliated Business Division increased shipments of marine foods and maintained sales levels. Operating income was ¥616 million, compared with an operating loss of ¥520 million a year earlier, an increase of around ¥1.1 billion year on year, reflecting higher shipments and stable raw material costs for dairy products.

Hoko Co., Ltd.
Intensive proposal-based marketing to restaurant chains, bakery product manufacturers, and other major customers boosted cheese shipments, although sales declined slightly because of lower prices. Shipments and sales of canned and other preserved foods rose on stronger marketing to volume retailer chains in response to more consumers eating at home. Sales of frozen foods were down, as a downturn in shipments to restaurant channels and schools offset efforts to boost demand from volume retailers. As a result, Hoko's overall sales declined from the previous fiscal year. However, the company improved operating income by expanding shipments and increasing its gross margin, boosting production to enhance capacity utilization rates, and stabilizing raw material costs.

The Marine Foods Corporation
Sales of mainstay sushi restaurants were down amid a demand shift from high-priced best-sellers to low-end offerings. Another factor was intensified price competition. At the same time, Marine Foods responded to a growing consumer preference for dining at home by improving sales to volume retailing channels through promotions of shrimp, squid, salmon, and other high-demand ingredients while taking advantage of stronger demand at the end of 2009. The company's revenues thereby increased for the term, while operating income soared owing to expanded sales and reduced costs.

Nippon Luna, Inc.
Sales were up slightly, as this company focused on expanding sales of mainstay *Vanilla Yogurt*, compensating for a second-half downturn in demand from convenience store chains and intensified price competition. Stable, lower costs of powdered milk for yogurt helped improve earnings.

Nippon Dry Foods Co., Ltd.
Revenues and earnings rose on higher orders for dry foods from manufacturers of packaged instant noodles, the core customers for these products, in response to higher consumer demand for home-prepared meals, particularly lower-priced lines. Nippon Dry Foods and a Chinese partner launched a freeze-dried food company in Shandong, whose operations started in February 2010.

Nippon Ham Health Creation Co., Ltd.
Sales were up, bolstered by efforts to attract new members for that company's mail order club and broaden its customer base among pharmaceuticals manufacturers and wholesalers. The company returned to profitability, however, by trimming selling, general and administrative expenses and inventories.

Topics

Nippon Luna: Constantly Pursuing New Approaches

Product Development Capabilities Central to Growth

Kyoto-based Nippon Luna makes dairy products and lactic acid probiotic beverages. Its many innovative hit products have included the long-selling *Vanilla Yogurt* and the *Fat 0%* yogurt series, an industry first. In April 2009, Nippon Luna's new president revitalized the company by pursuing numerous new approaches.

Mainstay offering *Vanilla Yogurt* is a dessert with an ice cream texture. Fermentation is three times longer than with regular yogurts to deliver the distinctive rich and velvety taste that has made this innovative product so popular that it is virtually impervious to the pricing strategies of rival manufacturers. The success of *Vanilla Yogurt* is testament to how the company has grown on the strength of product development.

Vanilla Yogurt

Examples of Nippon Luna's highly original lineup

Ciscorn Frost Morning Fresh Yogurt

Nippon Luna launched this yogurt product in March 2002 as the first in Japan to feature a cereal compartment. Yogurt with cereal is a popular breakfast in Europe and North America.

Yasashisa Tappuri Yogurt

Nippon Luna introduced this children's yogurt in March 2010 in response to suggestions from highly health-conscious mothers. This offering incorporates calcium, docosahexaenoic acid, and Bifidobacterium lactis HN019. It is free of sweeteners and artificial flavors and is both natural and mild.

Moving Ahead

Nippon Luna aims to reinforce its presence within the Nippon Ham Group and be consistently profitable. The company will continue to pursue new challenges by drawing on its corporate philosophy of becoming a comprehensive health business that contributes to well-being with tasty yogurt.

Nippon Luna's Fiscal 2010 Priorities

1. Expand sales to volume retailers and co-op supermarkets, increase revenues from *Vanilla Yogurt*, and boost sales in metropolitan Tokyo.
2. Strengthen development and create vegetable lactic acid products and a range of specialized and private brand offerings.
3. Reinforce sales through special supply and sales channels
4. Increase cost competitiveness

We aim to make the Affiliated Business Division a third core segment of the Nippon Ham Group by enhancing profitability and expanding our business.

Addressing fiscal 2010 challenges

Q

How would you summarize the first year of the New Medium-Term Management Plan Part III?

A

We tackled falling prices in a tough market climate by reinforcing marketing, increasing unit volumes, and boosting profitability. We promoted proposal-based sales to key customers and invited them to tour our production areas and plants to help them to understand our manufacturing strengths and quality assurance system. These efforts raised sales at Marine Foods and Nippon Luna. It is worth noting that tuna farming is becoming a focus of attention because fishing restrictions will likely become tighter. We launched our tuna farming business two years ago and started shipments at the end of 2009. Sales have been solid for our tuna, which is now a core offering.

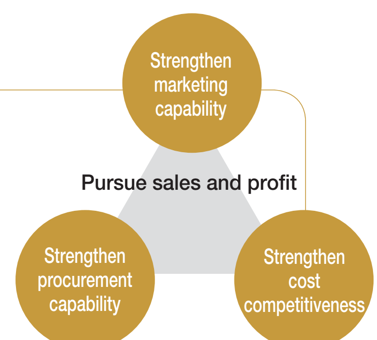
We reduced manufacturing costs by increasing capacity utilization rates at our plants, as well as by reducing item numbers. We will continue working to lower costs, particularly in logistics and energy, in fiscal 2010.

Affiliated Business Division Results for Fiscal 2009

Sales (Millions of yen)	132,527
Operating income (Millions of yen)	616
Operating income ratio (%)	0.5

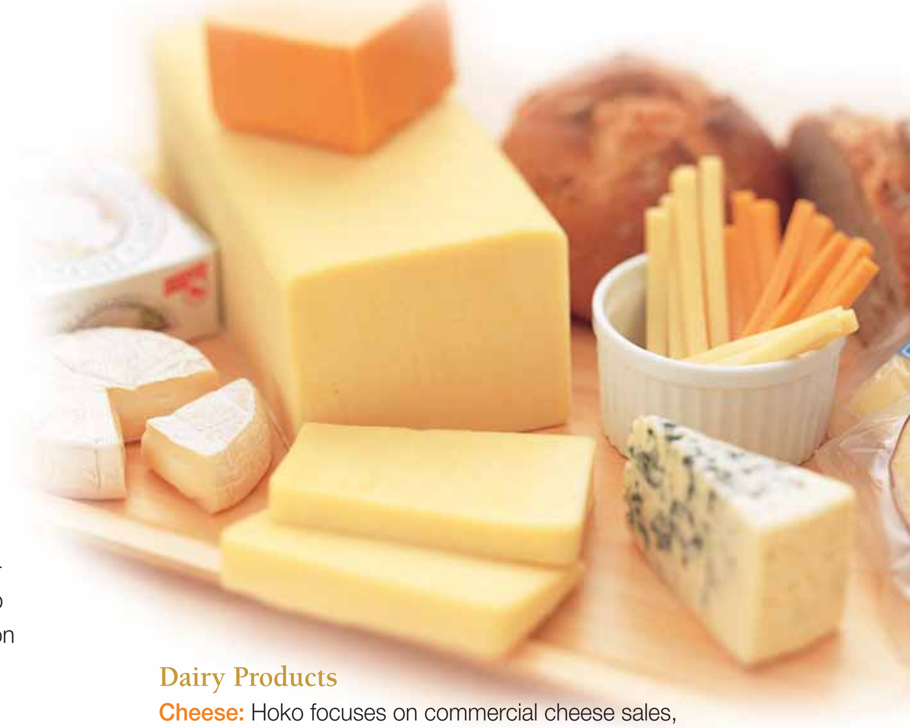
Koji Kawamura

Director and Executive Officer,
General Manager of Affiliated Business Division



"In fiscal 2010, we aim to boost the performance of the Affiliated Business Division to make it a third core segment of the Nippon Ham Group, seeking growth in the division's marine and dairy products and freeze-dried and health foods. We will strengthen collaboration with producers and our marketing department while refining existing operations and other internal strengths to cultivate our business model. We will therefore reinforce our quality assurance system, which is a central duty as a food maker, while fostering our people to anticipate changes in the domestic and foreign operating climate.

We will draw on the enthusiasm and creativity that our new code of conduct embodies to be at the forefront in attaining our goals while fulfilling our responsibilities."



Q

What steps did you take toward making your division a third core business for the Group?

A

Sales were slightly lower than we initially targeted, owing primarily to falling sales prices but we were nonetheless in the black, making us more confident about becoming a third core operation. We will enhance profitability by refining our marketing capabilities to expand sales in key channels. We will step up product development and increase the proportion of internally manufactured offerings in our sales. At the same time, we will cultivate new channels and product categories.

Q

What will you prioritize in fiscal 2010?

A

We will continue to enhance profitability on existing offerings by using on-site Plan-Do-Check-Act (PDCA) cycles to accelerate management responsiveness. Taking a medium-term perspective, we will undertake three measures to grow the businesses of affiliated companies in our division. The first will be to refine upstream and midstream marine products operations. The second will be to expand sales overseas, and the third will be to formulate and execute business and product strategies that reflect the consumer trend toward dining at home.

Q

What initiatives will you undertake in each of your business areas?

A

Marine Products

We will enhance Marine Foods' profitability by strengthening product development while leveraging our sales force to increase sales of high-value-added offerings from our Mie Plant, particularly to volume retailers. On top of that, we will build a system for ensuring stable supplies of quality products from our tuna farm.

Increase/Decrease in Marine Foods Sales by Channel in Fiscal 2009

Year on Year	Sales Volume	Sales Revenues
Sushi restaurants	+2%	–5%
Volume retailers	+13%	+6%

Dairy Products

Cheese: Hoko focuses on commercial cheese sales, but will also strive to develop and commercialize consumer offerings, with a view to making a full-scale entry into the consumer market. We will build a structure to develop sales around Asia, capitalizing on anticipated growth in cheese consumption in China and other emerging markets.

Yogurt: Price competition is fierce in the yogurt industry, but we will reinforce sales to volume retailers, drawing on our key *Vanilla Yogurt* line. We will develop high-value-added products by taking advantage of Nippon Luna's extensive expertise in fermentation technology, launching timely new offerings.

Increase/Decrease in Dairy Products Sales in Fiscal 2009

Year on Year	Sales Volume	Sales Revenues
Cheese	+20%	–4%
Yogurt	+9%	+3%

Other Operations (freeze-dried and health foods)

We will boost freeze-dried food sales to manufacturers of packaged instant noodles, the core customers for these products, becoming more profitable by increasing annual capacity utilization rates at our plant in Kyushu. We will boost product shipments from Shandong New Japanese Food Co., Ltd., in China, to stabilize capacity utilization.

We will boost sales of health foods to drugstore chains. We look particularly for growth in core offerings incorporating collagen and placenta extracts. We will undertake extensive advertising to attract new mail-order customers.

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

Our basic policy on corporate governance is to clarify responsibility and authority with regard to the management monitoring function of directors and the business execution function of executive officers.

Basic Framework

In consideration of prompt and adequate decision making, and the liability scope of the Board of Directors, the number of directors on the Board of Directors, who has responsibility for the monitoring of management, has been set at a maximum of 12. Thus, headquarters departments and committees, which support the Board of Directors, have efficiently been enhanced. 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 directors' term of office is one year. During the fiscal year ended March 31, 2010, the Board of Directors convened 17 times.

Attendance of Outside Director at Meetings of the Board of Directors in the Fiscal Year Ended March 31, 2010

Toshiko Katayama Ms. Katayama expresses expert opinions, primarily on compliance, from her perspective as a lawyer with specialized expertise.	Attended all 17 meetings of the Board of Directors convened

Major Activities of Outside Directors

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

Auditing Function

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

Internal Control Functions

Recognizing the importance of cumulative efforts, we strengthen corporate governance not only through our management framework but also through internal controls at our sites and in Group companies.

Attendance of Outside Auditors at Meetings of the Board of Directors and the Board of Corporate Auditors in the Fiscal Year Ended March 31, 2010

Kaoru Izumi An attorney specializing in corporate law, Mr. Izumi provides expert opinions on matters including the promotion of compliance through auditing.	Attended all 17 meetings of the Board of Directors and all 15 meetings of the Board of Corporate Auditors 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 17 meetings of the Board of Directors convened and 13 of the 15 meetings of the Board of Corporate Auditors convened
Takeshi Koyama Mr. Koyama expresses expert opinions, primarily on finance and accounting, from his perspective as a certified public accountant.	Attended all 17 meetings of the Board of Directors and all 15 meetings of the Board of Corporate Auditors convened

Compliance

Recognizing compliance as the foundation of corporate management, the Nippon Ham Group continues to take steps to ensure a thorough understanding of compliance.

To strengthen compliance Groupwide, we have defined clear guidelines for compliance management policy in, among others, the Group action standards. In line with these guidelines, we engage in publicity campaigns, provide training sessions, and stage events, all aimed at promoting compliance awareness—and the effectiveness of such activities is carefully monitored. Central to this effort is the Plan-Do-Check-Act (PDCA) cycle, which is repeated continuously with the aim of firmly establishing the concept of compliance as an essential component of management.

The Compliance Committee, established by Nippon Meat Packers, Inc., is charged with evaluating the compliance policies and implementation measures of Group companies and offering opinions to the Board of Directors, among others. Compliance promotion committees have been established within individual Group companies and divisions, which are responsible for devising compliance-related strategies and promoting compliance awareness.

We have also established compliance consultation desks in four locations, two within the Group and two outside. These desks enable any and all employees to report violations or confer on compliance-related issues freely without concern for organizational restrictions. In addition to contributing to the prompt resolution of problems, these desks provide valuable information that is analyzed and used in the formulation of subsequent proposals for activities to reinforce compliance awareness.

1. Establishment of clear guidelines 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 processing and management

Risk Management

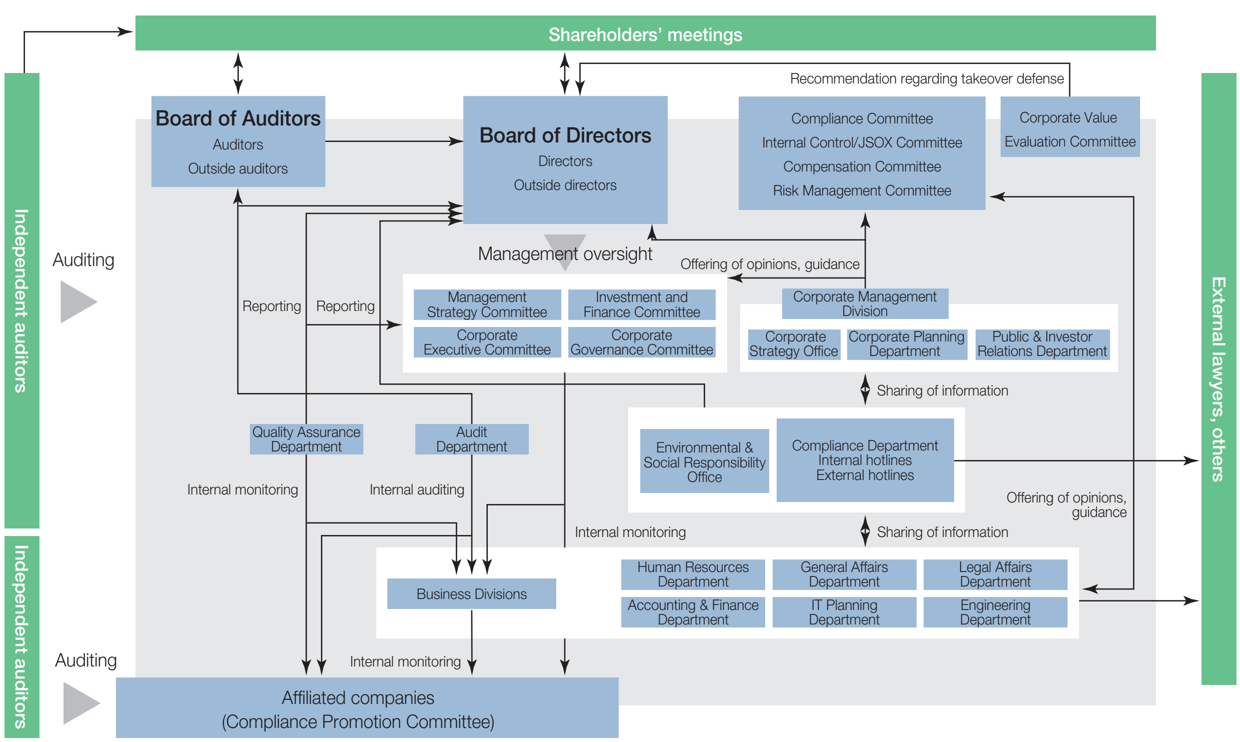
The Risk Management Team was established within the General Affairs Department to comprehensively manage the risks that face the entire Group. Through close cooperation with the Compliance Department and other relevant departments, the team—acting in line with risk management guidelines—has put systems in place for conveying information promptly and accurately and for establishing 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



Aiming to be a Company that Can Communicate with Consumers

Given the increasing globalization of socioeconomic systems and changes in the social environment, notably the growing importance of the market mechanism, the belief that special importance should be attached to the role of consumers as agents in the economy is gaining currency not only in Japan but all over the world, including Europe, North America, and the rest of Asia. Committed to ensuring the safety of food and manufactured products, and to identifying and supporting businesses that are trustworthy and engage in fair and ethical practices, consumers have the power to shape the substance of companies and markets. This is the role consumers will be expected to perform going forward. Consumer consciousness is also changing significantly: According to research conducted by the Cabinet Office in 2008, the percentage of Japanese consumers who consider protecting the public interest more important than protecting individual interests exceeded 50% for the first time ever.

So, what do these consumers expect of companies today? That they expect companies to support the realization of a safe, secure, and properly functioning market goes without saying. In my view, what consumers really look for is companies that empathize with their desire to contribute to the creation of such a market and exhibit a willingness to work together.

For companies and consumers to work together, it is essential that both parties work to foster reciprocal understanding and mutual trust. Effective bilateral communication is vital to the success of these efforts.

The most important prerequisite to effective bilateral communication is a thorough awareness of the other party. A company must first be willing to see and acknowledge the position of the consumer. Only then can it properly convey to consumers its philosophy as a manufacturer and supplier of products, and the unique insights into the workings of the market afforded by its position as a corporate participant. If it can do this, it will succeed in attracting the attention of an increasing number of consumers, which in turn will challenge it to step up efforts to respond to deeper issues and afford access to a broader range of views and ideas. It is this increased awareness and sharing of knowledge and opinions that constitute the true essence of bilateral communication, and is the key to reciprocal understanding and trust.

The Nippon Ham Group is steadfast in its determination to respond to consumer expectations. As such, I look forward to assisting the Group's efforts by offering opinions and suggestions that enhance awareness of bilateral communication in all facets of its operations.

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 law clerk (Osaka Family Court)

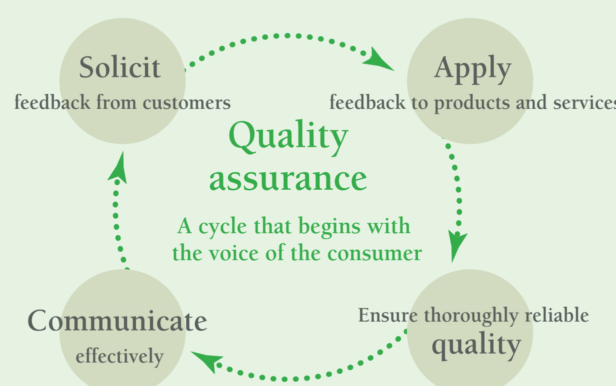
What do consumers expect of companies?

Consumers today expect companies to support the realization of a market that:

- is safe and secure, and
- functions properly.

Both parties must work to foster reciprocal understanding and mutual trust.

Effective bilateral communication is vital to the success of these efforts.



Board of Directors, Corporate Auditors, and Executive Officers

As of June 25, 2010


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


Koji Kawamura
Director and Executive Officer


Toshiko Katayama
Outside Director


Iwao Taka
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

Managing Executive Officer

Teruo Yamada

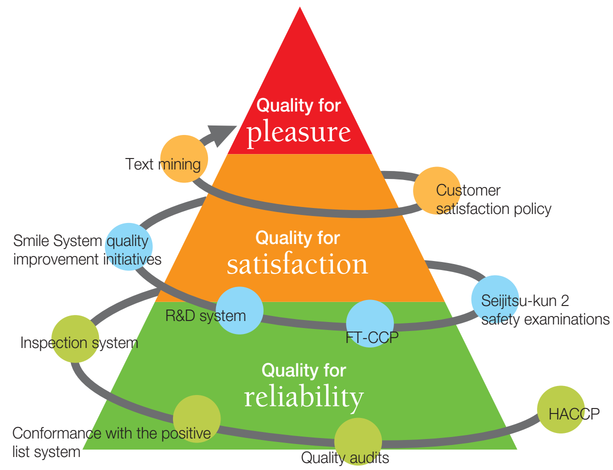
Corporate and Executive Officers

Yoshio Tada
Kazuhiko Morishita
Takayuki Miwa
Toshimichi Miyachi
Katsumi Inoue
Kiyoshi Shigyo
Takahito Okoso
Shunichi Ogata
Kazushi Ohta
Yoshihide Hata
Kenso Takeda
Kazunori Shinohara
Kanji Bando

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

—Working to Enhance Customer Satisfaction—

Having unveiled "Management for No. 1 Quality" as one of the key policies of its New Medium-Term Management Plan Part III, the Nippon Ham Group is implementing measures aimed at building a brand that equates it with exceptional quality.



Earning Customer Recognition as a Quality Leader

We have created an Open Quality system that reflects our conviction that our efforts to offer safe, high-quality products must reflect customer perspectives, and that to the best of our ability we must disclose the information that customers require. "Management for No. 1 Quality" is an extension of the Open Quality initiative, encompassing everything from the effective management of product quality to customer satisfaction. We have also established and are rigorously implementing five fundamental quality improvement polices that are designed to ensure product quality that both satisfies and inspires customers. Under the New Medium-Term Management Plan Part III, we are enhancing awareness of "Management for No. 1 Quality" Groupwide by working to firmly establish and advance this concept.

Looking ahead, we will endeavor to strengthen customer satisfaction and earn recognition from consumers and society as the leader in product quality. To these ends, we will create a consistently reliable brand image, thereby reinforcing our competitive edge.

Five Quality Improvement Policies

Hiroji Okoso
Director and Senior Managing Exective Officer,
In Charge of the Quality Assurance Department, the Customer Communications Department, and the Research & Development Center

Generating Ongoing Growth with "Management for No. 1 Quality"

The Nippon Ham Group seeks to cultivate a strong awareness of quality in its corporate culture as well as in its products and services. All employees must thus commit to attaining "No. 1 Quality."

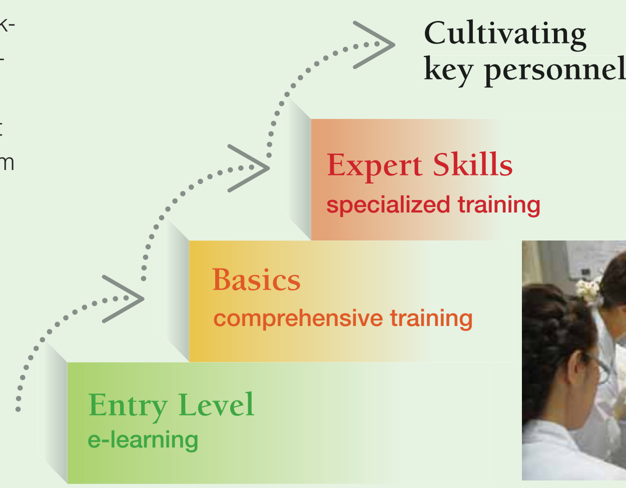
Our customer satisfaction ethos extends beyond efforts to improve products and services in response to customer feedback to include efforts to deliver the satisfaction and product appeal that customers expect. "No. 1 Quality" is something that is defined by our customers, not by us. For this reason, we will only realize the goal of "Management for No. 1 Quality" when customers deem that the Nippon Ham Group is indeed the best in quality terms, and only by achieving this goal will we ensure continued growth.

Customer Satisfaction as the Source of Profits

Deflation and product saturation beset markets today, so it is impossible to satisfy customers without accommodating their diverse perspectives and tastes. In addition to great taste, customer satisfaction depends on product safety and reliability, top-grade ingredients, consideration for the environment, convenience, and easy-to-read packaging. Accordingly, it is vital to maintain product development and sales systems that reflect customers' preferences and to ensure management decisions reflect customer perspectives. Such decisions should come from building frameworks for soliciting and sharing customer feedback and for guiding initiatives to ensure customer satisfaction. Functioning well, such a framework reflects both point-of-sale information and management instructions, driving Groupwide efforts to transform customer satisfaction into profits. In this way, customer satisfaction is truly the source of our profits.

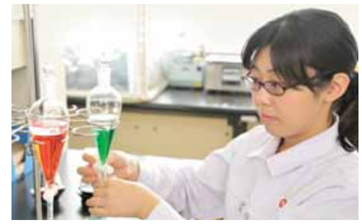
Fostering Employee Growth to Achieve "No. 1 Quality"

Employees are responsible for creating "No. 1 Quality" products. Recognizing this, the Nippon Ham Group has established a unique training system designed to enable its people to deliver the absolute quality that customers expect. For example, we provide ongoing technological training to enhance quality assurance skills. Additionally, each business unit and Group company maintains its own distinct programs for improving production technologies and product quality and for training specialists. Such initiatives will continue supporting efforts to deliver "No. 1 Quality" and earn customer satisfaction, thereby boosting the corporate value of the Nippon Ham Group.



"All of our employees are committed to pursuing customer satisfaction and translating this into corporate profits."

Promoting Basic Research and Product Development Aimed at Adding Higher Value to 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 to develop food and ingredients that support good health, and the development of production technologies for tasty, high-quality fresh meats. These efforts are playing a vital role in the effort to increase our corporate value and drive our "Management for No. 1 Quality" vision.

Research to Ensure Food Safety and Security

The RDC has long engaged in R&D aimed at quickly and simultaneously analyzing potentially harmful substances in food products and evaluating nutrients and other beneficial substances, and it has developed a technology that facilitates the prompt analysis of 547 agrichemical residues and 190 veterinary drugs at the same time. This technology is used by the Group's Safety Testing Laboratory—which is responsible for quality assurance for all Group food products—and is essential to ensuring food safety. In October 2009, the RDC received third-party accreditation under ISO/IEC 17025, the international standard for assessing both calibration technologies for five essential nutrition labeling items and data credibility.

The RDC also leads in developing food testing technologies that employ immunotechnologies, and has developed and marketed several screening kits. These include the FASTKIT ELISA Ver. II series, which has been approved by Japan's Ministry of Health, Labour and Welfare for use in testing for food allergens. The RDC has also developed screening kits to swiftly identify such harmful microorganisms as escherichia coli O157:H7 and salmonella.

Research to Develop Food and Ingredients that Support Good Health

The RDC has capitalized on the Nippon Ham Group's biological resources to develop and commercialize an array of proprietary food ingredients that support good health. Examples include imidazole peptide-rich extracts, which reduce fatigue, and a proprietary low-molecular weight collagen peptide that benefits blood vessels. This peptide additionally offers potential as a beauty aid, as does elastin peptide extracted from the blood vessels of pigs. Ingredients developed by the RDC are used by Group companies in the production of processed food products and health foods.

Developing Production Technologies that Enhance the Quality and Taste of Fresh Meats

The RDC's efforts also assist our effort to develop brand-name fresh meats. One outcome of these efforts is a line of whey-fed pork from Hokkaido. Whey is a by-product of cheese production. The RDC also focuses on the development of production-related technologies designed to enhance the flavor of our fresh meats, including breeding technologies for cattle that yield highly marbled beef and for more disease-resistant pigs. We have succeeded in commercializing our livestock health check methodology and a lactic acid probiotic that accelerates pig growth, and are currently conducting verification tests on a technology for the production of feed that enhances immunity to disease, thereby ensuring healthier pigs.

Social Contributions

In line with our commitment to supporting healthy lifestyles, we share knowledge and information gained through our R&D efforts by organizing food education activities that focus on such themes as food and sports and food allergies. For example, we have worked with the Sapporo municipal government under the auspices of the Sapporo Town Planning Partner Agreement to teach children about the joys of sports and balanced eating. We have also published a book, "Nutrition Required for Young Baseball Players," featuring the dietary regimen and nutrition expertise of the Hokkaido Nippon-Ham Fighters professional baseball team aimed at young baseball players and their parents and coaches.

Protecting the Planet for Future Generations by Reducing Its Environmental Burden

Employees of the Nippon Ham Group participate in various 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.

New Medium-Term Management Plan Part III: One Year Report

In April 2009, the Nippon Ham Group launched the New Medium-Term Management Plan Part III, which sets forth seven key targets for, among others, reducing carbon dioxide (CO_2) emissions, to be achieved over a three-year period. The plan incorporates new targets for reducing and recycling food wastes, a particularly important issue given the Nippon Ham Group's role as a manufacturer of food products. Going forward, we will step up efforts to achieve this plan's goals by fiscal 2011.

	Results Fiscal 2009	Targets Fiscal 2011
CO_2 emissions	Down 12.2%	3% reduction per unit of production
Waste	Down 5.8%	Overall reduction of 3%
Waste recycling rate	98.2%	99%
Food recycling rate	87.4%	87%
Water consumption	Down 3.3%	3% reduction per unit of production
Green purchasing rate	74.5%	90%
Vehicle fuel efficiency	1.1% improvement	5% improvement

ISO 14001 Certification

We continue working to obtain certification under ISO 14001, the international standard for environmental management systems, at all our major operating bases. As of March 31, 2010, 22 Nippon Ham Group sites had received certification.

On February 1, 2010, Nippon Meat Packers, Inc. began selling products carrying the Carbon Footprint Label, including the *Mori-no-Kaori* Wiener Sausage and two other products. These are part of the Carbon Footprint of Products Pilot Project, which is being promoted by the Ministry of Economy, Trade and Industry and related ministries. This labeling system quantifies CO_2 emissions over a product's entire life cycle, from raw material acquisition and production through to distribution and sales, usage and maintenance management, and disposal and recycling.
The Carbon Footprint system aims to raise consumer interest in CO_2 emissions by making information more readily evident. Looking ahead, the Nippon Ham Group will redouble its efforts to contribute to a Low Carbon Society.

Explanation of Carbon Footprint label on back of package

Estimated CO_2 emissions on product label

Contributing to Society and the Community

食べること楽しもう!

"Let's Enjoy Eating!"

The Nippon Ham Group strives to contribute to the realization of a culturally rich society and to 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 human interaction and to help build communities that enjoy strong personal ties. As owner of the Hokkaido Nippon-Ham Fighters professional baseball team, and a participant in the management of Cerezo Osaka, a professional soccer team, the Group organizes baseball and soccer clinics nationwide. The aim of these clinics is not only to provide technical instruction but also to instill a passion for pursuing one's 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 baseball 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 Onaru 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. During fiscal 2009, the Group was involved in approximately 1,300 food education-related activities. These included Easy Cooking Classes for the Visually Impaired, a program designed to help individuals with visual impairments increase their confidence in the kitchen and get more enjoyment out of cooking. In the period under review, the fifth year this program has been offered, the main focus was on cooking for health. As a participant in the Ministry of Agriculture, Forestry and Fisheries (MAFF)-sponsored Leading Regions in Food Education Model Verification project, which aims to promote a Japanese-style diet based on MAFF's Japanese Food Guide Spinning Top, the Group dispatched experts to elementary schools in Sapporo to conduct classes aimed at encouraging children to eat proper breakfasts. By fostering awareness of the importance of food, the Group will continue to help people everywhere to enjoy richer and more varied diets.

Promoting Awareness of Food Allergies

With the aim of helping individuals with food allergies and their families to eat well and safely, the Nippon Ham Group is engaged in the development of allergy-safe food products and food allergen screening kits, and in the dissemination of food allergy-related information. Efforts include classes for parents and children that not only educate participants about food allergies, but also allow them to practice what they have learned and taste the results of their labors—an approach that addresses and helps relieve uncertainties and concerns, while at the same time encourages participants to enjoy food. The classes have also garnered praise from participants for helping them broaden their food repertoire.

Hokkaido Nippon-Ham Fighters: Enhancing Group Corporate Value

In 1973, the Nippon Ham Group acquired a professional baseball team that was later reborn as the Hokkaido Nippon-Ham Fighters. The team's *raison d'être* is evolving from enhancing recognition of the Nippon Ham name to helping the Group fulfill its responsibility as a corporate citizen, and its presence continues to contribute to the enhancement of brand value.

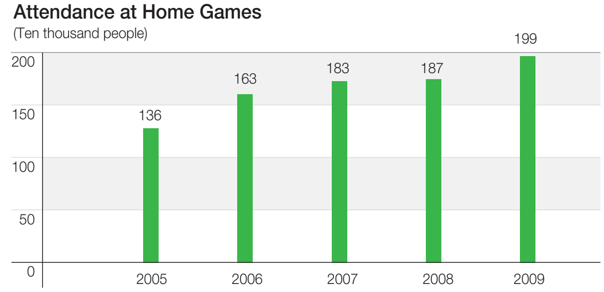
Steady Growth in Game Attendance

The Hokkaido Nippon-Ham Fighters moved from Tokyo to Hokkaido in 2004. Since then, attendance at the team's games has grown steadily, reaching a record 1.99 million for the 2009 season. Robust fan support reflects the team's outstanding record, which includes three Pacific League pennants in five years, as well as its innovative, community-based approach to fan service. Initiatives in 2009, including monthly events celebrating such themes as Mother's Day and "I Love Hokkaido," contributed substantially to increased attendance at the team's games.

Nikkei MJ Award

In 2009, the Hokkaido Nippon-Ham Fighters won the Nikkei MJ (Marketing Journal) Award, the top prize in the Nikkei Excellent Product and Service Awards, which are given out annually by Japan's Nikkei Group media conglomerate to acknowledge outstanding products and services. The team's award was in recognition of its fan service initiatives during the year, including its Festival for Girls. This much talked about festival, an event aimed at female baseball fans, was a major undertaking that featured, among others, "*konkatsu* seats," designed to help girls meet boys while watching baseball, and a dance event for girls at the team's home field, Sapporo Dome. Indicative of the acclaim garnered by the Hokkaido Nippon-Ham Fighters' various fan service initiatives, this award has reinforced the team's confidence in its efforts and will spur it to plan ever more innovative initiatives for the years ahead in its efforts to attract even higher game attendance.

Attendance at Home Games



Fighters Eco Project Launched

Based in Hokkaido, an area famous for its beautiful natural environment, the Hokkaido Nippon-Ham Fighters have long been involved in a variety of environmental protection efforts. The team has launched the Fighters Eco Project, with the aim of undertaking a number of ongoing initiatives with a long-term perspective. In line with its ongoing drive to be a baseball team that actively takes on new challenges with vision and a commitment to continued growth, the Hokkaido Nippon-Ham Fighters believes it has a responsibility to protect the environment so that it may sustain future generations. Accordingly, the team is actively working to incorporate environmental considerations into all aspects of its operations.

Note: The Hokkaido Nippon-Ham Fighters baseball club is certified under ISO 14001, the international standard for environmental management systems.

Contents

Five-Year Summary

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

	Millions of Yen				
	2010	2009	2008	2007	2006
Net Sales	**¥ 953,616**	¥1,028,449	¥1,029,694	¥ 975,466	¥ 962,369
Cost of Goods Sold	**754,992**	833,564	840,512	788,131	788,118
Selling, General and Administrative Expenses	**173,769**	173,468	171,413	170,802	187,623
Income from Continuing Operations before Income Taxes and Equity in Earnings (Losses) of Associated Companies	**24,024**	6,287	7,760	13,835	2,550
Net Income Attributable to Nippon Meat Packers, Inc.	**15,721**	1,657	1,555	11,386	952
Capital Expenditures	**19,754**	22,148	18,627	19,441	20,996
Depreciation and Amortization	**24,408**	24,000	23,939	22,975	23,731
Total Assets	**604,201**	583,684	608,809	612,933	591,426
Total Nippon Meat Packers, Inc. Shareholders' Equity	**271,908**	270,439	287,457	298,428	291,580
Total Nippon Meat Packers, Inc. Shareholders' Equity to Total Assets	**45.0%**	46.3%	47.2%	48.7%	49.3%
Interest-Bearing Debt	**187,585**	168,950	183,539	171,211	169,701
Net Cash Provided by (Used in) Operating Activities	**67,448**	37,776	29,690	33,164	(21,793)
Free Cash Flow	**7,314**	22,379	2,897	13,424	(38,454)
Cash and Cash Equivalents at End of the Year	**43,518**	41,323	44,249	34,482	27,180

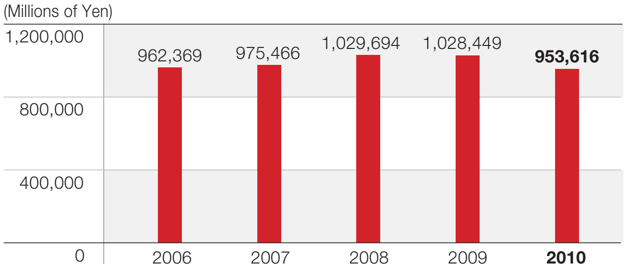
	Yen				
Per Share Amounts:					
Basic earnings per share attributable to Nippon Meat Packers, Inc. shareholders:					
Income from continuing operations before extraordinary item and cumulative effect of accounting change	**¥ 69.69**	¥ 4.84	¥ 16.94	¥ 50.03	¥ (0.25)
Extraordinary gain on negative goodwill					2.43
Cumulative effect of accounting change					1.73
Continuing operations	**69.69**	4.84	16.94	50.03	3.91
Discontinued operations		2.42	(10.13)	(0.14)	0.26
Net Income	**¥ 69.69**	¥ 7.26	¥ 6.81	¥ 49.89	¥ 4.17
Diluted earnings per share attributable to Nippon Meat Packers, Inc. shareholders:					
Income from continuing operations before extraordinary item and cumulative effect of accounting change	**¥ 68.99**	¥ 4.83	¥ 16.92	¥ 49.97	¥ (0.25)
Extraordinary gain on negative goodwill					2.43
Cumulative effect of accounting change					1.73
Continuing operations	**68.99**	4.83	16.92	49.97	3.91
Discontinued operations		2.42	(10.12)	(0.14)	0.26
Net Income	**¥ 68.99**	¥ 7.25	¥ 6.80	¥ 49.83	¥ 4.17
Total Nippon Meat Packers, Inc. Shareholders' Equity	**¥1,278.83**	¥ 1,185.25	¥ 1,259.74	¥1,307.77	¥1,277.41
Cash Dividends	**¥ 16.00**	¥ 16.00	¥ 16.00	¥ 16.00	¥ 16.00

	Percent				
Index					
Return on Equity (ROE)	**5.8%**	0.6%	0.5%	3.9%	0.3%
Return on Assets (ROA)	**4.0%**	1.1%	1.3%	2.3%	0.4%

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. See Note 1 to the consolidated financial statements with respect to the determination of the number of shares in computing the per share amounts attributable to Nippon Meat Packers, Inc. shareholders.
3. In accordance with the Accounting Standards Codification ("ASC") of the U.S. Financial Accounting Standards Board Topic 810, "Consolidation" (former Statement of Financial Accounting Standards ("SFAS") No. 160, "Noncontrolling Interests in Consolidated Financial Statements—an amendment of ARB No. 51,") prior years' consolidated financial statements were reclassified to conform to the current year presentation to separately report the results of Noncontrolling Interests.
4. 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 has been 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 attributable to Nippon Meat Packers, Inc. of ¥156 million (¥0.68 per share), respectively.
5. In accordance with ASC Topic 805, "Business Combinations" (former 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 has been presented in the consolidated statements of income as "Extraordinary gain on negative goodwill."
6. In accordance with ASC Topic 205, "Presentation of Financial Statements" (former 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.
7. ROE = (Net income attributable to Nippon Meat Packers, Inc. / Average total Nippon Meat Packers, Inc. shareholders' equity) ×100
ROA = (Income from continuing operations before income taxes and equity in earnings (losses) of associated companies / Average total assets) ×100
Free Cash Flow = Net cash provided by (used in) operating activities – Net cash used in investing activities

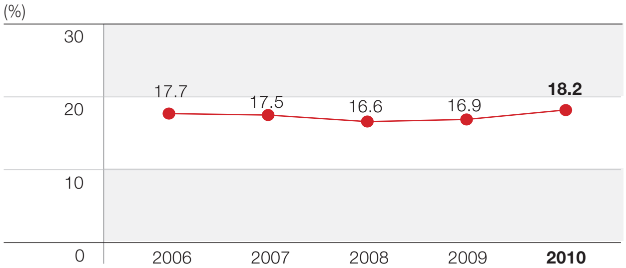
NET SALES

(Millions of Yen)



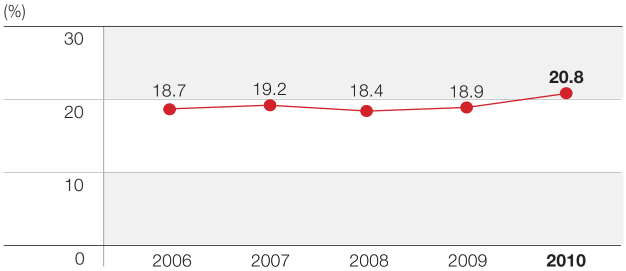
SELLING, GENERAL AND ADMINISTRATIVE EXPENSES RATIO*1

(%)



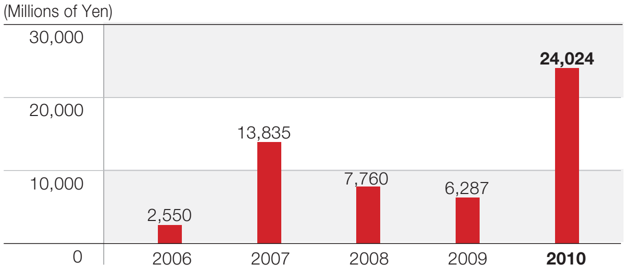
GROSS PROFIT RATIO*1 *2

(%)



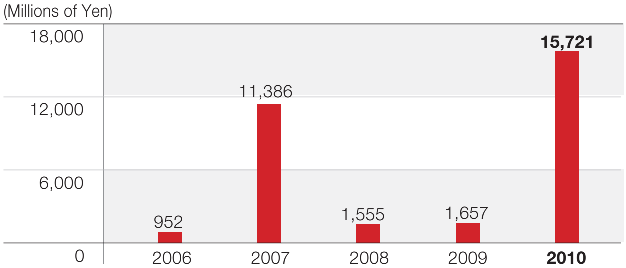
INCOME FROM CONTINUING OPERATIONS BEFORE INCOME TAXES AND EQUITY IN EARNINGS (LOSSES) OF ASSOCIATED COMPANIES

(Millions of Yen)



NET INCOME ATTRIBUTABLE TO NIPPON MEAT PACKERS, INC.

(Millions of Yen)



*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.

Overview of Business Results

Despite persistent economic uncertainty in Japan, underscored by a harsh employment situation and constraints on capital investment, promising signs were visible, including an improved export climate and an upturn in operating results for certain companies.

Conditions in the food processing sector took a turn for the better as a reversal in the trend toward higher prices for raw materials and fuel contributed to lower costs. Nonetheless, the operating environment remained challenging overall, owing to stagnant consumer spending, increasingly intense pricing competition, and flagging prices for fresh meats.

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 III, in line with the plan's stated goal of achieving "corporate value improvement by continuous reform and challenge."

With the aim of establishing and evolving the concept of "Management for No. 1 Quality"—the first of its three management policies—the Group stepped up efforts to ensure a high level of product quality by implementing measures that incorporate customer perspectives, examining practices for labeling and displaying information on product packaging, reviewing its safety assurance framework, and fortifying training of individuals responsible for quality control. The Group also sought to enhance its response to environmental issues by calculating the carbon footprint of its hams and sausages as part of its drive to reduce CO_2 emissions and releasing products bearing Japan's "carbon footprint mark." In line with its second management policy, which is to improve profitability through greater selectivity and focus, the Group took steps to strengthen its core businesses. In the processed foods business, efforts were made to reform supply-chain management (SCM) and included the Group's continuing work to establish logistics bases and develop related systems. The Group also proceeded with steady efforts to review poorly performing businesses and divest idle assets. As prescribed in its third management policy, which calls for the creation of a global business structure, the Group reinforced its network of overseas production facilities, laying a foundation for the expansion of its overseas operations.

Activities to bolster sales during the period included a special advertising campaign commemorating the 25th anniversary of *SCHAU ESSEN*, a sale to celebrate the Hokkaido Nippon-Ham Fighters' victory in the Pacific League pennant race, and a year-end gift-giving campaign. Despite these efforts, sales reflected the negative impact of a slump in the fresh meats business, which accounts for a significant proportion of consolidated net sales, and an overhaul of overseas businesses.

Net Sales

Despite increased sales of core brands and new consumer-oriented offerings that reflect consumers' growing preference for healthful menu choices, as well as sales promotions for the mid-year and year-end gift-giving seasons, sales of hams and sausages declined 1.0% from the previous fiscal year.

In the area of processed foods, the Group stepped up sales of non-refrigerated items that respond to an increasing trend toward eating at home, while at the same time it rolled out new additions to its chilled bakery products lineup and promoted integrated manufacturing and sales of products for commercial customers. As a consequence, category sales edged up 0.8%.

Sales of fresh meats fell 12.4%, as flagging market conditions countered the positive impact of active efforts to enhance global procurement capabilities and the marketing prowess of domestic sales companies, which supported a favorable increase in domestic shipments.

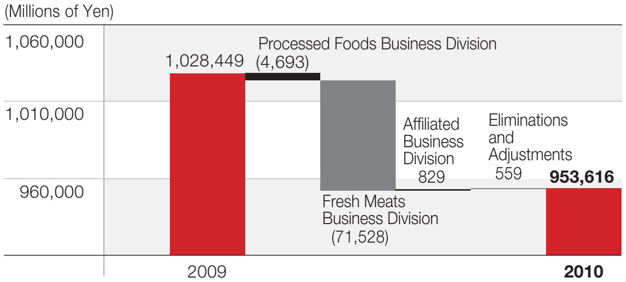
Sales of marine products were down 1.4% from the previous fiscal year, reflecting a shift in focus in mainstay sushi toppings toward low-end offerings and increasingly intense pricing competition.

Sales of dairy products edged down, despite the release of new yogurt lactic acid probiotic beverages and active efforts to promote sales of core offerings, owing to falling sales prices for cheese.

As a consequence of these and other factors, consolidated net sales for the fiscal year ended March 31, 2010, declined 7.3%, to ¥953,616 million.

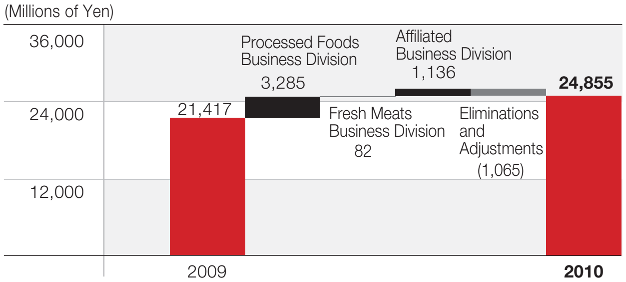
FACTORS BEHIND THE DECREASE IN NET SALES

(Millions of Yen)



FACTORS BEHIND THE INCREASE IN OPERATING INCOME

(Millions of Yen)



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

Cost of goods sold fell 9.4%, to ¥754,992 million, equivalent to 79.2% of consolidated net sales, down from 81.1% in the previous fiscal year. Gross profit rose 1.9%, to ¥198,624 million. Selling, general and administrative expenses edged up 0.2%, to ¥173,769 million, equivalent to 18.2% of consolidated net sales, up from 16.9% in the preceding period.

Bolstered by the increase in gross profit, and by foreign exchange gains, income from continuing operations before income taxes and equity in earnings (losses) of associated companies soared 282.1%, to ¥24,024 million. The effective tax rate, based on income from continuing operations before income taxes and equity in earnings (losses) of associated companies, was 34.8%, down substantially from 74.0% in the previous fiscal year. As a consequence, net income attributable to Nippon Meat Packers, Inc. climbed 848.8%, to ¥15,721 million, while basic earnings per share attributable to Nippon Meat Packers, Inc. shareholders totaled ¥69.69.

Business Results by Segment

The operations of the Group comprise 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 Affiliated Business Division centers on the production and sales of marine and dairy products.

Processed Foods Business Division

In the hams and sausages category, the Group sought to bolster sales through promotional efforts, featuring television advertisements, for its mainstay *SCHAU ESSEN* sausages. The Group also expanded its *Shinsen Seikatsu ZERO* series, targeted at health-conscious consumers, with the aim of fostering new demand. For the mid-year and year-end gift-giving seasons, the Group conducted ambitious in-store sales promotions focusing on *Utsukushi-no-Kuni* premium hams.

The Group strove to boost sales in the processed foods category through enhanced marketing efforts for *Chuka Meisai*, curries in retortable pouches, and other non-refrigerated offerings, bolstered by the increasing popularity of eating at home. Also, the Group made concerted efforts to promote sales of chilled bakery products, with new additions to the product lineup and activities to expand sales for commercial customers, including major convenience store chains.

In a market characterized by persistently sluggish economic conditions, the growing preference of customers for lower-priced products, and increasingly intense pricing competition, sales prices for hams and sausages, as well as for processed foods, fell short of the previous fiscal year. As a consequence, sales struggled despite increased shipments. On the income front, both categories benefited from falling prices for raw and other materials and lower production costs. As a consequence, segment net sales in the period under review slipped 1.5%, to ¥329,436 million, while operating profit increased 57.8%, to ¥8,973 million.

Fresh Meats Business Division

Divisional results were influenced greatly by soft prices for fresh meats. Prices for fresh beef and pork remained weak, while adjustment storage measures were implemented for pork. On a positive note, poultry prices showed signs of improving toward the end of 2009, reflecting a recovery in demand. Overseas, U.S. pork prices—which had stalled as a consequence of flagging domestic consumption and falling exports—improved toward the fiscal year-end, bolstered by the progress of efforts to cull sows. In Australia, market conditions remained harsh as beef prices continued to slump, hampered by the global economic downturn, although purchase prices for live cattle rose.

In this environment, the Group sought to counter the impact of market conditions, capitalizing on its global procurement capabilities and its nationwide marketing network to bolster shipments. Thanks to these efforts, domestic shipments were robust and the Group succeeded in expanding its share of the market for mass-volume retailers. Nonetheless, sales for the period were hindered by sluggish market conditions, while operating income rose slightly, reflecting an improvement in income for overseas operations and imports.

Owing to these and other factors, segment sales fell 12.0%, to ¥605,254 million. In contrast, operating profit edged up 0.5%, to ¥16,396 million.

Affiliated Business Division

In the marine products business, sales remained essentially level with the previous fiscal year. Sales of mainstay sushi toppings struggled, as the focus of sales to conveyor-belt sushi chains shifted from high- to low-end items and pricing competition intensified, although the impact of these trends was partially offset by expanded sales to mass-volume retailers, in response to the increasing popularity of eating at home.

In the dairy products business, sales of yogurt and lactic acid probiotic beverages to convenience store chains struggled in the second half of the period. However, thanks to the launch of new products and sales promotions for category mainstay *Vanilla Yogurt*, sales for the period increased. Shipments of cheese rose as the Group actively stepped up proposal-based sales to restaurants and bakeries. However, owing to a decline in sales prices and a shift in demand toward lower-priced items, sales slipped from the previous year's level. In contrast, the segment's performance at the operating level was bolstered by reduced costs—a result of declining raw material prices—and greater production volumes for cheese and increased efficiency in the production process.

Sales in the Affiliated Business Division edged up 0.01%, to ¥132,527 million. The segment recorded operating profit of ¥616 million, compared with an operating loss of ¥520 million in the previous fiscal year.

Outlook for the Fiscal Year Ending March 31, 2011

The operating environment is expected to remain harsh in the fiscal year ending March 31, 2011. In line with its New Medium-Term Management Plan Part III, the Group will continue to focus on reinforcing domestic operations while growing as a global player.

In the Processed Foods Business Division, rising prices for fresh meats and crude oil are expected to trigger an increase in prices for raw and other materials and fuel in the second half. With consumers increasingly gravitating toward lower-priced products in efforts to protect their living standards, and price competition intensifying, operating conditions are expected to remain harsh. In this environment, the division's production and sales teams will continue to 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 business partner of choice and enhancing advertising and promotional initiatives to bolster 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 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 the Group's product portfolio aimed at eliminating excess and reinforcing competitiveness.

In the Fresh Meats Business Division, the market for fresh meats is expected to expand gradually, reflecting stable feed prices and an improvement in demand. In this 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 through to sales via 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 mass-volume retailers. In addition to enhancing product quality and cost competitiveness in upstream markets, the Group will strengthen procurement from outside suppliers.

To increase the market shares of companies in the Affiliated Business Division, the Group will promote a management style that prioritizes the views of individuals who deal directly with customers and are thus best positioned to identify market needs. In addition to expanding sales through key channels, the Group will foster promising undeveloped markets. In the marine products business, the Group will expand its range of offerings, while in the dairy products segment it will ramp up efforts to market to mass-volume retailers and to expand deliveries to commercial customers.

In line with its goal of establishing and evolving the concept of "Management for No. 1 Quality," set forth as policy in the New Medium-Term Management Plan III, the Group will step up implementation of initiatives aimed at ensuring product safety and maintaining product quality. Through communication with customers, the Group will also promote product and service development that incorporates customer perspectives.

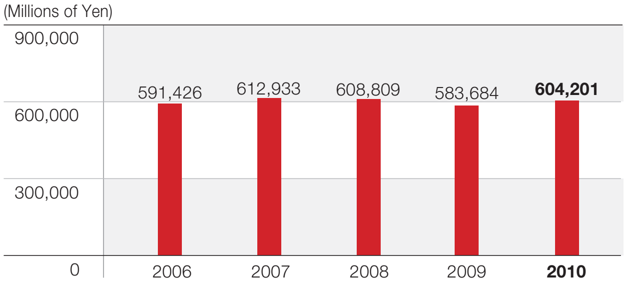
With public awareness of the need to reduce CO_2 emissions growing, the Group will strive to realize environment-friendly facilities and production lines, thereby fulfilling its responsibility as a corporate citizen to help reduce greenhouse gas emissions. In addition, the Group will work closely with its various business sites to minimize the environmental impact of such things as product containers and packaging. As a responsible 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 fraught with challenges, the Group will continue to act in accordance with the policies and strategies outlined in its New Medium-Term Management Plan Part III. Employees and management pledge to rally their capabilities to achieve the targets of this plan, therefore reinforcing domestic operations while growing as a global player.

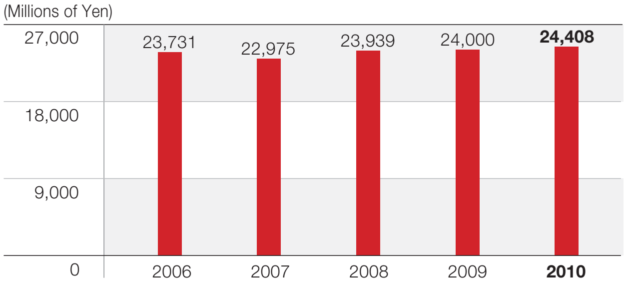
As of the publication of this annual report, the Group's forecasts for the fiscal year ending March 31, 2011 are for consolidated net sales of ¥1 trillion, an increase of 4.9% from the previous fiscal year; operating income of ¥30.0 billion, a 20.7% increase; income from continuing operations before income taxes and equity in earnings (losses) of associated companies of ¥26.0 billion, an 8.2% increase; and net income attributable to Nippon Meat Packers, Inc. of ¥14.0 billion, a decline of 10.9%.

Analysis of Financial Position

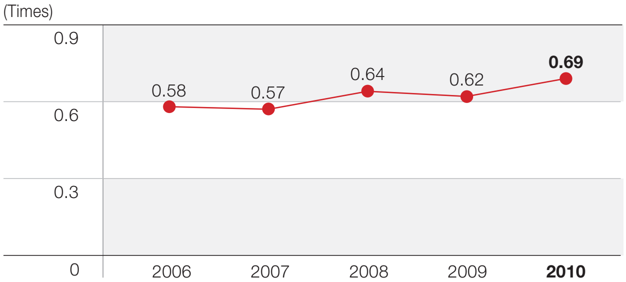
TOTAL ASSETS
(Millions of Yen)



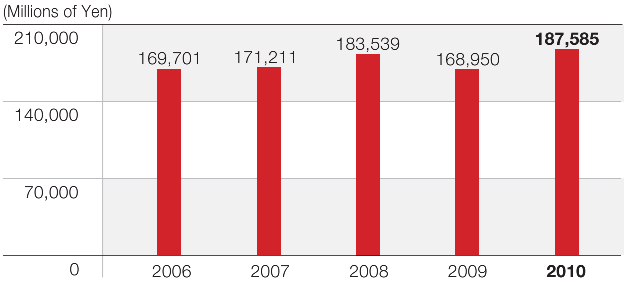
DEPRECIATION AND AMORTIZATION
(Millions of Yen)



DEBT/EQUITY RATIO
(Times)



INTEREST-BEARING DEBT
(Millions of Yen)



Assets

Total assets as of March 31, 2010, amounted to ¥604,201 million, an increase of 3.5%. Trade notes and accounts receivable declined 2.4%, to ¥100,366 million, and inventories were down 13.1%, to ¥100,545 million, while time deposits expanded by ¥54,552 million, to ¥59,475 million. As a consequence, total current assets amounted to ¥319,329 million, an increase of 9.7%. Property, plant and equipment totaled ¥227,081 million, down 2.5%, as additions were made within the scope of depreciation and amortization and a loss on impairment of long-lived assets. Total investments and other assets rose 2.1%, to ¥29,950 million.

Liabilities

Total liabilities as of the fiscal year-end were ¥330,239 million. Short-term bank loans were down 14.4%, to ¥48,332 million, while liability under retirement and severance programs was ¥16,128 million, a decline of 30.7%. Owing to an issue of zero coupon convertible bonds in the amount of ¥30,000 million, total liabilities amounted to ¥330,239, an increase of 6.1%. Interest-bearing debt rose ¥18,635 million, to ¥187,585 million.

Total Nippon Meat Packers, Inc. Shareholders' Equity

Total Nippon Meat Packers, Inc. shareholders' equity edged up 0.5%, to ¥271,908 million. Treasury stock, at cost increased ¥16,446 million, while accumulated other comprehensive loss, including pension liability adjustments and gross unrealized holding gains on available-for-sale securities, improved ¥5,883 million from the previous fiscal year, and other appropriated retained earnings rose 5.8%, to ¥218,482 million. As a consequence, the total Nippon Meat Packers, Inc. shareholders' equity ratio slipped 1.3 percentage points, to 45.0%.

Cash Flows

● Cash Flows from Operating Activities

Net cash provided by operating activities amounted to ¥67,448 million, up from ¥37,776 million provided by these activities in the previous fiscal year. Principal factors behind this result included an increase in net income and depreciation and amortization, and a decrease in inventories.

Cash Flows from Investing Activities

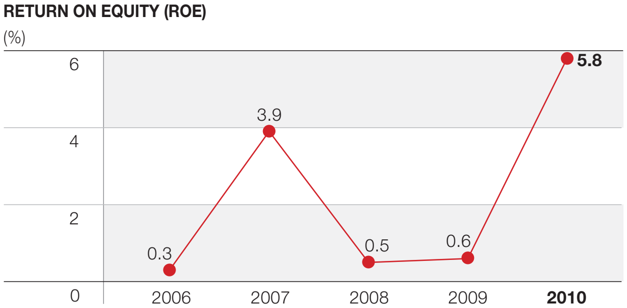
Net cash used in investing activities amounted to ¥60,134 million, up from ¥15,397 million used in these activities in the previous fiscal year. Contributing factors included proceeds from sales and maturities of marketable securities and other investment securities, an increase in time deposits, and capital expenditures.

Cash Flows from Financing Activities

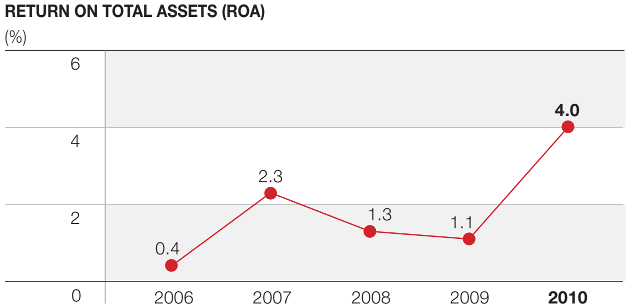
Net cash used in financing activities amounted to ¥5,227 million, down from ¥24,761 million. Contributing factors included proceeds from long-term debt, which reflected an issue of zero coupon convertible bonds; acquisition of treasury stock; a decrease in short-term bank loans; and repayments of long-term debt.

As a consequence of the Group's operating, investing, and financing activities during the fiscal year ended March 31, 2010, cash and cash equivalents at the fiscal year-end totaled ¥43,518 million, a net increase of ¥2,195 million from the beginning of the period.

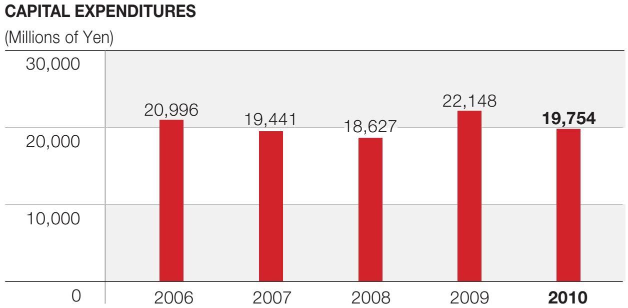
RETURN ON EQUITY (ROE)



RETURN ON TOTAL ASSETS (ROA)



CAPITAL EXPENDITURES



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, 2010, these investments totaled ¥19.8 billion (including software). The principal applications of these investments are described below.

Processed Foods Business Division

The Company invested approximately ¥4.7 billion in additions to and replacements of facilities for production and sales of hams, sausages and processed foods.

As to its consolidated subsidiaries, approximately ¥5.9 billion was spent on additions to and replacements of facilities for production and sales of hams, sausages and processed foods at Nippon Ham Shokuhin Co., Ltd., among others.

Fresh Meats Business Division

The Company invested approximately ¥700 million in replacements and improvements of sales facilities.

As to its consolidated subsidiaries, approximately ¥2.6 billion was spent on replacements and refurbishments of production and breeding facilities at Nippon White Farm Co., Ltd. and Interfarm Co., Ltd., among others. Approximately ¥2.0 billion was spent on improvements of sales facilities at Higashi Nippon Food, Inc., among others. Approximately ¥1.3 billion was spent on replacements of facilities for processing livestock at Nippon Food Packers, Inc., among others. These plant and equipment investments totaled approximately ¥6.4 billion.

Affiliated Business Division

The Group made approximately ¥1.3 billion of plant and equipment investment in replacements of facilities for production and sales of marine products and dairy products at Hoko Co., Ltd. and Marine Foods Corporation, among others.

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. These risks contain future factors, which are envisioned as of the end of the fiscal year under review.

(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 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 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 foreign exchange market. 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—¥187.6 billion as of March 31, 2010—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, 2010, 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 contributions 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 and HACCP, among others). 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.

Nippon Meat Packers, Inc. and Subsidiaries
March 31, 2010 and 2009

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2010	2009	**2010**
ASSETS			
CURRENT ASSETS:			
Cash and cash equivalents (Note 1)	**¥ 43,518**	¥ 41,323	**$ 467,935**
Time deposits	**59,475**	4,923	**639,516**
Marketable securities (Notes 1, 3 and 15)	**261**	10,051	**2,806**
Trade notes and accounts receivable (Note 1)	**100,366**	102,791	**1,079,204**
Allowance for doubtful receivables	**(638)**	(674)	**(6,860)**
Inventories (Notes 1 and 2)	**100,545**	115,765	**1,081,129**
Deferred income taxes (Notes 1 and 8)	**6,877**	6,410	**73,946**
Other current assets (Notes 3 and 16)	**8,925**	10,380	**95,968**
Total current assets	**319,329**	290,969	**3,433,644**
PROPERTY, PLANT AND EQUIPMENT—At cost, less accumulated depreciation (Notes 1, 4, 6 ,7, 13 and 15)	**227,081**	232,862	**2,441,731**
INTANGIBLE ASSETS, less accumulated amortization (Notes 1, 5, 6 and 15)	**12,224**	11,729	**131,441**
INVESTMENTS AND OTHER ASSETS:			
Investments in and advances to associated companies (Notes 1 and 3)	**2,352**	2,168	**25,290**
Other investment securities (Notes 1, 3 and 15)	**17,274**	15,811	**185,742**
Other assets (Notes 9 and 16)	**10,324**	11,366	**111,011**
Total investments and other assets	**29,950**	29,345	**322,043**
DEFERRED INCOME TAXES—Non-current (Notes 1 and 8)	**15,617**	18,779	**167,925**
TOTAL ASSETS	**¥604,201**	¥583,684	**$6,496,784**

See notes to consolidated financial statements.

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2010	2009	**2010**
LIABILITIES AND EQUITY			
CURRENT LIABILITIES:			
Short-term bank loans (Note 7)	**¥ 48,332**	¥ 56,455	**$ 519,699**
Current maturities of long-term debt (Notes 7, 13 and 15)	**42,483**	6,943	**456,806**
Trade notes and accounts payable	**84,124**	85,377	**904,559**
Accrued income taxes (Notes 1 and 8)	**6,657**	2,274	**71,581**
Deferred income taxes (Notes 1 and 8)	**1,094**	646	**11,763**
Accrued expenses	**17,311**	15,512	**186,140**
Other current liabilities (Note 16)	**13,459**	10,913	**144,720**
Total current liabilities	**213,460**	178,120	**2,295,268**
LIABILITY UNDER RETIREMENT AND SEVERANCE PROGRAMS (Notes 1 and 9)	**16,128**	23,259	**173,419**
LONG-TERM DEBT, LESS CURRENT MATURITIES (Notes 7, 13 and 15)	**96,770**	105,552	**1,040,538**
DEFERRED INCOME TAXES—Non-current (Notes 1 and 8)	**2,465**	2,492	**26,505**
OTHER LONG-TERM LIABILITIES (Note 16)	**1,416**	1,885	**15,226**
TOTAL LIABILITIES	**330,239**	311,308	**3,550,956**
COMMITMENTS AND CONTINGENT LIABILITIES (Notes 1 and 19)			
SHAREHOLDERS' EQUITY:			
Common stock, no par value—authorized, 570,000,000 shares; issued: 2010 and 2009—228,445,350 shares (Notes 1 and 11)	**24,166**	24,166	**259,849**
Capital surplus (Notes 1, 10 and 11)	**50,925**	50,963	**547,581**
Retained earnings:			
Appropriated for legal reserve (Note 11)	**7,189**	7,013	**77,301**
Unappropriated (Notes 11 and 20)	**218,482**	206,588	**2,349,269**
Accumulated other comprehensive loss (Note 12)	**(12,067)**	(17,950)	**(129,753)**
Treasury stock, at cost: 2010—15,823,532 shares 2009—274,689 shares (Note 11)	**(16,787)**	(341)	**(180,505)**
Total Nippon Meat Packers, Inc. shareholders' equity	**271,908**	270,439	**2,923,742**
NONCONTROLLING INTERESTS	**2,054**	1,937	**22,086**
TOTAL EQUITY	**273,962**	272,376	**2,945,828**
TOTAL LIABILITIES AND EQUITY	**¥604,201**	¥583,684	**$6,496,784**

Consolidated Statements of Income

Nippon Meat Packers, Inc. and Subsidiaries
For the Years Ended March 31, 2010, 2009 and 2008

	Millions of Yen			Thousands of U.S. Dollars (Note 1)
	2010	2009	2008	**2010**
REVENUES:				
Net sales (Notes 1 and 16)	**¥953,616**	¥1,028,449	¥1,029,694	**$10,253,935**
Other	**4,694**	1,299	1,008	**50,473**
Total	**958,310**	1,029,748	1,030,702	**10,304,408**
COST AND EXPENSES:				
Cost of goods sold (Notes 2 and 16)	**754,992**	833,564	840,512	**8,118,194**
Selling, general and administrative expenses (Note 1)	**173,769**	173,468	171,413	**1,868,484**
Interest expense (Note 16)	**2,125**	2,506	2,771	**22,849**
Other (Notes 4, 6 and 9)	**3,400**	13,923	8,246	**36,559**
Total	**934,286**	1,023,461	1,022,942	**10,046,086**
INCOME FROM CONTINUING OPERATIONS BEFORE INCOME TAXES AND EQUITY IN EARNINGS (LOSSES) OF ASSOCIATED COMPANIES	**24,024**	6,287	7,760	**258,322**
INCOME TAXES (Notes 1 and 8)**:**				
Current	**9,066**	2,746	3,392	**97,484**
Deferred	**(696)**	1,905	501	**(7,484)**
Total	**8,370**	4,651	3,893	**90,000**
INCOME FROM CONTINUING OPERATIONS BEFORE EQUITY IN EARNINGS (LOSSES) OF ASSOCIATED COMPANIES	**15,654**	1,636	3,867	**168,322**
EQUITY IN EARNINGS (LOSSES) OF ASSOCIATED COMPANIES— Net of applicable income taxes (Note 1)	**249**	(440)	(10)	**2,677**
NET INCOME FROM CONTINUING OPERATIONS	**15,903**	1,196	3,857	**170,999**
INCOME (LOSS) FROM DISCONTINUED OPERATIONS— Net of applicable income taxes (Note 18)		553	(2,311)	
NET INCOME	**15,903**	1,749	1,546	**170,999**
LESS: NET (INCOME) LOSS ATTRIBUTABLE TO NONCONTROLLING INTERESTS	**(182)**	(92)	9	**(1,957)**
NET INCOME ATTRIBUTABLE TO NIPPON MEAT PACKERS, INC.	**¥ 15,721**	¥ 1,657	¥ 1,555	**$ 169,042**

	Yen			U.S. Dollars
PER SHARE AMOUNTS (Note 1)**:**				
Basic earnings per share attributable to Nippon Meat Packers, Inc. shareholders:				
Continuing operations	**¥ 69.69**	¥ 4.84	¥ 16.94	**$ 0.75**
Discontinued operations		2.42	(10.13)	
Net Income	**¥ 69.69**	¥ 7.26	¥ 6.81	**$ 0.75**
Diluted earnings per share attributable to Nippon Meat Packers, Inc. shareholders:				
Continuing operations	**¥ 68.99**	¥ 4.83	¥ 16.92	**$ 0.74**
Discontinued operations		2.42	(10.12)	
Net Income	**¥ 68.99**	¥ 7.25	¥ 6.80	**$ 0.74**

See notes to consolidated financial statements.

Consolidated Statements of Changes in Equity

Nippon Meat Packers, Inc. and Subsidiaries
For the Years Ended March 31, 2010, 2009 and 2008

	Millions of Yen								
	Common Stock	Capital Surplus	Retained Earnings Appropriated for Legal Reserve	Unappropriated Retained Earnings	Accumulated Other Comprehensive Income (Loss)	Treasury Stock	Total Nippon Meat Packers, Inc. Shareholders' Equity	Noncontrolling Interests	Total Equity
BALANCE, APRIL 1, 2007	¥24,166	¥50,813	¥6,802	¥211,212	¥ 5,737	¥ (302)	¥298,428	¥2,136	¥300,564
Cumulative effect of adopting the provisions of ASC Topic 740 (former FASB Interpretation No. 48) (Note 1)				(61)			(61)		(61)
Comprehensive loss									
Net income				1,555			1,555	(9)	1,546
Other comprehensive loss (Note 12)									
Net unrealized losses on securities available-for-sale (Notes 1 and 3)					(2,570)		(2,570)		(2,570)
Net unrealized losses on derivative financial instruments (Notes 1 and 15)					(1,005)		(1,005)		(1,005)
Pension liability adjustments (Note 9)					(1,838)		(1,838)		(1,838)
Foreign currency translation adjustments					(3,497)		(3,497)	9	(3,488)
Comprehensive loss							(7,355)	0	(7,355)
Cash dividends (Note 11)				(3,651)			(3,651)	(26)	(3,677)
Transfer to retained earnings appropriated for legal reserve (Note 11)			101	(101)					
Treasury stock acquired (Note 11)						(35)	(35)		(35)
Stock based compensation cost (Note 10)		131					131		131
Exercise of stock options (Note 10)				(24)		24	0		0
Others								5	5
BALANCE, MARCH 31, 2008	24,166	50,944	6,903	208,930	(3,173)	(313)	287,457	2,115	289,572
Comprehensive loss									
Net income				1,657			1,657	92	1,749
Other comprehensive loss (Note 12)									
Net unrealized losses on securities available-for-sale (Notes 1 and 3)					(1,516)		(1,516)		(1,516)
Net unrealized losses on derivative financial instruments (Notes 1 and 15)					(64)		(64)		(64)
Pension liability adjustments (Note 9)					(7,569)		(7,569)		(7,569)
Foreign currency translation adjustments					(5,673)		(5,673)	(92)	(5,765)
Comprehensive loss							(13,165)	0	(13,165)
Effects of accounting change regarding pension plan measurement date pursuant to ASC Topic 715 (former FASB Statement No. 158), net of income taxes (Note 9)				(238)	45		(193)		(193)
Cash dividends (Note 11)				(3,651)			(3,651)	(12)	(3,663)
Transfer to retained earnings appropriated for legal reserve (Note 11)			110	(110)					
Treasury stock acquired (Note 11)						(49)	(49)		(49)
Stock based compensation cost (Note 10)		40					40		40
Exercise of stock options (Note 10)		(21)		0		21	0		0
Others								(166)	(166)
BALANCE, MARCH 31, 2009	24,166	50,963	7,013	206,588	(17,950)	(341)	270,439	1,937	272,376
Comprehensive income									
Net income				**15,721**			**15,721**	**182**	**15,903**
Other comprehensive income (Note 12)									
Net unrealized gains on securities available-for-sale (Notes 1 and 3)					**1,264**		**1,264**	**2**	**1,266**
Net unrealized losses on derivative financial instruments (Notes 1 and 15)					**(41)**		**(41)**		**(41)**
Pension liability adjustments (Note 9)					**4,753**		**4,753**		**4,753**
Foreign currency translation adjustments					**(93)**		**(93)**	**9**	**(84)**
Comprehensive income							**21,604**	**193**	**21,797**
Cash dividends (Note 11)				**(3,651)**			**(3,651)**	**(79)**	**(3,730)**
Transfer to retained earnings appropriated for legal reserve (Note 11)			**176**	**(176)**					
Treasury stock acquired (Note 11)						**(16,480)**	**(16,480)**		**(16,480)**
Exercise of stock options (Note 10)		**(34)**				**34**	**0**		**0**
Others		**(4)**					**(4)**	**3**	**(1)**
BALANCE, MARCH 31, 2010	**¥24,166**	**¥50,925**	**¥7,189**	**¥218,482**	**¥(12,067)**	**¥(16,787)**	**¥271,908**	**¥2,054**	**¥273,962**
	Thousands of U.S. Dollars (Note 1)								
BALANCE, MARCH 31, 2009	$259,849	$547,989	$75,409	$2,221,377	$(193,011)	$ (3,667)	$2,907,946	$20,828	$2,928,774
Comprehensive income									
Net income				**169,042**			**169,042**	**1,957**	**170,999**
Other comprehensive income (Note 12)									
Net unrealized gains on securities available-for-sale (Notes 1 and 3)					**13,591**		**13,591**	**22**	**13,613**
Net unrealized losses on derivative financial instruments (Notes 1 and 15)					**(441)**		**(441)**		**(441)**
Pension liability adjustments (Note 9)					**51,108**		**51,108**		**51,108**
Foreign currency translation adjustments					**(1,000)**		**(1,000)**	**97**	**(903)**
Comprehensive income							**232,300**	**2,076**	**234,376**
Cash dividends (Note 11)				**(39,258)**			**(39,258)**	**(849)**	**(40,107)**
Transfer to retained earnings appropriated for legal reserve (Note 11)			**1,892**	**(1,892)**					
Treasury stock acquired (Note 11)						**(177,204)**	**(177,204)**		**(177,204)**
Exercise of stock options (Note 10)		**(366)**				**366**	**0**		**0**
Others		**(42)**					**(42)**	**31**	**(11)**
BALANCE, MARCH 31, 2010	**$259,849**	**$547,581**	**$77,301**	**$2,349,269**	**$(129,753)**	**$(180,505)**	**$2,923,742**	**$22,086**	**$2,945,828**

See notes to consolidated financial statements.

Consolidated Statements of Cash Flows

Nippon Meat Packers, Inc. and Subsidiaries
For the Years Ended March 31, 2010, 2009 and 2008

	Millions of Yen			Thousands of U.S. Dollars (Note 1)
	2010	2009	2008	**2010**
OPERATING ACTIVITIES:				
Net income	**¥ 15,903**	¥ 1,749	¥ 1,546	**$ 170,999**
Adjustments to reconcile net income to net cash provided by operating activities:				
Depreciation and amortization	**25,098**	24,646	24,486	**269,871**
Impairment loss of long-lived assets	**792**	2,730	2,714	**8,516**
Income taxes deferred	**(696)**	2,176	138	**(7,484)**
Foreign exchange translation adjustments	**(4,239)**	5,300	(412)	**(45,581)**
Decrease in trade notes and accounts receivable	**3,048**	5,705	5,809	**32,774**
Decrease (increase) in inventories	**16,950**	(8,149)	408	**182,258**
Decrease in other current assets	**838**	3,691	811	**9,011**
Decrease in trade notes and accounts payable	**(1,786)**	(310)	(6,260)	**(19,204)**
Increase (decrease) in accrued income taxes	**4,794**	362	(1,994)	**51,548**
Increase in accrued expenses and other current liabilities	**4,458**	200	1,373	**47,935**
Other, net	**2,288**	(324)	1,071	**24,604**
Net cash provided by operating activities	**67,448**	37,776	29,690	**725,247**
INVESTING ACTIVITIES:				
Capital expenditures	**(17,464)**	(16,877)	(18,632)	**(187,785)**
Proceeds from sales of capital assets	**1,623**	2,886	1,650	**17,452**
Decrease (increase) in time deposits	**(53,628)**	9,383	(9,764)	**(576,645)**
Purchases of marketable securities and other investment securities	**(1,423)**	(10,283)	(2,137)	**(15,301)**
Proceeds from sales and maturities of marketable securities and other investment securities	**10,027**	350	2,270	**107,817**
Net decrease in cash and cash equivalents resulting from sale of a subsidiary	**(412)**			**(4,430)**
Other, net	**1,143**	(856)	(180)	**12,290**
Net cash used in investing activities	**(60,134)**	(15,397)	(26,793)	**(646,602)**
FINANCING ACTIVITIES:				
Cash dividends	**(3,730)**	(3,663)	(3,677)	**(40,108)**
Decrease in short-term bank loans	**(7,672)**	(1,694)	(7,633)	**(82,495)**
Proceeds from long-term debt	**29,968**	40	31,426	**322,237**
Repayments of long-term debt	**(7,316)**	(19,395)	(12,630)	**(78,667)**
Acquisition of treasury stock	**(16,480)**	(49)	(35)	**(177,204)**
Other, net	**3**	0	0	**33**
Net cash provided by (used in) financing activities	**(5,227)**	(24,761)	7,451	**(56,204)**
EFFECT OF EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS	**108**	(544)	(581)	**1,161**
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	**2,195**	(2,926)	9,767	**23,602**
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE YEAR	**41,323**	44,249	34,482	**444,333**
CASH AND CASH EQUIVALENTS AT END OF THE YEAR	**¥ 43,518**	¥ 41,323	¥ 44,249	**$ 467,935**
ADDITIONAL CASH FLOW INFORMATION:				
Interest paid	**¥ 2,136**	¥ 2,521	¥ 2,705	**$ 22,968**
Income taxes paid	**4,141**	749	6,904	**44,527**
Capital lease obligations incurred	**3,824**	3,601	2,034	**41,118**

See notes to consolidated financial statements.

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, 2010 are included solely for the convenience of readers outside Japan and have been made at the rate of ¥93=$1, the approximate rate of exchange on March 31, 2010. 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 directly or indirectly (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 the 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 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 50%, 51% and 50% of total depreciable assets as of March 31, 2010, 2009 and 2008, respectively. 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 Accounting Standards Codification ("ASC") of the U.S. Financial Accounting Standards Board ("FASB") Topic 250, "Accounting Changes and Error Corrections" (former 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 attributable to Nippon Meat Packers, Inc., basic net income per share attributable to Nippon Meat Packers, Inc. and diluted net income per share attributable to Nippon Meat Packers, Inc. 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 ASC Topic 360, "Property, Plant, and Equipment" and ASC Topic 205, "Presentation of Financial Statements" (former SFAS No. 144, "Accounting for the Impairment or Disposal of Long-Lived Assets"). ASC Topic 360 provides one accounting model for the impairment or disposal of long-lived assets. ASC Topic 205 provides the criteria for classifying an asset as held for sale, defines the scope of business to be disposed of that qualify for reporting as discontinued operations and the timing of recognizing losses on such operations.

In accordance with ASC Topic 360, 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 ASC Topic 205, 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 ASC Topic 350, "Intangibles-Goodwill and Other" (former SFAS No. 142, "Goodwill and Other Intangible Assets"). ASC Topic 350 requires that goodwill no longer be amortized, but instead be reviewed for impairment at least annually. ASC Topic 350 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 ASC Topic 805, "Business Combinations" (former SFAS No. 141(R) (revised 2007), "Business Combinations"). In accordance with the provisions of ASC Topic 805, the acquisitions of subsidiaries were accounted for using the purchase method of accounting.

(10) Retirement and Severance Programs
The Companies apply ASC Topic 715, "Compensation-Retirement Benefits" (former SFAS No. 87, "Employers' Accounting for Pensions," SFAS No. 158, "Employer's Accounting for Defined Benefit Pension and Other Postretirement Plans," and SFAS No. 88, "Employers' Accounting for Settlements and Curtailments of Defined Benefit Pension Plans and for Termination Benefits,") to account for the Companies' employee retirement and severance programs.

As allowed under ASC Topic 715, 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, 2010 and 2009.

(12) Fair Value Measurements
The Companies apply ASC Topic 820, "Fair value Measurements and Disclosures" (former SFAS No. 157, "Fair Value Measurements"). For more information, see "Note 15. Fair Value Measurements."

(13) Income Taxes
The Companies apply ASC Topic 740, "Income Taxes" (former SFAS No. 109, "Accounting for Income Taxes"). In accordance with the provisions of ASC Topic 740, 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. ASC Topic 740 also 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.

In June 2006, the FASB issued ASC Topic 740 (former FASB Interpretation No. 48, "Accounting for Uncertainty in Income Taxes, an interpretation of FASB Statement No. 109"). ASC Topic 740 clarifies the accounting for an uncertainty in income taxes recognized in an enterprise's financial statements 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. ASC Topic 740 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 ASC Topic 740 on April 1, 2007, unappropriated retained earnings were decreased by ¥61 million at the beginning of the year, and net income attributable to Nippon Meat Packers, Inc. 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 ASC Topic 718, "Compensation-Stock Compensation" (former SFAS No. 123(R) (revised 2004), "Share Based Payment"). In accordance with the provisions of ASC Topic 718, the share-based compensation is accounted for using the fair value method. Under the fair value 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 attributable to Nippon Meat Packers, Inc. by the weighted-average number of common shares outstanding during the year. Diluted EPS is computed by dividing net income attributable to Nippon Meat Packers, Inc. by the sum of the weighted-average number of common shares outstanding plus the dilutive effect of shares issuable through stock options and convertible bonds.

The net income attributable to Nippon Meat Packers, Inc. and shares used for basic EPS and diluted EPS are reconciled below.

	Millions of Yen			Thousands of U.S. Dollars
	2010	2009	2008	**2010**
Net Income (Numerator)				
Income from continuing operations attributable to Nippon Meat Packers, Inc. shareholders	**¥15,721**	¥1,104	¥ 3,866	**$169,042**
Income (loss) from discontinued operations attributable to Nippon Meat Packers, Inc. shareholders		553	(2,311)	
Income attributable to Nippon Meat Packers, Inc. shareholders	**¥15,721**	¥1,657	¥ 1,555	**$169,042**

	Thousands of Shares		
	2010	2009	2008
Shares (Denominator)			
Average shares outstanding for basic earnings per share	**225,580**	228,175	228,192
Dilutive effect of stock options	**394**	410	348
Dilutive effect of convertible bonds	**1,910**		
Average shares outstanding for diluted earnings per share	**227,884**	228,585	228,540

(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. Taxes collected from customers and remitted to governmental authorities are excluded from revenues in the consolidated statements of income.

(17) Sales Promotion Expenses and Rebates
The Companies account for promotion expenses and rebates in accordance with the provisions of ASC Topic 605, "Revenue Recognition" (former 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)"). ASC Topic 605 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 ¥13,110 million ($140,968 thousand), ¥13,711 million and ¥11,866 million for the years ended March 31, 2010, 2009 and 2008, respectively.

(19) Research and Development
Research and development costs are expensed as incurred. Research and development costs amounted to ¥3,011million ($32,376 thousand), ¥2,822 million and ¥2,283 million for the years ended March 31, 2010, 2009 and 2008, respectively.

(20) Derivative Instruments and Hedging Activities
The Companies account for derivative instruments and hedging activities in accordance with ASC Topic 815, "Derivatives and Hedging" (former 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"). ASC Topic 815 requires that all derivative instruments 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 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 ASC Topic 460, "Guarantees" (former FASB Interpretation No. 45, "Guarantor's Accounting and Disclosure Requirements for Guarantees, Including Indirect Guarantees of Indebtedness of Others,") which addresses the disclosure to be made by a guarantor in its financial statements about its obligations under guarantees. ASC Topic 460 also requires the recognition of a liability by a guarantor at the inception of certain guarantees. ASC Topic 460 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) Recent Accounting Pronouncements:
Business Combinations—The Companies adopted ASC Topic 805, "Business Combinations" (former SFAS No.141 (R) (revised 2007), "Business Combinations") in the first quarter of the year ended March 31, 2010. ASC Topic 805 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. ASC Topic 805 also establishes disclosure requirements to enable the evaluation of the nature and financial effects of the business combination. The adoption of ASC Topic 805 had no significant impact on the consolidated financial statements.

Noncontrolling Interests in Consolidated Financial Statements—The Companies adopted ASC Topic 810, "Consolidation" (former SFAS No. 160, "Noncontrolling Interests in Consolidated Financial Statements—an amendment of ARB No. 51") in the first quarter of the year ended March 31, 2010. ASC Topic 810 establishes accounting and reporting standards for the noncontrolling interest in a subsidiary and for the deconsolidation of a subsidiary. ASC Topic 810 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.

As a result of the adoption of ASC Topic 810, "minority interests," which was formerly presented as an independent item between the section of liabilities and the section of shareholders' equity on the consolidated balance sheet, are restated as "noncontrolling interests" and included in the section of equity. Accordingly, the previous "shareholders' equity" also is restated as "Total Nippon Meat Packers, Inc. shareholders' equity." With regard to its consolidated statement of income, minority interest in net income, which used to be included in "Cost and expenses—other," is presented independently as "net (income) loss attributable to noncontrolling interests" after "net income" and the figure obtained by deducting "net (income) loss attributable to noncontrolling interests" from "net income" is presented as "net income attributable to Nippon Meat Packers, Inc." The presentation and disclosure requirements of ASC Topic 810 are applied retrospectively. Accordingly, the prior years' consolidated financial statements are reclassified to conform to the current year's presentation. The adoption of ASC Topic 810 had no significant impact on the consolidated financial statements.

Equity Method Investment Accounting Considerations—The Companies adopted ASC Subtopic 323-10, "Investments-Equity Method and Joint Ventures—Overall" (former Emerging Issues Task Force Issue No. 08-6, "Equity Method Investment Accounting Considerations") in the first quarter of the year ended March 31, 2010. ASC Subtopic 323-10 clarifies the accounting for certain transactions and impairment considerations involving equity method investments. The adoption of ASC Subtopic 323-10 had no significant impact on the consolidated financial statements.

Fair Value Measurements—The Companies adopted ASC Topic 820, "Fair Value Measurements and Disclosures" (former SFAS No. 157, "Fair Value Measurements") for certain nonfinancial assets and liabilities that are measured and disclosed at fair value on a non-recurring basis in the first quarter of the year ended March 31, 2010. The adoption of ASC Topic 820 had no significant impact on the consolidated financial statements.

The Companies adopted ASC Topic 820, (former FASB Staff Positions ("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," ASC Topic 320, "Investments-Debt and Equity Securities" (former FSP No. FAS 115-2 and FAS 124-2 "Recognition and Presentation of Other-Than-Temporary Impairments,") and ASC Topic 825, "Financial Instruments" (former FSP No. FAS107-1 and APB 28-1, "Interim Disclosures about Fair Value of Financial Instruments") in the first quarter of the year ended March 31, 2010. ASC Topic 820 provides guidance on determining fair value when volume and level of activity for the asset or liability significantly decreased. ASC Topic 320 addresses other-than-temporary impairments for debt securities. ASC Topic 825 requires fair value disclosures for financial instruments in interim periods. The adoption of these statements had no significant impact on the consolidated financial statements.

Subsequent Events—The Companies adopted ASC Topic 855, "Subsequent Events" (former SFAS No. 165, "Subsequent Events") which provides guidance on management's assessment of subsequent events in the first quarter of the year ended March 31, 2010. ASC Topic 855 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. The adoption of ASC Topic 855 had no significant impact on the consolidated financial statements.

In February 2010, the FASB issued Accounting Standards Update ("ASU") 2010-09 related to an entity's requirement to perform and disclose subsequent-events procedures. This update is effective immediately for the financial statements that are issued, available to be issued or are revised. The Companies adopted ASU 2010-09 for the year ended March 31, 2010. The adoption of ASU 2010-09 had no significant impact on the consolidated financial statements.

Employers' Disclosures about Postretirement Benefit Plan Assets—The Companies adopted ASC Topic 715, "Compensation-Retirement Benefits" (former FSP No. FAS 132 (R)-1, "Employers' Disclosures about Postretirement Benefit Plan Assets") for the year ended March 31, 2010. ASC Topic 715 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. ASC Topic 715 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, ASC Topic 715 establishes disclosure requirements for significant concentrations of risk within plan assets. The adoption of ASC Topic 715 had no significant impact on the consolidated financial statements.

The FASB Accounting Standards Codification and the Hierarchy of Generally Accepted Accounting Principles— The Companies adopted ASC Topic 105, "Generally Accepted Accounting Principles" (former SFAS No. 168, "The FASB Accounting Standards Codification and the Hierarchy of Generally Accepted Accounting Principles—a replacement of FASB Statement No. 162") in the second quarter of the year ended March 31, 2010. ASC Topic 105 establishes the Codifications as the source of authoritative GAAP recognized by the FASB to be applied by nongovernmental entities. Rules and interpretive releases of the Securities and Exchange Commission ("SEC") under authority of federal securities laws are also sources of authoritative GAAP for SEC registrants. The adoption of ASC Topic 105 had no impact on the consolidated financial statements.

Accounting and Reporting for Decreases in Ownership of a Subsidiary—a Scope Clarification—In January 2010, the FASB issued ASU 2010-02, which provides amendments to Subtopic 810-10, "Consolidation—Overall" to clarify the scope of the decrease in ownership and expand disclosures about the deconsolidation of a subsidiary in ASC Topic 810, "Consolidation." This update is effective beginning in the first interim or annual reporting period ending on or after December 15, 2009. This update is also adopted retrospectively to the first period in which an entity adopts ASC Topic 810. The Companies adopted ASU 2010-02 retrospectively to the first period of the year ended March 31, 2010. The adoption of ASU 2010-02 had no impact on the consolidated financial statements.

Improving Disclosures about Fair Value Measurements—In January 2010, the FASB issued ASU 2010-06, which improves disclosure requirements related to ASC subtopic 820-10, “Fair value measurements and disclosures—Overall.” This update adds new requirement for disclosures about transfers into and out of Levels 1 and 2 and separate disclosures about purchases, sales, issuances, and settlements relating to Level 3 measurements. It also clarifies existing fair value disclosures about the level of disaggregation and about inputs and valuation techniques used to measure fair value.

The Companies adopted ASU 2010-06 in the fourth quarter of the year ended March 31, 2010, except for disclosures about purchases, sales, issuances and settlements of Level 3 assets and liabilities, which had no significant impact on the consolidated financial statements.

The disclosures about purchases, sales, issuances and settlements of Level 3 assets and liabilities will be effective for fiscal years beginning after December 15, 2010, and for interim periods within those fiscal years. The Companies are currently evaluating the impact of the adopting Level 3 fair value measurements in ASU 2010-06 on the consolidated financial statements.

2. INVENTORIES

Inventories at March 31, 2010 and 2009 consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2010	2009	**2010**
Finished goods and merchandise	**¥ 60,875**	¥ 76,348	**$ 654,570**
Raw materials and work-in-process	**35,440**	35,272	**381,075**
Supplies	**4,230**	4,145	**45,484**
Total	**¥100,545**	¥115,765	**$1,081,129**

The Companies recognized losses of ¥1,230 million ($13,226 thousand), ¥6,905 million 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, 2010, 2009 and 2008, respectively.

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 available-for-sale securities and held-to-maturity securities (included in “marketable securities” and “other investment securities”) at March 31, 2010 and 2009:

	Millions of Yen								Thousands of U.S. Dollars			
	2010				2009				**2010**			
	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:												
Domestic stocks												
Retail industry	**¥ 4,524**	**¥1,192**	**¥(47)**	**¥ 5,669**	¥ 4,399	¥ 860	¥ (306)	¥ 4,953	**$ 48,645**	**$12,817**	**$(505)**	**$ 60,957**
Others	**6,273**	**1,484**	**(29)**	**7,728**	8,036	1,211	(1,282)	7,965	**67,452**	**15,957**	**(312)**	**83,097**
Mutual funds	**297**	**4**		**301**	333	1	(30)	304	**3,194**	**43**		**3,237**
Held-to-maturity:												
Commercial paper					9,998			9,998				
Japanese government bonds	**210**	**0**		**210**	210	1		211	**2,258**	**0**		**2,258**
Total	**¥11,304**	**¥2,680**	**¥(76)**	**¥13,908**	¥22,976	¥2,073	¥(1,618)	¥23,431	**$121,549**	**$28,817**	**$(817)**	**$149,549**

Fair value and gross unrealized holding losses of available-for-sale securities, aggregated by investment category and length of time that individual securities have been in a continuous unrealized loss position, at March 31, 2010 and 2009 were as follows. There were no investments in a continuous unrealized loss position for 12 months or more at March 31, 2010 and 2009.

	Millions of Yen				Thousands of U.S. Dollars	
	2010		2009		**2010**	
	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:						
Domestic stocks						
Retail industry	**¥516**	**¥(47)**	¥1,209	¥ (306)	**$5,548**	**$(505)**
Others	**373**	**(29)**	3,539	(1,282)	**4,011**	**(312)**
Mutual funds			40	(30)		
Total	**¥889**	**¥(76)**	¥4,788	¥(1,618)	**$9,559**	**$(817)**

The proceeds from sales of available-for-sale securities were ¥29 million ($312 thousand), ¥24 million and ¥48 million for the years ended March 31, 2010, 2009 and 2008, respectively. These sales resulted in gross realized gains and losses as follows:

	Millions of Yen			Thousands of U.S. Dollars
	2010	2009	2008	**2010**
Realized gains	**¥ 0**	¥ 2	¥ 1	**$ 0**
Realized losses	**(16)**	(11)	(13)	**(172)**

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 held-to-maturity at March 31, 2010 are as follows:

	Millions of Yen		Thousands of U.S. Dollars	
	Cost	Fair Value	Cost	Fair Value
Due within one year	**¥210**	**¥210**	**$2,258**	**$2,258**

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 ¥3,627 million ($38,999 thousand) and ¥2,432 million at March 31, 2010 and 2009, respectively.

Investments in and advances to associated companies at March 31, 2010 and 2009 consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2010	2009	**2010**
Investments in capital stock	**¥2,245**	¥2,055	**$24,140**
Advances	**107**	113	**1,150**
Total	**¥2,352**	¥2,168	**$25,290**

Additionally, a short term loan to an associated company of ¥100 million 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, 2010 and 2009.

4. PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment at March 31, 2010 and 2009 consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2010	2009	**2010**
Land	**¥ 86,741**	¥ 86,976	**$ 932,699**
Buildings	**256,151**	252,634	**2,754,312**
Machinery and equipment	**216,796**	210,731	**2,331,140**
Construction in progress	**864**	1,037	**9,290**
Total	**560,552**	551,378	**6,027,441**
Less accumulated depreciation	**(333,471)**	(318,516)	**(3,585,710)**
Property, plant and equipment—net	**¥ 227,081**	¥ 232,862	**$ 2,441,731**

The Companies recorded net losses on dispositions of property, plant and equipment of ¥311 million ($3,344 thousand), ¥321 million and ¥479 million for the years ended March 31, 2010, 2009 and 2008, 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 intangible assets in the consolidated balance sheets at March 31, 2010 and 2009 consisted of the following:

	Millions of Yen				Thousands of U.S. Dollars	
	2010		2009		**2010**	
	Gross Carrying Amount	Accumulated Amortization	Gross Carrying Amount	Accumulated Amortization	Gross Carrying Amount	Accumulated Amortization
Software	**¥16,646**	**¥5,739**	¥13,808	¥6,002	**$178,989**	**$61,710**
Software in progress	**367**		2,915		**3,946**	
Other	**505**	**219**	882	564	**5,430**	**2,355**
Total	**¥17,518**	**¥5,958**	¥17,605	¥6,566	**$188,365**	**$64,065**

Intangible assets not subject to amortization at March 31, 2010 and 2009 were immaterial.

Amortization expense was ¥2,910 million ($31,290 thousand), ¥2,058 million and ¥1,498 million for the years ended March 31, 2010, 2009 and 2008, 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
2011	¥3,197	$34,376
2012	2,879	30,957
2013	2,503	26,914
2014	1,909	20,527
2015	910	9,785

The carrying amount of goodwill at March 31, 2010 and 2009 and change in its carrying amount for the years ended March 31, 2010 and 2009 were immaterial to the Companies' operations.

6. IMPAIRMENT OF LONG-LIVED ASSETS

The Companies recognized impairment losses of ¥792 million ($8,516 thousand) for the year ended March 31, 2010. The impairment losses relate principally to idle assets 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 were incurred mainly due to a decline in market value of the assets.

The Companies recognized impairment losses of ¥2,730 million for the year ended March 31, 2009. The impairment losses relate principally to certain production facilities for leather 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 a decline in market value of the assets.

For the year ended March 31, 2008, the Company's consolidated subsidiary in Australia, which had 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 discontinued 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 expenses—other in the consolidated statements of income.

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, 2010 and 2009 range from 0.5% to 5.8% and from 0.7% to 6.0%, respectively.

The Company entered into contracts with certain financial institutions for committed credit lines totaling ¥76,000 million ($817,204 thousand) at March 31, 2010 and 2009 which are available for immediate borrowings. There were no borrowings against these credit lines.

Long-term debt at March 31, 2010 and 2009 consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2010	2009	**2010**
Long-term debt with collateral:			
Mainly banks and insurance companies, maturing through 2019, interest rates ranging from 0.9% to 2.7% in 2010 and 2009	**¥ 8,742**	¥ 11,183	**$ 94,000**
Long-term debt without collateral:			
Mainly banks and insurance companies, maturing through 2012, interest rates ranging from 0.8% to 4.5% in 2010 and 2009	**54,802**	56,717	**589,268**
1.45% bonds due December 2012	**20,000**	20,000	**215,054**
2.01% bonds due December 2017	**10,000**	10,000	**107,527**
Zero coupon convertible bonds due March 2014 Conversion price, ¥1,309 per share Exercise period of the stock acquisition rights, April 1, 2010 to February 27, 2014	**30,000**		**322,581**
Capital lease obligations, interest rates ranging from 0.6% to 4.4% in 2010 maturing through 2029, and from 0.8% to 4.4% in 2009 maturing through 2024	**15,709**	14,595	**168,914**
Total	**139,253**	112,495	**1,497,344**
Less current maturities	**(42,483)**	(6,943)	**(456,806)**
Long-term debt, less current maturities	**¥ 96,770**	¥105,552	**$1,040,538**

At March 31, 2010, the aggregate annual maturities of long-term debt are as follows:

Year Ending March 31	Millions of Yen	Thousands of U.S. Dollars
2011	¥ 42,483	$ 456,806
2012	23,674	254,559
2013	23,742	255,290
2014	32,072	344,860
2015	1,143	12,290
Thereafter	16,139	173,539
Total	¥139,253	$1,497,344

At March 31, 2010, property, plant and equipment with a net book value of ¥24,075 million ($258,871 thousand) was pledged as collateral for long-term debt of ¥8,742 million ($94,000 thousand).

Substantially all the short-term and long-term loans from banks are made under agreements which provide as is customary in Japan 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, 2010 and 2009 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, 2010, 2009 and 2008, 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:

	2010	2009	2008
Normal Japanese statutory tax rates	**41.0%**	41.0%	41.0%
Increase (decrease) in taxes resulting from:			
Difference in foreign subsidiaries tax rates	**(2.6)**	5.0	4.6
Change in the valuation allowance	**(1.2)**	36.5	17.9
Impact from restructuring of certain subsidiaries	**(0.3)**	(11.4)	(21.3)
Permanently non-deductible expenses	**3.2**	5.9	6.9
Tax credit	**(2.2)**	(4.2)	(4.3)
Other—net	**(3.1)**	1.2	5.3
Effective income tax rates	**34.8%**	74.0%	50.1%

The approximate effects of temporary differences and net operating loss and tax credit carryforwards that gave rise to deferred tax balances at March 31, 2010 and 2009 were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2010	2009	**2010**
Deferred tax assets:			
Inventories	**¥ 41**	¥	**$ 441**
Certain accrued prefectural income taxes	**456**	408	**4,903**
Accrued bonuses	**3,454**	3,342	**37,140**
Liability under retirement and severance programs	**9,664**	12,592	**103,914**
Investments in subsidiaries	**618**	273	**6,645**
Land	**1,843**	1,807	**19,817**
Other temporary differences	**4,556**	4,334	**48,989**
Net operating loss and tax credit carryforwards	**10,411**	10,982	**111,946**
Total	**31,043**	33,738	**333,795**
Less valuation allowance	**(8,288)**	(7,820)	**(89,118)**
Total deferred tax assets	**22,755**	25,918	**244,677**
Deferred tax liabilities:			
Securities	**(285)**	(109)	**(3,064)**
Inventories	**(527)**	(1,164)	**(5,666)**
Investments in subsidiaries	**(2,159)**	(2,157)	**(23,215)**
Land	**(288)**	(288)	**(3,097)**
Other temporary differences	**(561)**	(149)	**(6,032)**
Total deferred tax liabilities	**(3,820)**	(3,867)	**(41,074)**
Net deferred tax assets	**¥18,935**	¥22,051	**$203,603**

The net changes in the total valuation allowance for the years ended March 31, 2010 and 2009 were an increase of ¥468 million ($5,032 thousand) and an increase of ¥1,360 million, respectively.

At March 31, 2010, the net operating loss carryforwards of the Companies for corporate income tax and local income tax purposes amounted to ¥17,733 million ($190,678 thousand) and ¥32,399 million ($348,376 thousand), respectively. The net operating loss carryforwards for corporate income tax and local income tax purposes subject to expiration in the period from 2011 to 2015 are ¥235 million ($2,527 thousand) and ¥17,607 million ($189,322 thousand), respectively. The remaining balances for corporate income tax and local income tax purposes, ¥17,498 million ($188,151 thousand) and ¥14,792 million ($159,054 thousand), respectively, will expire in years beyond 2015 or have an indefinite carryforward period. At March 31, 2010, the Companies had tax credit carryforward of ¥897 million ($9,645 thousand), of which ¥599 million ($6,441 thousand) will expire within 5 years while the remaining ¥298 million ($3,204 thousand) will expire beyond 2015 or have an indefinite carryforward.

The portion of the undistributed earnings of foreign subsidiaries which are deemed to be permanently invested amounted to ¥12,898 million ($138,688 thousand) at March 31, 2010. 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 was no significant impact on the Company's consolidated financial statements as a result of enactment of the revised corporate tax law.

The Companies file income tax returns in Japan and various foreign tax jurisdictions. The Company and its major domestic subsidiaries are no longer subject to income tax examinations by tax authorities for years prior to the year ended March 31, 2005. Major subsidiaries in Australia, the United States and other foreign countries are no longer subject to income tax examinations by tax authorities for years prior to the year ended March 31, 2005.

9. RETIREMENT AND SEVERANCE PROGRAMS

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.

For the year ended March 31, 2009, the Company applied the measurement date provisions of ASC Topic 715. ASC Topic 715 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 ASC Topic 715, unappropriated retained earnings were decreased by ¥238 million ($2,559 thousand), and accumulated other comprehensive loss was decreased by ¥45 million ($484 thousand).

The Company recognized the defined contribution cost of ¥249 million ($2,677 thousand), ¥262 million and ¥285 million for the years ended March 31, 2010, 2009 and 2008, respectively.

Net periodic benefit cost under the Company's retirement and severance programs for the years ended March 31, 2010, 2009 and 2008 included the following components:

	Millions of Yen			Thousands of U.S. Dollars
	2010	2009	2008	**2010**
Service cost	**¥1,143**	¥1,115	¥1,207	**$12,290**
Interest cost	**582**	768	804	**6,258**
Expected return on plan assets	**(386)**	(545)	(551)	**(4,151)**
Amortization of prior service credit	**(264)**	(264)	(242)	**(2,839)**
Recognized actuarial loss	**1,468**	664	525	**15,785**
Settlement loss	**870**	735	593	**9,355**
Net periodic benefit cost	**¥3,413**	¥2,473	¥2,336	**$36,698**

The following table sets forth various information about the Company's plans as of March 31, 2010 and 2009.

	Millions of Yen		Thousands of U.S. Dollars
	2010	2009	**2010**
Change in projected benefit obligations:			
Projected benefit obligations at beginning of year	**¥ 40,301**	¥ 39,720	**$433,345**
Service cost	**1,143**	1,115	**12,290**
Interest cost	**582**	768	**6,258**
Actuarial (gain) loss	**(1,622)**	2,573	**(17,441)**
Benefits paid:			
Settlement paid	**(1,133)**	(2,101)	**(12,183)**
Others	**(1,542)**	(2,226)	**(16,581)**
ASC Topic 715 measurement date adjustment		452	
Projected benefit obligations at end of year	**37,729**	40,301	**405,688**
Change in fair value of plan assets:			
Fair value of plan assets at beginning of year	**28,916**	39,527	**310,925**
Actual gain (loss) on plan assets	**2,597**	(10,330)	**27,925**
Employer contribution	**1,393**	1,821	**14,978**
Benefits paid—Others	**(1,542)**	(2,226)	**(16,581)**
ASC Topic 715 measurement date adjustment		124	
Fair value of plan assets at end of year	**31,364**	28,916	**337,247**
Funded status at end of year	**¥ (6,365)**	¥(11,385)	**$ (68,441)**

Amounts recognized by the Company in the consolidated balance sheets at March 31, 2010 and 2009 consisted of:

	Millions of Yen		Thousands of U.S. Dollars
	2010	2009	**2010**
Prepaid benefit cost	**¥ 109**	¥ 101	**$ 1,172**
Accrued benefit liability	**(6,474)**	(11,486)	**(69,613)**
	¥(6,365)	¥(11,385)	**$(68,441)**

Amounts recognized by the Company in accumulated other comprehensive loss at March 31, 2010 and 2009 consisted of:

	Millions of Yen		Thousands of U.S. Dollars
	2010	2009	**2010**
Actuarial loss	**¥19,565**	¥25,735	**$210,376**
Prior service credit	**(2,415)**	(2,678)	**(25,968)**
	¥17,150	¥23,057	**$184,408**

The Company's accumulated benefit obligations for defined benefit plans at March 31, 2010 and 2009 were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2010	2009	**2010**
Accumulated benefit obligations	**¥37,729**	¥40,301	**$405,688**

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
	2010	2009	**2010**
Plans with projected benefit obligations in excess of plan assets:			
Projected benefit obligations	**¥34,428**	¥36,531	**$370,194**
Fair value of plan assets	**27,954**	25,045	**300,581**
Plans with accumulated benefit obligations in excess of plan assets:			
Accumulated benefit obligations	**34,428**	36,531	**370,194**
Fair value of plan assets	**27,954**	25,045	**300,581**

Amounts recognized by the Company in the other comprehensive loss and reclassification adjustments of the other comprehensive loss for the years ended March 31, 2010 and 2009 were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2010	2009	**2010**
Current year actuarial (gain) loss	**¥(3,833)**	¥13,448	**$(41,215)**
Amortization of prior service credit	**264**	264	**2,839**
Recognition of actuarial loss	**(2,338)**	(1,399)	**(25,140)**

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)	$ (2,839)
Actuarial loss	1,083	11,645

Assumptions

Weighted-average assumptions used to determine the Company's benefit obligations at March 31, 2010 and 2009 were as follows:

	2010	2009
Discount rate	**1.5%**	1.5%

Weighted-average assumptions used to determine the Company's net periodic benefit cost for the years ended March 31, 2010, 2009 and 2008 were as follows:

	2010	2009	2008
Discount rate	**1.5%**	2.0%	2.0%
Expected long-term rate of return on plan assets	**2.2%**	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, 2010, 2009 and 2008.

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

The Company's portfolio consists of four major components; approximately 41% is invested in equity securities, approximately 17% is invested in debt securities, approximately 20% is invested in life insurance company general accounts, and approximately 22% is invested in mutual funds and other investment vehicles.

The equity securities consist of primarily stocks that are listed on the stock exchanges.

The Company investigates the business condition of the investee companies and appropriately diversifies investments by industry types and other relevant factors. The debt securities consist primarily of government bonds, public debt instruments, and corporate bonds. The Company investigates the quality of the bonds, including credit rating, interest rate and repayment dates, and appropriately diversifies the investments. Mutual funds are invested using the strategy consistent with the equity and debt securities described above. As for the life insurance general accounts, life insurance companies guarantee certain interest rate and repayment of principal.

The target asset allocation of the Company's contributory pension plan by asset class was 28% for equity securities, 56% for debt securities, 10% for life insurance company general accounts and 6% for others for the year ended March 31, 2010, and the target allocation for the year ending March 31, 2011 is 24% for equity securities, 45% for debt securities, 25% for life insurance company general accounts and 6% for others. Plan assets of the employee retirement benefit trust were included in domestic stocks and others of the below table, which amounted to ¥10,570 million ($113,656 thousand).

The fair value of the Company's pension plans' asset allocations at March 31, 2010 by asset class was as follows:

	Millions of Yen				Thousands of U.S. Dollars			
Asset class	Level 1	Level 2	Level 3	Total	Level 1	Level 2	Level 3	Total
Equity securities:								
Domestic stocks	**¥10,897**			**¥10,897**	**$117,172**			**$117,172**
Foreign stocks	**1,993**			**1,993**	**21,430**			**21,430**
Debt securities:								
Japanese government bonds and domestic municipal bonds	**2,847**			**2,847**	**30,613**			**30,613**
Domestic corporate bonds	**793**			**793**	**8,527**			**8,527**
Foreign government bonds and foreign municipal bonds	**1,618**			**1,618**	**17,398**			**17,398**
Foreign corporate bonds	**39**			**39**	**419**			**419**
Life insurance company general accounts		**¥6,219**		**6,219**		**$ 66,871**		**66,871**
Others:								
Mutual funds		**3,087**		**3,087**		**33,194**		**33,194**
Others	**3,153**	**4**	**¥714**	**3,871**	**33,903**	**43**	**$7,677**	**41,623**
Total	**¥21,340**	**¥9,310**	**¥714**	**¥31,364**	**$229,462**	**$100,108**	**$7,677**	**$337,247**

Level 1 assets are comprised principally of equity securities and government bonds, which are valued using unadjusted quoted market prices in active markets with sufficient volume and frequency of transactions. Level 2 assets are comprised principally of mutual funds that invest in equity and debt securities, and investments in life insurance company general accounts. Mutual funds, which are redeemable within 10 days, are valued at their net asset values which are calculated by the investment management companies. Investments in life insurance company general accounts are valued at the sum of original principal and accrued interest. The fair value of Level 3 assets consist of funds that invest principally in unlisted equity securities. Actual returns on, and purchases and sales of, these assets during the year ended March 31, 2010 were not significant.

Contributions

The Company expects to contribute ¥1,366 million ($14,688 thousand) to the contributory pension plan in the year ending March 31, 2011.

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
2011	¥1,888	$ 20,301
2012	2,051	22,054
2013	2,012	21,634
2014	2,065	22,204
2015	1,959	21,065
2016 – 2020	9,735	104,677

Certain of the Company's subsidiaries have defined benefit 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, 2010, 2009 and 2008 was as follows:

	Millions of Yen			Thousands of U.S. Dollars
	2010	2009	2008	**2010**
Net periodic benefit cost for the year	**¥ 1,428**	¥ 1,745	¥ 2,550	**$ 15,355**
Benefit obligations at end of year	**12,476**	14,223	16,221	**134,150**
Fair value of plan assets at end of year	**3,460**	3,047	5,686	**37,204**
Liabilities recognized at end of year	**9,016**	11,176	10,535	**96,946**

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

Certain domestic subsidiaries contributed ¥487 million ($5,237 thousand), ¥493 million and ¥491 million to certain multiemployer plans for the years ended March 31, 2010, 2009 and 2008, respectively.

Certain domestic subsidiaries recognized the defined contribution cost of ¥409 million ($4,398 thousand), ¥284 million and ¥193 million for the years ended March 31, 2010, 2009 and 2008, respectively.

Additionally, the Companies provided for directors' retirement allowances of ¥638 million ($6,860 thousand) and ¥597 million at March 31, 2010 and 2009, respectively, based on their internal regulations.

Special severance benefits of ¥221 million ($2,376 thousand), ¥1,835 million and ¥3,472 million were paid in 2010, 2009 and 2008, 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 options to purchase shares of its common stock to directors (excluding outside directors) and executive officers of the Company during the year ended March 31, 2008 under a fixed stock option plan pursuant to a resolution at the shareholders' 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 exercisable 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 year ended March 31, 2008. 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.

Expected dividend yield, expected volatility, risk-free interest rates and expected lives used to calculate fair value of the option granted during the year ended March 31, 2008 were 1.2%, 25.2%, 1.5% and 6.3 years, respectively.

A summary of option activity under the Company's stock option plan at March 31, 2010 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, 2009	**403,000**	**¥1**			**$0**	
Granted						
Exercised	**(28,000)**	**1**			**0**	
Outstanding at March 31, 2010	**375,000**	**1**	11.2	¥463	**0**	**$4,978**
Exercisable at March 31, 2010	**71,000**	**¥1**	3.1	¥ 87	**$0**	**$ 935**

	Millions of Yen	
	2009	2008
Total compensation cost recognized under the fair value method during the year	¥40	¥131
Total income tax benefit recognized during the year	16	54

The weighted-average grant-date fair value of stock options granted per share during the year ended March 31, 2008 was ¥1,231. The total intrinsic value of options exercised during the years ended March 31, 2010, 2009 and 2008 was ¥35 million ($376 thousand), ¥21 million and ¥24 million, respectively.

Cash received from options exercised for the years ended March 31, 2010, 2009 and 2008 was immaterial.

11. SHAREHOLDERS' EQUITY

On and after May 1, 2006, Japanese companies are subject to the 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, 2010 was ¥109,019 million ($1,172,247 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, 2010, 2009 and 2008 are as follows:

	Millions of Yen								
	2010			2009			2008		
	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 gains (losses) on securities available-for-sale									
Amounts arising during the year	**¥ 258**	**¥ (106)**	**¥ 152**	¥ (3,166)	¥1,298	¥ (1,868)	¥ (5,280)	¥2,165	¥(3,115)
Reclassification adjustments for losses realized in net income	**1,885**	**(773)**	**1,112**	597	(245)	352	924	(379)	545
Net change during the year	**2,143**	**(879)**	**1,264**	(2,569)	1,053	(1,516)	(4,356)	1,786	(2,570)
Net unrealized losses on derivative financial instruments									
Amounts arising during the year	**(456)**	**187**	**(269)**	136	(56)	80	(1,168)	479	(689)
Reclassification adjustments for (gains) losses realized in net income	**386**	**(158)**	**228**	(244)	100	(144)	(536)	220	(316)
Net change during the year	**(70)**	**29**	**(41)**	(108)	44	(64)	(1,704)	699	(1,005)
Pension liability adjustments									
Amounts arising during the year	**5,810**	**(2,382)**	**3,428**	(14,435)	5,918	(8,517)	(4,049)	1,660	(2,389)
Reclassification adjustments for losses realized in net income	**2,246**	**(921)**	**1,325**	1,607	(659)	948	934	(383)	551
Net change during the year	**8,056**	**(3,303)**	**4,753**	(12,828)	5,259	(7,569)	(3,115)	1,277	(1,838)
Foreign currency translation adjustments									
Amounts arising during the year	**(111)**		**(111)**	(4,196)		(4,196)	(3,497)		(3,497)
Reclassification adjustments for (gains) losses realized in net income	**18**		**18**	(1,477)		(1,477)			
Net change during the year	**(93)**		**(93)**	(5,673)		(5,673)	(3,497)		(3,497)
Other comprehensive income (loss)	**¥10,036**	**¥(4,153)**	**¥5,883**	¥(21,178)	¥6,356	¥(14,822)	¥(12,672)	¥3,762	¥(8,910)

	Thousands of U.S. Dollars		
	2010		
	Before-Tax Amount	Income Tax	After-Tax Amount
Net unrealized gains on securities available-for-sale			
Amounts arising during the year	**$ 2,774**	**$ (1,140)**	**$ 1,634**
Reclassification adjustments for losses realized in net income	**20,269**	**(8,312)**	**11,957**
Net change during the year	**23,043**	**(9,452)**	**13,591**
Net unrealized losses on derivative financial instruments			
Amounts arising during the year	**(4,904)**	**2,011**	**(2,893)**
Reclassification adjustments for losses realized in net income	**4,151**	**(1,699)**	**2,452**
Net change during the year	**(753)**	**312**	**(441)**
Pension liability adjustments			
Amounts arising during the year	**62,473**	**(25,613)**	**36,860**
Reclassification adjustments for losses realized in net income	**24,151**	**(9,903)**	**14,248**
Net change during the year	**86,624**	**(35,516)**	**51,108**
Foreign currency translation adjustments			
Amounts arising during the year	**(1,194)**		**(1,194)**
Reclassification adjustments for losses realized in net income	**194**		**194**
Net change during the year	**(1,000)**		**(1,000)**
Other comprehensive income	**$107,914**	**$(44,656)**	**$63,258**

Accumulated other comprehensive loss, net of tax effects, at March 31, 2010 and 2009 consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2010	2009	**2010**
Net unrealized gains on securities available-for-sale	**¥ 1,526**	¥ 262	**$ 16,409**
Net unrealized losses on derivative financial instruments	**(440)**	(399)	**(4,731)**
Pension liability adjustments	**(8,327)**	(13,080)	**(89,538)**
Foreign currency translation adjustments	**(4,826)**	(4,733)	**(51,893)**
Accumulated other comprehensive loss	**¥(12,067)**	¥(17,950)	**$(129,753)**

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, 2010 and 2009 were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2010	2009	**2010**
Buildings	**¥ 14,986**	¥13,758	**$ 161,140**
Machinery and equipment	**11,532**	8,921	**124,000**
Total	**26,518**	22,679	**285,140**
Less accumulated depreciation	**(12,843)**	(9,597)	**(138,097)**
Total	**¥ 13,675**	¥13,082	**$ 147,043**

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, 2010.

Year Ending March 31	Millions of Yen	Thousands of U.S. Dollars
2011	¥ 3,260	$ 35,054
2012	3,087	33,194
2013	2,779	29,882
2014	2,359	25,366
2015	1,845	19,839
Thereafter	3,588	38,579
Total minimum lease payments	16,918	181,914
Less amount representing interest	(1,209)	(13,000)
Present value of net minimum lease payments	15,709	168,914
Less current capital lease obligations	(2,930)	(31,505)
Long-term capital lease obligations	¥12,779	$137,409

The Companies also lease office space, employee housing and office equipment under operating leases. Rent expense under these leases amounted to ¥11,742 million ($126,258 thousand), ¥12,464 million, and ¥13,536 million for the years ended March 31, 2010, 2009 and 2008, respectively.

Future minimum lease payments under non-cancelable operating leases as of March 31, 2010 are as follows:

Year Ending March 31	Millions of Yen	Thousands of U.S. Dollars
2011	¥ 2,069	$ 22,247
2012	2,009	21,602
2013	1,388	14,925
2014	934	10,043
2015	781	8,398
Thereafter	5,543	59,602
Total minimum lease payments	¥12,724	$136,817

14. FOREIGN CURRENCY TRANSACTION GAINS AND LOSSES

Foreign currency transaction net gain of ¥2,433 million ($26,161 thousand), net gain of ¥996 million and net loss of ¥2,129 million were included in the determination of net income for the years ended March 31, 2010, 2009 and 2008, respectively.

15. FAIR VALUE MEASUREMENTS

ASC Topic 820 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. ASC Topic 820 establishes a three-level fair value hierarchy that prioritizes the inputs used to measure fair value. Under ASC Topic 820, 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, 2010 and 2009 are as follows:

	Millions of Yen							
	2010				2009			
Assets	Level 1	Level 2	Level 3	Total	Level 1	Level 2	Level 3	Total
Domestic stocks								
Retail industry	**¥ 5,669**			**¥ 5,669**	¥ 4,953			¥ 4,953
Others	**7,728**			**7,728**	7,965			7,965
Mutual funds		**¥ 301**		**301**		¥ 304		304
Derivative instruments (see Note 16)		**1,105**		**1,105**		827		827
Total assets	**¥13,397**	**¥1,406**		**¥14,803**	¥12,918	¥1,131		¥14,049

	Millions of Yen							
	2010				2009			
Liabilities	Level 1	Level 2	Level 3	Total	Level 1	Level 2	Level 3	Total
Derivative instruments (see Note 16)		**¥679**		**¥679**		¥627		¥627
Total liabilities		**¥679**		**¥679**		¥627		¥627

	Thousands of U.S. Dollars			
	2010			
Assets	Level 1	Level 2	Level 3	Total
Domestic stocks				
Retail industry	**$ 60,957**			**$ 60,957**
Others	**83,097**			**83,097**
Mutual funds		**$ 3,237**		**3,237**
Derivative instruments (see Note 16)		**11,882**		**11,882**
Total assets	**$144,054**	**$15,119**		**$159,173**

	Thousands of U.S. Dollars			
	2010			
Liabilities	Level 1	Level 2	Level 3	Total
Derivative instruments (see Note 16)		**$7,301**		**$7,301**
Total liabilities		**$7,301**		**$7,301**

Valuation techniques used to measure fair value are as follows:

Domestic stocks
Domestic stocks are measured at fair value using quoted prices in active markets for identical assets. These inputs fall within Level 1.

Mutual funds
Mutual funds are measured using observable inputs, such as published prices based on market trends obtained from financial institutions, and classified as Level 2.

Derivative instruments
Derivative instruments consist of foreign currency forward exchange contracts, interest rate swap contracts and currency swap contracts. These derivatives are measured at fair value using discounted cash flow model matched to the contractual terms with observable market data such as forward exchange rates and market interest rates, which fall within Level 2.

The table below shows assets measured at fair value on a nonrecurring basis during the year ended March 31, 2010, of which ¥721 million ($7,753 thousand) have already been sold to a third party and have no book value on the consolidated balance sheets as of March 31, 2010.

	Millions of Yen				Thousands of U.S. Dollars			
	Level 1	Level 2	Level 3	Total	Level 1	Level 2	Level 3	Total
Long-lived assets			**¥1,204**	**¥1,204**			**$12,946**	**$12,946**

Valuation techniques used to measure fair value are as follows:

Long-lived assets
In accordance with ASC Topic 360, the Companies recognized impairment losses on long-lived assets during the year ended March 31, 2010. These long-lived assets are measured at fair value using unobservable inputs such as future expected cash flows and the prices calculated based upon market data for comparable assets, which fall within Level 3.

The carrying amounts and fair values of financial instruments at March 31, 2010 and 2009 were as follows:

	Millions of Yen				Thousands of U.S. Dollars	
	2010		2009		**2010**	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value	Carrying Amount	Fair Value
Available-for-sale securities and held-to-maturity securities (see Note 3)	**¥ 13,908**	**¥ 13,908**	¥ 23,431	¥ 23,431	**$ 149,549**	**$ 149,549**
Derivative instruments						
Assets	**1,105**	**1,105**	827	827	**11,882**	**11,882**
Liabilities	**(679)**	**(679)**	(627)	(627)	**(7,301)**	**(7,301)**
Long-term debt	**(123,544)**	**(127,644)**	(97,900)	(96,856)	**(1,328,430)**	**(1,372,516)**

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.

The Companies do not have any significant concentration of business transacted with an individual counter-party or groups of counter-parties that could severely impact their operations.

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 exchange 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 price 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.

ASC Topic 815 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 ASC Topic 815, the Companies designate certain foreign currency forward exchange contracts and currency swap contracts as cash flow hedges of forecasted transactions and designate interest rate 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, 2010, 2009 and 2008.

At March 31, 2010 and 2009, contract amounts or notional principal amounts of derivative instruments that qualify for cash flow hedges are set forth below:

	Millions of Yen		Thousands of U.S. Dollars
	2010	2009	**2010**
Foreign currency forward exchange contracts and currency swap contracts	**¥7,536**	¥12,672	**$81,032**
Interest rate swap contract	**5,000**	5,000	**53,763**

At March 31, 2010, an unrecognized loss (net of tax) relating to existing foreign currency forward exchange contracts is included in accumulated other comprehensive loss. The amount of ¥367 million ($3,946 thousand) is expected to be reclassified into loss within 12 months from March 31, 2010. 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 22 months.

At March 31, 2010, an unrecognized loss (net of tax) relating to existing interest rate swap contract is included in accumulated other comprehensive loss. The amount to be reclassified into loss within 12 months from March 31, 2010 is immaterial.

Derivative instruments which do not qualify for hedge accounting

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

At March 31, 2010, contract amounts of derivative instruments that do not qualify for hedge accounting are set forth below:

	Millions of Yen		Thousands of U.S. Dollars
	2010	2009	**2010**
Foreign currency forward exchange contracts	**¥32,325**	¥32,199	**$347,581**

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

As of March 31, 2010, 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:

Millions of Yen	**2010** Derivative assets		Derivative liabilities	
	Balance Sheet Location	Fair Value	Balance Sheet Location	Fair Value
Derivatives designated as hedging instruments under ASC Topic 815				
Interest rate swap contract			Other current liabilities	**¥ 19**
Foreign currency forward exchange contracts	Other assets	**¥ 42**	Other current liabilities	**476**
			Other long-term liabilities	**147**
Sub-Total		**42**		**642**
Derivatives not designated as hedging instruments under ASC Topic 815				
Foreign currency forward exchange contracts	Other current assets	**1,063**	Other current liabilities	**37**
Sub-Total		**1,063**		**37**
Total (see Note 15)		**¥1,105**		**¥679**

Millions of Yen	2009 Derivative assets		Derivative liabilities	
	Balance Sheet Location	Fair Value	Balance Sheet Location	Fair Value
Derivatives designated as hedging instruments under ASC Topic 815				
Interest rate swap contract			Other current liabilities	¥ 8
			Other long-term liabilities	8
Foreign currency forward exchange contracts and currency swap contracts			Other current liabilities	313
			Other long-term liabilities	284
Sub-Total				613
Derivatives not designated as hedging instruments under ASC Topic 815				
Foreign currency forward exchange contracts	Other current assets	¥827	Other current liabilities	14
Sub-Total		827		14
Total (see Note 15)		¥827		¥627

Thousands of U.S. Dollars	2010			
	Derivative assets		Derivative liabilities	
	Balance Sheet Location	Fair Value	Balance Sheet Location	Fair Value
Derivatives designated as hedging instruments under ASC Topic 815				
Interest rate swap contract			Other current liabilities	**$ 204**
Foreign currency forward exchange contracts	Other assets	**$ 452**	Other current liabilities	**5,118**
			Other long-term liabilities	**1,581**
Sub-Total		**452**		**6,903**
Derivatives not designated as hedging instruments under ASC Topic 815				
Foreign currency forward exchange contracts	Other current assets	**11,430**	Other current liabilities	**398**
Sub-Total		**11,430**		**398**
Total (see Note 15)		**$11,882**		**$7,301**

The effect of derivative instruments designated and qualifying in cash flow hedges under ASC Topic 815 on the consolidated statements of income and changes in equity for the year ended March 31, 2010 and for the three months ended March 31, 2009 is as follows:

Millions of Yen	Amount of Loss 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 or (Loss) Recognized in Income on Derivative (Ineffective Portion and Amount Excluded from Effectiveness Testing)	
	2010	Location	**2010**	Location	**2010**
Interest rate swap contract	**¥ (14)**	Interest expense	**¥ (11)**		
Foreign currency forward exchange contracts and currency swap contracts	**(480)**	Cost of goods sold	**(365)**		
Total	**¥(494)**		**¥(376)**		

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 or (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 swap contract	¥ 11				
Foreign currency forward exchange contracts and currency swap contracts	966	Cost of goods sold	¥(91)		
Total	¥977		¥(91)		

Thousands of U.S. Dollars	Amount of Loss 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 or (Loss) Recognized in Income on Derivative (Ineffective Portion and Amount Excluded from Effectiveness Testing)	
	2010	Location	**2010**	Location	**2010**
Interest rate swap contract	**$ (151)**	Interest expense	**$ (118)**		
Foreign currency forward exchange contracts and currency swap contracts	**(5,161)**	Cost of goods sold	**(3,925)**		
Total	**$(5,312)**		**$(4,043)**		

The effect of derivative instruments not designated or qualifying as hedging instruments under ASC Topic 815 on the consolidated statements of income for the year ended March 31, 2010 and 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	**2010**	**2010**
Foreign currency forward exchange contracts	Net sales	**¥ 23**	**$ 247**
	Cost of goods sold	**2,591**	**27,860**
Total		**¥2,614**	**$28,107**

	Millions of Yen	
	Amount of Gain Recognized in Income on Derivative	
	Location	Three months ended March 31, 2009
Foreign currency forward exchange contracts	Net sales	¥ 52
	Cost of goods sold	473
Total		¥525

17. SEGMENT INFORMATION

ASC Topic 280, "Segment Reporting" (former SFAS No. 131, "Disclosures about Segments of an Enterprise and Related Information") 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 2009 and 2008 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, 2010, 2009 and 2008 and for the years then ended.

Operating segment information

	Millions of Yen					
	2010					
	Processed Foods Business Division	Fresh Meats Business Division	Affiliated Business Division	Total	Eliminations, adjustments and others	Consolidated
Net sales						
External customers	**¥308,133**	**¥527,124**	**¥130,027**	**¥ 965,284**	**¥ (11,668)**	**¥953,616**
Intersegment	**21,303**	**78,130**	**2,500**	**101,933**	**(101,933)**	
Total	**329,436**	**605,254**	**132,527**	**1,067,217**	**(113,601)**	**953,616**
Operating expenses	**320,463**	**588,858**	**131,911**	**1,041,232**	**(112,471)**	**928,761**
Segment profit	**8,973**	**16,396**	**616**	**25,985**	**(1,130)**	**24,855**
Assets	**172,790**	**289,322**	**43,363**	**505,475**	**98,726**	**604,201**
Depreciation and amortization	**9,333**	**9,505**	**1,690**	**20,528**	**3,880**	**24,408**
Capital expenditures	**9,219**	**7,571**	**1,293**	**18,083**	**1,671**	**19,754**

	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	¥312,826	¥598,652	¥129,198	¥1,040,676	¥ (12,227)	¥1,028,449
Intersegment	21,687	89,014	3,310	114,011	(114,011)	
Total	334,513	687,666	132,508	1,154,687	(126,238)	1,028,449
Operating expenses	328,825	671,352	133,028	1,133,205	(126,173)	1,007,032
Segment profit (loss)	5,688	16,314	(520)	21,482	(65)	21,417
Assets	174,110	299,381	43,885	517,376	66,308	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	¥305,951	¥607,868	¥128,988	¥1,042,807	¥ (13,113)	¥1,029,694
Intersegment	18,790	86,451	3,403	108,644	(108,644)	
Total	324,741	694,319	132,391	1,151,451	(121,757)	1,029,694
Operating expenses	322,473	679,220	133,095	1,134,788	(122,863)	1,011,925
Segment profit (loss)	2,268	15,099	(704)	16,663	1,106	17,769
Assets	173,314	310,203	43,860	527,377	81,432	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

	Thousands of U.S. Dollars					
	2010					
	Processed Foods Business Division	Fresh Meats Business Division	Affiliated Business Division	Total	Eliminations, adjustments and others	Consolidated
Net sales						
External customers	**$3,313,258**	**$5,668,000**	**$1,398,140**	**$10,379,398**	**$ (125,463)**	**$10,253,935**
Intersegment	**229,065**	**840,108**	**26,882**	**1,096,055**	**(1,096,055)**	
Total	**3,542,323**	**6,508,108**	**1,425,022**	**11,475,453**	**(1,221,518)**	**10,253,935**
Operating expenses	**3,445,839**	**6,331,807**	**1,418,398**	**11,196,044**	**(1,209,366)**	**9,986,678**
Segment profit	**96,484**	**176,301**	**6,624**	**279,409**	**(12,152)**	**267,257**
Assets	**1,857,957**	**3,110,989**	**466,269**	**5,435,215**	**1,061,569**	**6,496,784**
Depreciation and amortization	**100,355**	**102,204**	**18,172**	**220,731**	**41,721**	**262,452**
Capital expenditures	**99,129**	**81,409**	**13,903**	**194,441**	**17,968**	**212,409**

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 earnings (losses) of associated companies for the years ended March 31, 2010, 2009 and 2008.

	Millions of Yen			Thousands of U.S. Dollars
	2010	2009	2008	**2010**
Segment profit total	**¥25,985**	¥ 21,482	¥16,663	**$279,409**
Interest expenses	**(2,125)**	(2,506)	(2,771)	**(22,849)**
Other revenues and (expenses)	**1,294**	(12,624)	(7,238)	**13,914**
Eliminations, adjustments and others	**(1,130)**	(65)	1,106	**(12,152)**
Income from continuing operations before income taxes and equity in earnings (losses) of associated companies	**¥24,024**	¥ 6,287	¥ 7,760	**$258,322**

In accordance with the reclassification of minority interest in net income on the consolidated statements of income, which used to be included in "Cost and expenses—other," and is now presented independently as "net (income) loss attributable to noncontrolling interests," prior years' information has been reclassified to conform to the current year presentation.

Net sales to external customers for products and services for the years ended March 31, 2010, 2009 and 2008 were as follows:

	Millions of Yen			Thousands of U.S. Dollars
	2010	2009	2008	**2010**
Hams and sausages	**¥137,549**	¥ 138,876	¥ 132,820	**$ 1,479,022**
Processed foods	**188,870**	187,456	185,734	**2,030,860**
Fresh meats	**496,100**	566,423	555,372	**5,334,409**
Marine products	**82,570**	83,759	86,226	**887,849**
Dairy products	**21,985**	22,215	22,124	**236,398**
Others	**26,542**	29,720	47,418	**285,397**
Consolidated total	**¥953,616**	¥1,028,449	¥1,029,694	**$10,253,935**

Certain information about geographic areas at March 31, 2010, 2009 and 2008 and for the years then ended was as follows:

(1) Net sales to external customers

	Millions of Yen			Thousands of U.S. Dollars
	2010	2009	2008	**2010**
Japan	**¥892,872**	¥ 952,490	¥ 936,068	**$ 9,600,774**
Other countries	**60,744**	75,959	93,626	**653,161**
Total	**¥953,616**	¥1,028,449	¥1,029,694	**$10,253,935**

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
	2010	2009	2008	**2010**
Japan	**¥221,106**	¥226,212	¥232,167	**$2,377,484**
Other countries	**19,113**	19,369	26,480	**205,516**
Total	**¥240,219**	¥245,581	¥258,647	**$2,583,000**

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, 2010, 2009 and 2008.

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 ASC Topic 205 and are included in the Fresh Meats Business Division under ASC Topic 280.

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 operations for the years ended March 31, 2009 and 2008 are summarized as follows:

	Millions of Yen	
	2009	2008
Revenues	¥2,507	¥ 2,692
Cost and expenses	2,270	5,538
Gain on disposal	587	
Income (loss) before income taxes	824	(2,846)
Income taxes	271	(535)
Income (loss) from discontinued operations— Net of applicable income taxes	¥ 553	¥(2,311)

The financial positions of discontinued operations at March 31, 2009 are summarized as follows:

	Millions of Yen
	2009
Current assets	¥20
Current liabilities	15

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 ¥933 million ($10,032 thousand) at March 31, 2010. The guarantee with a supplier is secured by certain property and real estate.

20. EVENTS SUBSEQUENT TO MARCH 31, 2010

On May 14, 2010, the Board of Directors resolved to pay cash dividends to shareholders of record at March 31, 2010 of ¥16 ($0.17) per share, for a total of ¥3,402 million ($36,581 thousand).

The Companies evaluated subsequent events that have occurred after March 31, 2010 through the date that the Yukashouken-houkokusho (Annual Securities Report filed under the Financial Instruments and Exchange Act of Japan), was issued (June 28, 2010).

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, 2010 and 2009 and the related consolidated statements of income, changes in equity and cash flows for each of the three years in the period ended March 31, 2010 (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, 2010 and 2009, and the results of their operations and their cash flows for each of the three years in the period ended March 31, 2010 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 LLC

June 28, 2010

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, 2010, 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 nineteen 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 28, 2010

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

Deloitte Touche Tohmatsu LLC
Designated Unlimited Liability Partner, Engagement Partner, Certified Public Accountant: Koji Yabuki
Designated Unlimited Liability Partner, Engagement Partner, Certified Public Accountant: Wakyu Shinmen
Designated Unlimited Liability 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 equity and cash flows, and consolidated supplementary schedules of Nippon Meat Packers, Inc. and consolidated subsidiaries for the fiscal year from April 1, 2009 to March 31, 2010. 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, 2010, 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, 2010. 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, 2010 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.

As of April 1, 2010

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)

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)

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.

As of March 31, 2010

Corporate Data

Established	May 30, 1949
Capital	¥24,166 million
President	Hiroshi Kobayashi
Employees	14,845 (consolidated)
	1,983 (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	9,480

● Shareholders by Category

Financial institutions	72	(124,732 thousand shares)
Foreign investors	341	(49,567 thousand shares)
Other companies	333	(12,978 thousand shares)
Individual/Other	8,700	(16,781 thousand shares)
Other	34	(24,387 thousand shares)

● Shareholders by Holding

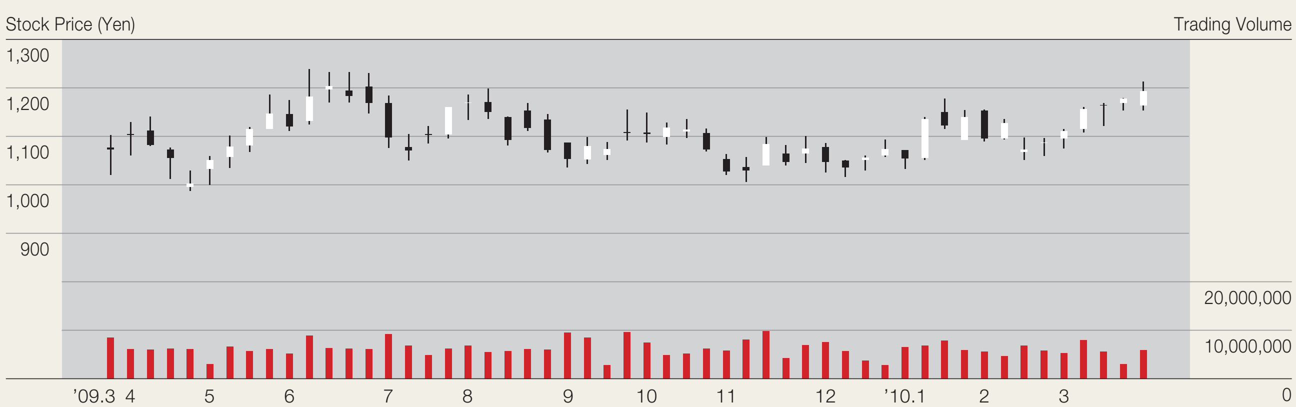
Less than 1,000	1,882	(280 thousand shares)
1,000–Less than 10,000	7,135	(11,321 thousand shares)
10,000–Less than 100,000	289	(8,215 thousand shares)
100,000–Less than 1 million	130	(44,888 thousand shares)
1 million–Less than 5 million	35	(70,506 thousand shares)
More than 5 million	9	(93,235 thousand shares)

● Major Shareholders (Top 10 by shareholding)

Name	Shareholding (thousands of shares)
The Master Trust Bank of Japan, Ltd. (Trust account)	18,760
Japan Trustee Services Bank, Ltd. (Trust account)	16,494
Hyakujushi Bank, Ltd.	9,337
Meiji Yasuda Life Insurance Company	7,355
The Bank of Tokyo-Mitsubishi UFJ, Ltd.	7,326
Nippon Life Insurance Company	6,962
The Norinchukin Bank	5,927
Japan Trustee Services Bank, Ltd. (Trust account 9)	5,250
NIPPONKOA Insurance Company, Ltd.	4,990
Sumitomo Mitsui Banking Corporation	4,650

Note: In addition to the list above, the Company holds 15,824 thousand shares of common stock.

Stock Price Trend



Nippon Meat Packers, Inc.

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