Nippon Meat Packers, Inc.

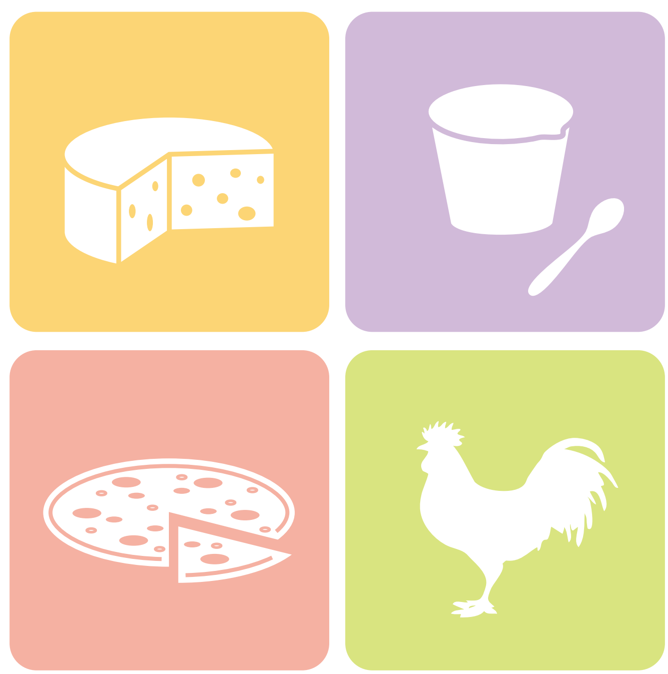
Management for

# No.1 Quality

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

# Annual Report 2012

Year Ended March 31, 2012



Nippon Ham Group

70th
日本ハムグループ
おかげさまで70周年

## 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’s Brand Statement

The Brilliance of People for the Future of Food

## 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 includes forecasts regarding targets, strategies and earnings. These forecasts are based on information available at the current time and contain certain assumptions about the future. They are subject to numerous external uncertainties in areas such as economic environment, market trends and exchange rates. Actual performance may differ significantly from the targets in this presentation, and investment decisions should not be based exclusively on them.*

70th 日本ハムグループ

# 70 Years of Dedication to

# The Early Days

## March 1942 to July 1963

**1942**
- **March** Yoshinori Okoso founded the Tokushima Meat Processing Plant located in Terashima-honcho, Tokushima-shi, Japan.

**1945**
- **July** Tokushima Meat Processing Plant burned down during the war.

**1948**
- **August** Operations restarted with the opening of a new plant in Bandai-cho, Tokushima-shi, Japan.

**1951**
- **December** Reorganized the company to form Tokushima Ham Co., Ltd.

**1952**
- **January** Osaka office upgraded to branch status. Offices also opened in Kobe, Okayama, and Takamatsu.

**1956**
- **May** Osaka Plant opened.

**1961**
- **October** Listed on the 2nd Section of the Osaka Securities Exchange.

**1962**
- **February** Listed on the 2nd Section of the Tokyo Stock Exchange.

**1963**
- **April** Ibaraki Plant opened.

Opened branches in Kobe, Okayama, and Takamatsu

Listed on the 2nd Section of the Osaka Securities Exchange

# The Creation *of Nippon Ham*

## August 1963 to October 1973

**1963**
- **August** Merged with Torisei Ham Co., Ltd., and renamed Nippon Meat Packers, Inc.

**1964**
- **February** Businesses integrated under the Nippon Ham brand, with advertising starting nationwide.

**1966**
- **February** Launched *Winny* brand nationwide.

**1967**
- **December** Stock listing changed to the 1st section of both the Osaka Securities Exchange and Tokyo Stock Exchange.

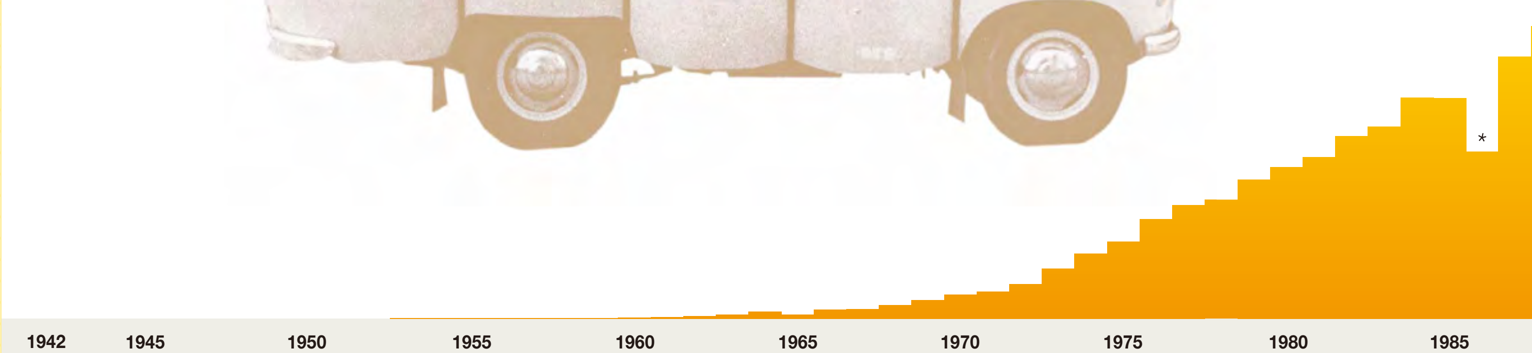
**1968**
- **February** Established a consumer service office.
- **March** Entered the farm business with establishment of Nippon Broiler Co., Ltd. as a joint company.

**1969**
- **September** Introduced Consumer Delegate Committee System

**1973**
- **April** Implemented an integrated production system of fresh meats with establishment of Nippon Pork Co., Ltd. (now Nippon Food Packer Kagoshima, Inc.)

Merger agreement signing ceremony for Tokushima Ham and Torisei Ham

Plant interior at the time




*In the fiscal year ended March 1986, the fiscal year-end was changed from July to March.

# Making Quality Products

# Progressing *toward* Tomorrow

## November 1973 ~

**1973**
- **November** Pro baseball team Nippon-Ham Fighters Baseball Club, established.

**1977**
- **March** Began development of distribution and sales setup of fresh meats with establishment of Sendai Food, Co., Ltd.
- **March** Began overseas expansion with acquisition of Day-Lee Meats, Inc., of Los Angeles, USA (now Day-Lee Foods, Inc.).

**1979**
- **April** Full entry into the processed foods business with establishment of Nippon Ham Shokuhin Co., Ltd.

**1981**
- **July** Entered the marine foods processing business with acquisition of the Marine Foods Corporation.

**1984**
- **March** Entered freeze-dried foods business with establishment of Nippon Dry Foods Co., Ltd.

**1988**
- **July** Implemented an integrated system from production to marketing of fresh meats overseas with purchase of the Whyalla Feedlot (Australia).

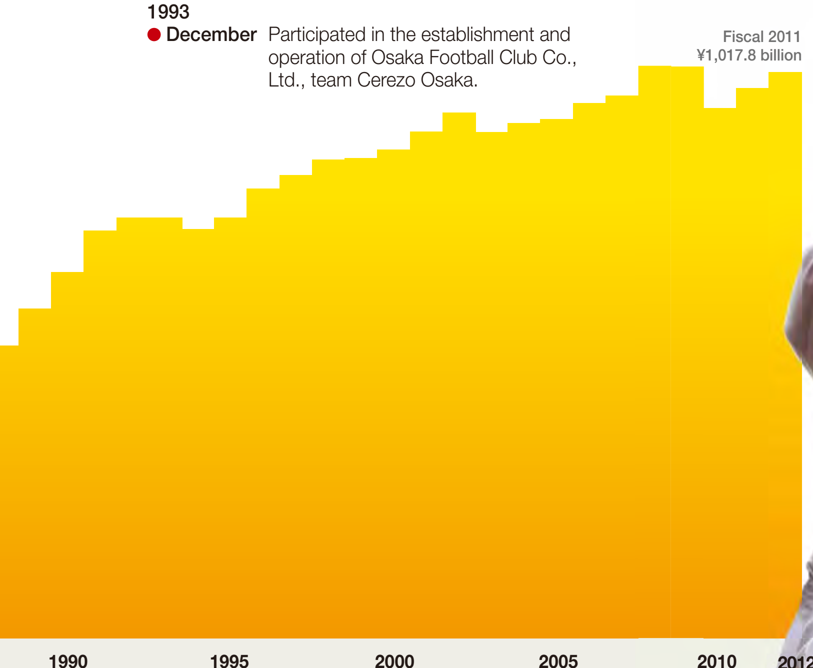
**1992**
- **July** Entered the lactic acid bacterial beverages business with acquisition of Kansai Luna, Inc. (now Nippon Luna, Inc.).

**1993**
- **December** Participated in the establishment and operation of Osaka Football Club Co., Ltd., team Cerezo Osaka.

Taking over the business of Marine Foods

Acquiring Whyalla Feedlot (Australia)

Purchasing Kansai Luna (now Nippon Luna)




**1995**
- **February** Entered the hog farming business in the USA with the establishment of Texas Farm, LLC in Perryton, Texas.
- **March** Established Nippon Pure Food, Inc. to bolster natural flavoring business.

**1999**
- **November** Ono Plant is the first in the industry to receive ISO 14001 certification.

**2002**
- **August** A scandal was exposed within the Nippon Ham Group.

**2003**
- **July** Purchased shares in Hoko Co., Ltd. (formerly Hoko Suisan Co., Ltd.) to strengthen the company's position in the marine foods and dairy products businesses.

**2004**
- **August** Purchased shares in Maruwa & Co., Inc. (now Nippon Ham Health Creation Co., Ltd.) to strengthen the company's position in the health foods business.

**2010**
- **January** Started carbon footprint labeling on ham and sausage products.

**2012**
- **March** The Nippon Ham Group celebrated its 70th anniversary.

Established Texas Farm

Ono Plant received the first ISO 14001 certification in industry

# Business Segment

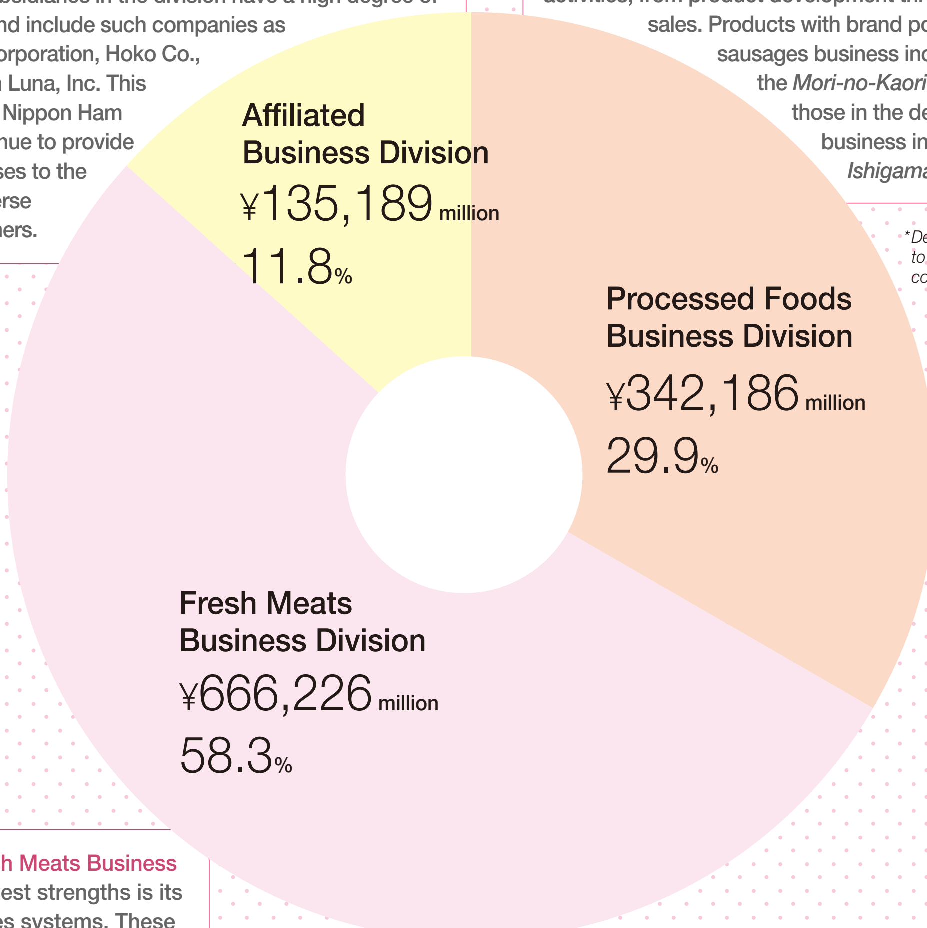
After starting out in hams and sausages, the Nippon Ham Group expanded into processed foods, fresh meats, dairy products, marine products and health foods.

The Affiliated Business Division consists of the marine products and dairy products businesses. The division also handles such products as freeze-dried foods and health foods, among others. 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.



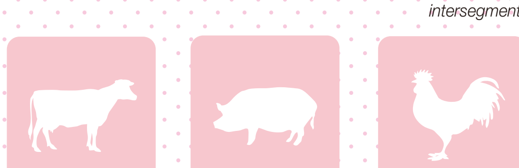
The Processed Foods Business Division is composed of the hams and sausages business and the deli and processed foods* business, and encompasses a fully integrated range of business activities, from product development through to production and sales. Products with brand power in the hams and sausages 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*.

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




Note: Net sales figures above are for operating segments and include intersegment transactions.

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 division will primarily develop fresh meat brands.



## Business Models

# Processed Foods Business Division

### Product development

- Employing proprietary consumer monitoring systems, such as the Consumer Delegate Committee System and storefront information.
- Establishing a product development research facility within every core plant to develop technologies and products.
- Allocating chefs at plants to match professional tastes.
- Swift product development.

### Production

- 23 domestic and 6 overseas plants.
- Securing Hazard Analysis and Critical Control Point (HACCP) system and ISO certifications and maintaining strict quality management.
- Implementing proprietary ham and sausage skill testing.
- Maintaining quality improvement committees at each plant.

### Distribution and sales

- Fine-tuning deliveries through 15 distribution centers nationwide.
- Managing fridge and freezer facilities around the clock.
- Inventory management system that confirms information on inventories and shipments in real time.
- Approximately 80 sales bases in Japan.
- Allocating specialists for supermarkets, convenience stores, restaurants, and other customers.
- Deploying promotions to support sales.
- Constructed DS system that channels direct feedback from dialogue between sales representatives and customers to relevant departments.

## Main Products

**Hams and Sausages Business**

Winny

Utsukushi-no-Kuni

SCHAU ESSEN

**Deli & Processed Foods Business**

*Ishigama Kobo*
Pizza Margherita

*Chuka Meisai*
Sweet and sour pork

*CHIKI-CHIKI Bone*

# Fresh Meats Business Division

## Packing Plants

**14 plants in Japan***

Skilled processing and cutting technologies accommodating various needs.

**3 plants overseas**

First in the industry to provide traceability for each cut of meat.

**Eleven plants are operated by the Fresh Meats Business Division, and three plants are operated by the Processed Foods Business Division.*

## Farms

**Japan:**

Poultry: Nippon White Farm Co., Ltd. ships 57 million chickens annually

Pork: Interfarm Co., Ltd. ships 600,000 hogs a year

**Overseas:**

Pork: Texas Farm, LLC (U.S.) ships 800,000 hogs a year

Beef: Oakey Holdings Pty. Ltd. (Australia) ships 140,000 cattle a year

## Distribution Centers

- Established a just-in-time in-house sales and logistics system.
- Constructed a nationwide distribution system.
- Asia's largest freezer and refrigerator capacity, at 120,000 metric tons.



## Sales Offices

- Approximately 120 sales offices and 1,300 trucks around the nation.
- A sales network encompassing all of Japan's major cities.

## Main Products

Imported Fresh Meats Business

*Mate Tea Chicken* from Brazil

U.S. corn-fed pork


Australian barley beef

Domestic Fresh Meats Business


*Sakurahime* poultry

# Affiliated Business Division

## Marine Products Business

### Production and sales of processed marine products

**Marine Foods Corporation**

- Procures seafood for sushi and processed marine products from Japan and overseas, supplying volume retailers and restaurants through approximately 50 sales offices in Japan. Delivers fresher, tastier products by developing and producing at its own plants and engages in tuna aquaculture in Japan.

**Hoko Co., Ltd.**

- Sells raw marine materials in Japan and maintains an export business. Sells canned and frozen foods manufactured under strict quality management at in-house plants.

## Dairy Products Business

### Production and sales of cheese and other dairy products

**Hoko Co., Ltd.**

- Manufactures cheeses with a variety of shapes, tastes and functions using natural cheese sourced from all over the world. Sells to restaurants, bakeries, and other commercial channels and also markets to consumers.

### Production and sales of yogurt and lactic acid probiotic beverages

**Nippon Luna, Inc.**

- Develops products from customer perspectives and supplies unique offerings through volume retailers and convenient stores.

## Other Businesses

### Production and sales of freeze-dried foods

**Nippon Dry Foods Co., Ltd.**

- Develops and manufactures ingredients for soups and instant foods, drawing on freeze-dried technologies offering outstanding convenience and storage stability.

### Production and sales of health foods

**Nippon Ham Health Creation Co., Ltd.**

- Maintains a mail-order business for health foods, including supplements and beverages made using functional materials derived mainly from animal products developed by Nippon Meat Packers.



## Main Products

Marine Products Business

Seafood for sushi

*Aomori no Shojiki Chub Mackerel*

Dairy Products Business

*ROLF Baby Cheese*

*Vanilla Yogurt*

Other Businesses


*Onion Soup Incorporating Domestically Grown Onions and Camembert Cheese*

*Glucosamine Chondroitin*

# Market Position

## Fresh Meats Industry (World)

| Major Global Fresh Meats Companies based on Net Sales | Net Sales (Millions of Yen) | Headquarters | Fiscal Year Reported |
|---|---|---|---|
| JBS S.A. | 2,802,550 | Brazil | Year ended December 2011 |
| Tyson Foods, Inc. | 2,651,943 | U.S.A. | Year ended September 2011 |
| Brasil Foods S.A. | 1,165,790 | Brazil | Year ended December 2011 |
| VION Food Group (non-listed) | 1,042,002 | Netherlands | Year ended December 2011 |
| **Nippon Meat Packers, Inc.** | **1,017,784** | **Japan** | Year ended March 2012 |
| Smithfield Foods, Inc. | 1,002,965 | U.S.A. | Year ended April 2011 |
| Marfrig Alimentos S.A. | 992,504 | Brazil | Year ended December 2011 |
| Danish Crown Group | 763,889 | Denmark | Year ended September 2011 |
| Hormel Foods Corporation | 648,890 | U.S.A. | Year ended October 2011 |
| Charoen Pokphand Foods PCL. | 550,284 | Thailand | Year ended December 2011 |

## Food Industry (Japan)

| Major Domestic Food Companies based on Net Sales | Millions of Yen | | |
|---|---|---|---|
| | Net Sales | Operating Income | Fiscal Year Reported |
| Kirin Holdings Co., Ltd. | 2,071,774 | 142,864 | Year ended December 2011 |
| Japan Tobacco Inc. | 2,033,825 | 459,180 | Year ended March 2012 |
| Suntory Holdings Ltd. (non-listed) | 1,802,791 | 114,161 | Year ended December 2011 |
| Asahi Group Holdings, Ltd. | 1,462,736 | 107,190 | Year ended December 2011 |
| Ajinomoto Co., Inc. | 1,197,313 | 72,584 | Year ended March 2012 |
| Meiji Holdings Co., Ltd. | 1,109,275 | 20,189 | Year ended March 2012 |
| **Nippon Meat Packers, Inc.** | **1,017,784** | **26,513** | Year ended March 2012 |
| Yamazaki Baking Co., Ltd. | 932,794 | 28,677 | Year ended December 2011 |
| Maruha Nichiro Holdings, Inc. | 816,121 | 16,431 | Year ended March 2012 |
| Morinaga Milk Industry Co., Ltd. | 578,299 | 13,184 | Year ended March 2012 |

## Fresh Meats Industry (Japan)

| Major Domestic Fresh Meats Companies based on Net Sales | Millions of Yen | | |
|---|---|---|---|
| | Net Sales | Operating Income | Fiscal Year Reported |
| **Nippon Meat Packers, Inc.** | **1,017,784** | **26,513** | Year ended March 2012 |
| Itoham Foods Inc. | 447,399 | 2,880 | Year ended March 2012 |
| Prima Meat Packers, Ltd. | 271,222 | 7,327 | Year ended March 2012 |
| Starzen Co., Ltd. | 259,399 | 2,677 | Year ended March 2012 |
| Marudai Food Co., Ltd. | 204,127 | 5,906 | Year ended March 2012 |
| Yonekyu Co., Ltd. | 140,796 | 1,717 | Year ended February 2012 |
| S Foods Inc. | 134,236 | 4,804 | Year ended February 2012 |
| Hayashikane Sangyo Co., Ltd. | 48,314 | 614 | Year ended March 2012 |
| Fukutome Meat Packers, Ltd. | 28,747 | 515 | Year ended March 2012 |
| Takizawa Ham Co., Ltd. | 28,093 | 152 | Year ended March 2012 |

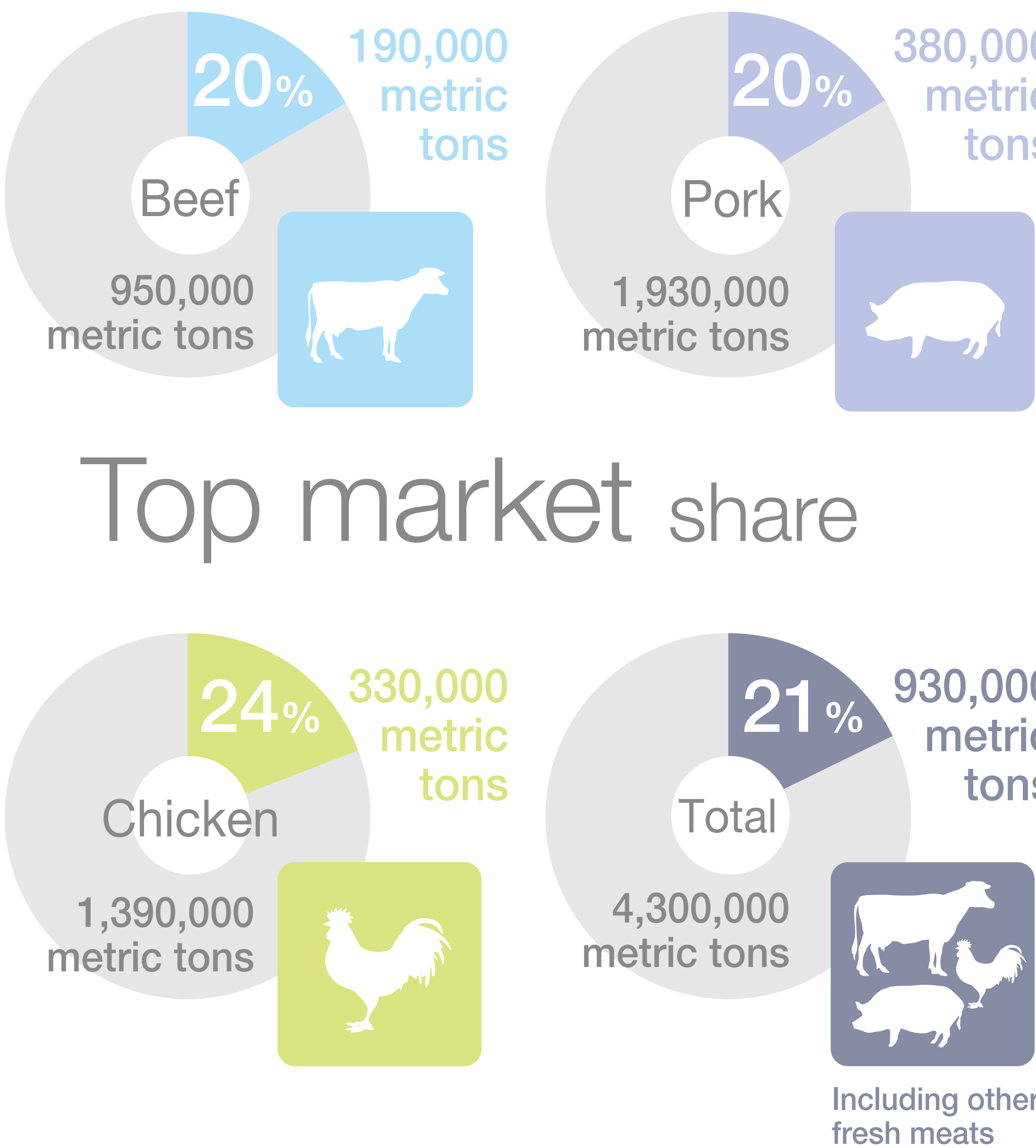


Notes: 1. Operating results are taken from published financial data for the most recent fiscal year, with the exception of JBS S.A. and Brasil Foods S.A., for which pro forma figures are used for comparison purposes only.
2. Net sales for companies outside of Japan are translated into yen at the closing rate as of March 31, 2012.
3. Japan Tobacco Inc. uses International Financial Reporting Standards (IFRS).
4. Based on Nippon Meat Packers data.

# Fresh Meats Sales Market Shares

*Domestic market shares by sales volume in fresh meats (domestic and imported)

## Top integrator in all three key livestock species




(Based on Nippon Meat Packers data as of March 2012)

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

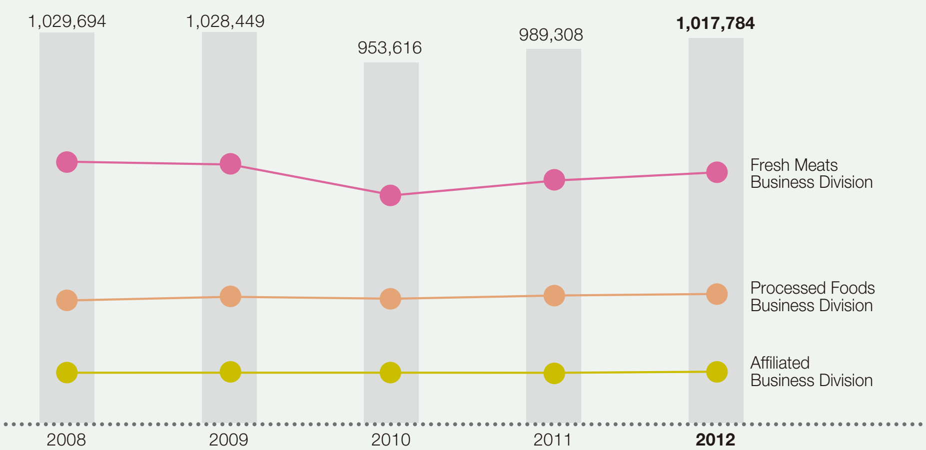
# Consolidated Highlights of the Year Ended March 31, 2012

## Net Sales

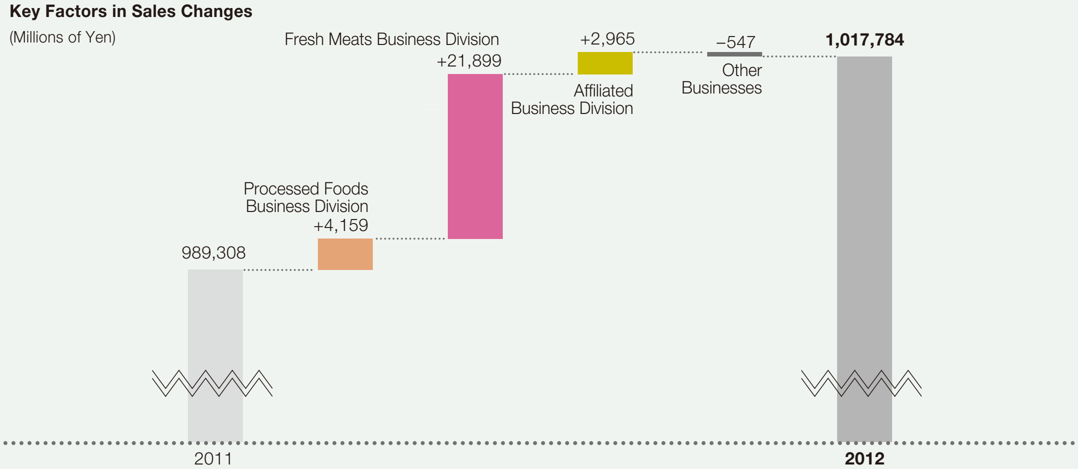
**¥1,017,784** million Up **2.9**% from a year earlier

As a result of extensive efforts to promote new products and enhance the competitiveness of core businesses, net sales rose 2.9% from a year earlier, to ¥1,017,784 million.

**Net Sales**
(Millions of Yen)



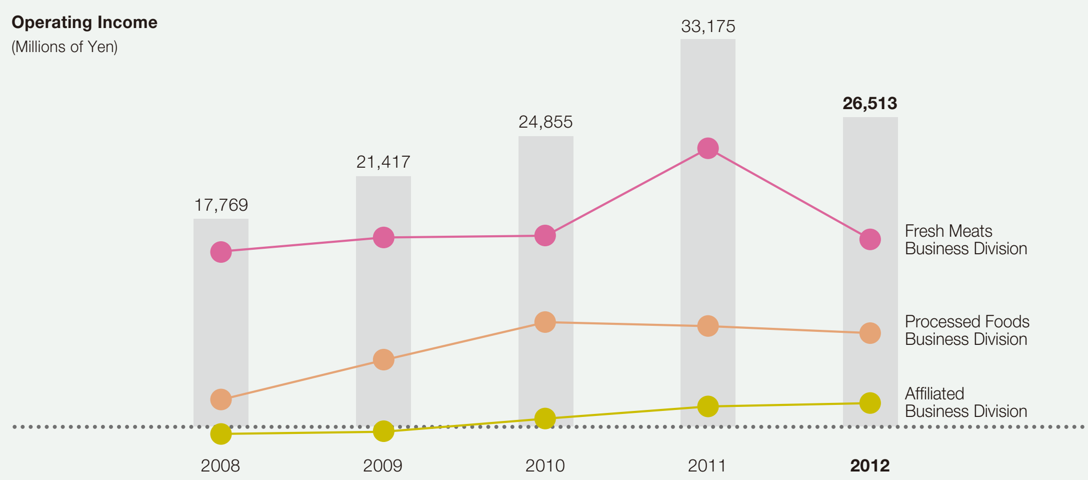

**Key Factors in Sales Changes**
(Millions of Yen)

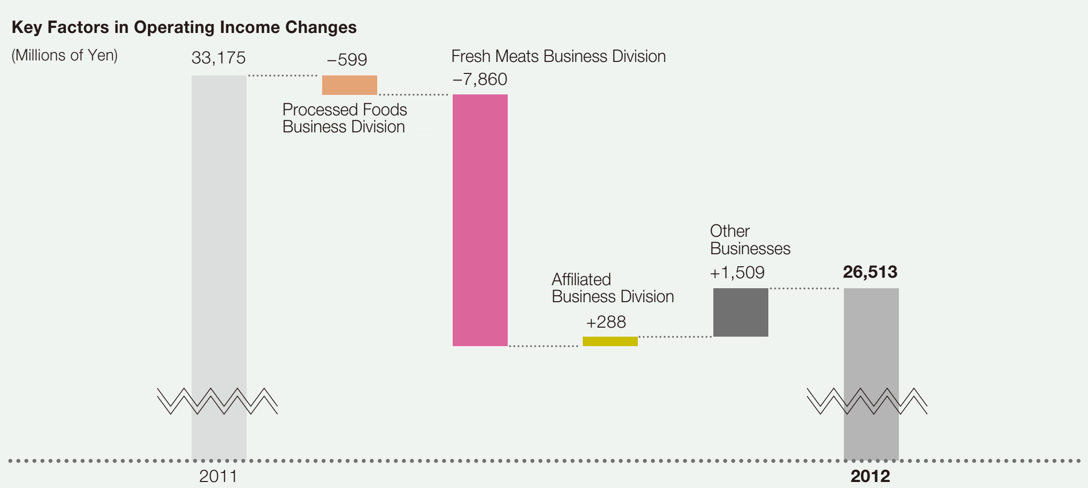


## Operating Income

**¥26,513** million  Down **20.1**% from a year earlier

With conditions remaining difficult for farming operations in Australia, raw materials costs surging, and the price of imported fresh meats declining, operating income decreased 20.1%, to ¥26,513 million.



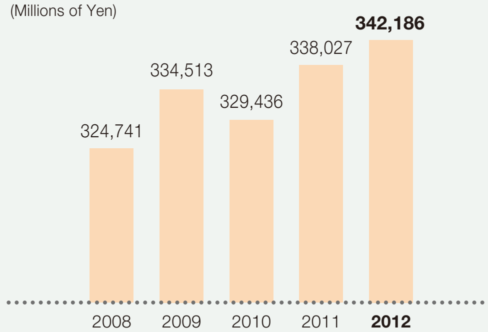
# Operating Segment Highlights for Fiscal Ended March 31, 2012

## Processed Foods
*Business Division*

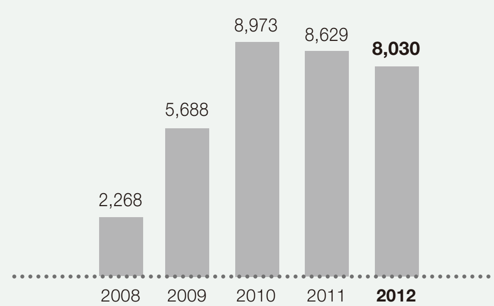
**Sales up 1.2%:** We expanded sales by focusing on promoting two new products to become major brands—*Mori-no-Kaori Shin Arabiki Wiener Sausage* and *Irodori Kitchen Roast Ham*. In the second half of the year, we posted strong sales for key consumer offerings.

**Operating income declined 6.9%:** Revenues were down from a year earlier, reflecting the impact of the Great East Japan Earthquake, higher materials and fuel costs in the first half of the term, and flood damage in Thailand in the second half of the year.

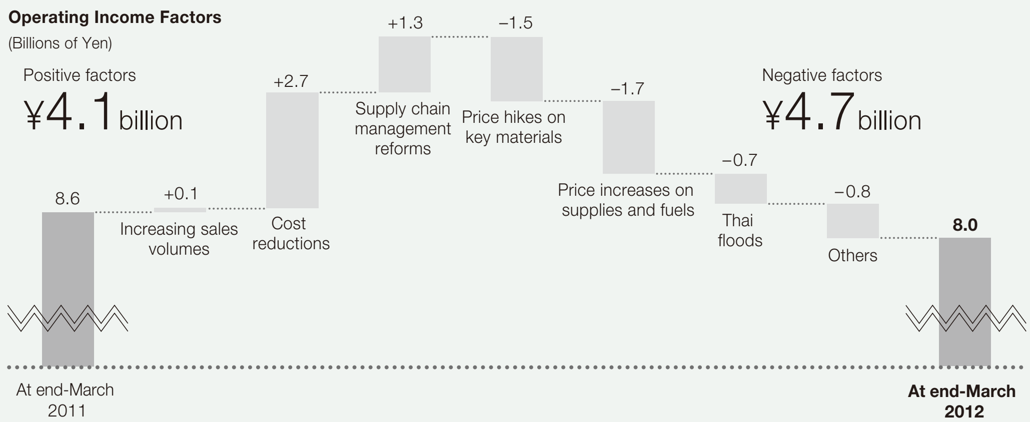
**Sales**
(Millions of Yen)




**Operating Income**
(Millions of Yen)




**Operating Income Factors**
(Billions of Yen)




### Sales of Core Brands Compared with the Previous Period

| | | |
|---|---|---|
| Hams and Sausages | *SCHAU ESSEN* series | 100% |
| | *Mori-no-Kaori Shin Arabiki Wiener Sausage* | 123% |
| | Ham series | 107% |
| | Bacon series | 111% |
| Deli & Processed Foods | *Ishigama Kobo* series | 98% |
| | *Chuka Meisai* series | 101% |
| | Prefried series | 99% |
| | Hamburger and meatball series | 105% |

### Sales by Channel Compared with the Previous Period

| | Consumer | Commercial | Total |
|---|---|---|---|
| Hams and Sausages | 104% | 98% | 102% |
| Deli & Processed Foods | 99% | 100% | 100% |

### Sales of Gift Products

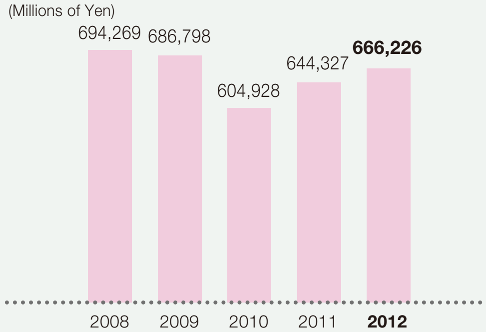
| | Fiscal 2011 (Thousand Units) | Change |
|---|---|---|
| Summer gifts | 2,003 | 102% |
| Year-end gifts | 4,799 | 98% |
| Total | 6,802 | 99% |

# Fresh Meats
*Business Division*

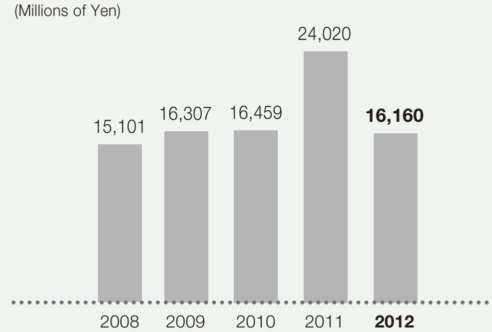
**Sales up 3.4%:** Boosted prices in the first half of the year, with volumes increasing in Japan and overseas.

**Operating income down 32.7%:** This decrease stemmed from declining domestic fresh meat prices after summer and deteriorating profits in Australia.

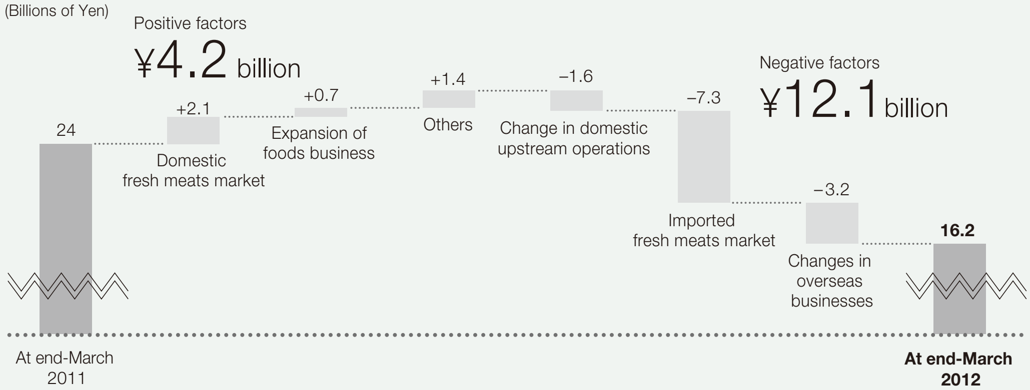
**Sales**
(Millions of Yen)




**Operating Income**
(Millions of Yen)




**Operating Income Factors**
(Billions of Yen)



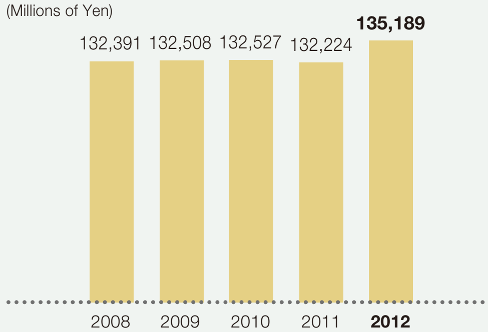

*Due to rounding, item tallies in each division may not match totals.

# Affiliated
*Business Division*

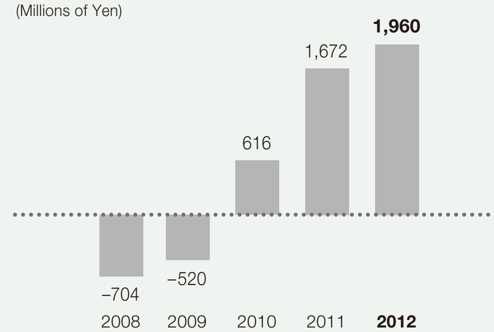
**Sales up 2.2%:** Both the marine products business and dairy products business expanded steadily.

**Operating income up 17.2%:** The increased profitability of the dairy business offset a downturn in the marine products business.

**Sales**
(Millions of Yen)




**Operating Income**
(Millions of Yen)



# Consolidated Financial Highlights

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

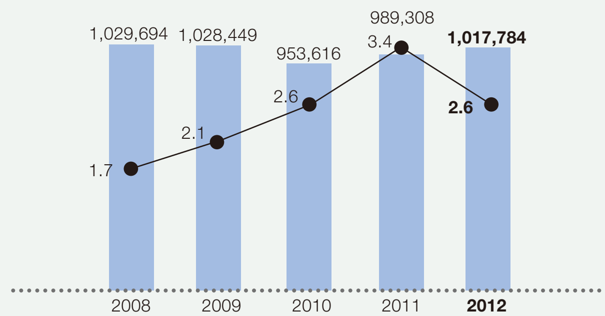
| | **2012** | 2011 | 2010 | 2009 | 2008 | 2007 |
|---|---|---|---|---|---|---|
| Net Sales | **¥1,017,784** | ¥ 989,308 | ¥ 953,616 | ¥1,028,449 | ¥1,029,694 | ¥ 975,466 |
| Operating Income | **26,513** | 33,175 | 24,855 | 21,417 | 17,769 | 16,533 |
| Income from Continuing Operations before Income Taxes and Equity in Earnings (Losses) of Associated Companies | **26,766** | 29,523 | 24,024 | 6,287 | 7,760 | 13,835 |
| Net Income Attributable to Nippon Meat Packers, Inc. | **11,655** | 16,731 | 15,721 | 1,657 | 1,555 | 11,386 |
| Total Assets | **589,125** | 590,688 | 604,201 | 583,684 | 608,809 | 612,933 |
| Total Nippon Meat Packers, Inc. Shareholders' Equity | **290,020** | 281,067 | 271,908 | 270,439 | 287,457 | 298,428 |
| Interest-Bearing Debt | **139,187** | 155,263 | 187,585 | 168,950 | 183,539 | 171,211 |
| Net Cash Provided by (Used in) Operating Activities | **26,432** | 36,761 | 67,448 | 37,776 | 29,690 | 33,164 |
| Net Cash Provided by (Used in) Investing Activities | **9,750** | 8,745 | (60,134) | (15,397) | (26,793) | (19,740) |
| Free Cash Flow | **36,182** | 45,506 | 7,314 | 22,379 | 2,897 | 13,424 |
| Net Cash Provided by (Used in) Financing Activities | **(23,745)** | (36,951) | (5,227) | (24,761) | 7,451 | (6,322) |
| Capital Expenditures | **19,487** | 17,189 | 19,754 | 22,148 | 18,627 | 19,441 |
| Depreciation and Amortization | **23,756** | 24,115 | 24,408 | 24,000 | 23,939 | 22,975 |
| **Per Share Amounts:** | | | | | | |
| Basic Earnings per Share Attributable to Nippon Meat Packers, Inc. Shareholders | **¥ 54.79** | ¥ 78.67 | ¥ 69.69 | ¥ 7.26 | ¥ 6.81 | ¥ 49.89 |
| Diluted Earnings per Share Attributable to Nippon Meat Packers, Inc. Shareholders | **¥ 49.40** | ¥ 70.92 | ¥ 68.99 | ¥ 7.25 | ¥ 6.80 | ¥ 49.83 |
| Total Nippon Meat Packers, Inc. Shareholders' Equity | **¥ 1,363.34** | ¥1,321.37 | ¥1,278.83 | ¥ 1,185.25 | ¥ 1,259.74 | ¥1,307.77 |
| Cash Dividends | **¥ 18.00** | ¥ 16.00 | ¥ 16.00 | ¥ 16.00 | ¥ 16.00 | ¥ 16.00 |
| **Index** | | | | | | |
| Ratio of Operating Income to Net Sales | **2.6%** | 3.4% | 2.6% | 2.1% | 1.7% | 1.7% |
| Return on Equity (ROE) | **4.1%** | 6.1% | 5.8% | 0.6% | 0.5% | 3.9% |
| Return on Assets (ROA) | **4.5%** | 4.9% | 4.0% | 1.1% | 1.3% | 2.3% |
| Nippon Meat Packers, Inc. Shareholders' Equity Ratio | **49.2%** | 47.6% | 45.0% | 46.3% | 47.2% | 48.7% |
| Debt/Equity Ratio | **0.48** | 0.55 | 0.69 | 0.62 | 0.64 | 0.57 |
| Interest Coverage Ratio | **14.5** | 17.0 | 31.6 | 15.0 | 11.0 | 11.4 |

| | | | | | |
|---|---|---|---|---|---|
| | | | | Millions of Yen | Thousands of U.S. Dollars |
| | 2006 | 2005 | 2004 | 2003 | **2012** |
| | ¥ 962,369 | ¥ 933,471 | ¥ 926,019 | ¥ 909,999 | **$12,412,000** |
| | 10,181 | 27,270 | 23,625 | 23,121 | **323,329** |
| | 2,550 | 22,552 | 19,708 | 13,353 | **326,415** |
| | 952 | 11,839 | 10,641 | 4,409 | **142,135** |
| | 591,426 | 611,250 | 610,663 | 621,579 | **7,184,451** |
| | 291,580 | 268,621 | 262,096 | 246,981 | **3,536,829** |
| | 169,701 | 167,019 | 179,797 | 212,385 | **1,697,402** |
| | (21,793) | 34,679 | 35,040 | 39,582 | **322,341** |
| | (16,661) | (23,530) | (7,084) | (5,139) | **118,902** |
| | (38,454) | 11,149 | 27,956 | 34,443 | **441,243** |
| | (1,745) | (18,145) | (41,113) | (753) | **(289,573)** |
| | 20,996 | 27,193 | 19,626 | 25,251 | **237,646** |
| | 23,731 | 22,954 | 24,336 | 25,032 | **289,707** |
| | | | | Yen | U.S. Dollars |
| | ¥ 4.17 | ¥ 51.86 | ¥ 46.61 | ¥ 19.30 | **$ 0.67** |
| | ¥ 4.17 | ¥ 51.85 | ¥ 46.32 | ¥ 19.30 | **$ 0.60** |
| | ¥1,277.41 | ¥1,176.72 | ¥1,147.95 | ¥1,081.68 | **$ 16.63** |
| | ¥ 16.00 | ¥ 16.00 | ¥ 16.00 | ¥ 16.00 | **$ 0.22** |
| | | | | Percent | |
| | 1.1% | 2.9% | 2.6% | 2.5% | |
| | 0.3% | 4.5% | 4.2% | 1.7% | |
| | 0.4% | 3.7% | 3.2% | 2.1% | |
| | 49.3% | 43.9% | 42.9% | 39.7% | |
| | | | | Times | |
| | 0.58 | 0.62 | 0.69 | 0.86 | |
| | — | 13.0 | 12.2 | 11.9 | |

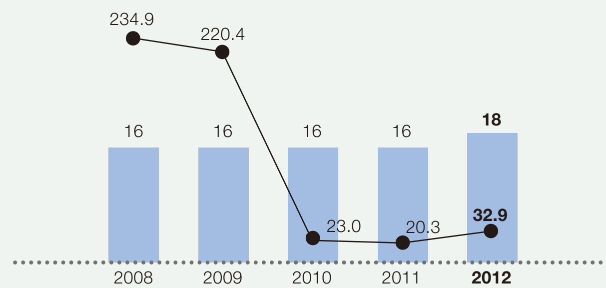
Notes:
1. The figures are based on the consolidated financial statements prepared in conformity with accounting principles generally accepted in the United States of America.
2. The United States dollar amounts represent translations of Japanese yen at the rate of ¥82=$1. See Note 1 to the consolidated 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. The consolidated financial statements for the years ended March 31, between 2003 and 2009 have been reclassified to conform to the presentation requirements in accordance with the Accounting Standards Codification (“ASC”) of the U.S. Financial Accounting Standards Board Topic 810, “Consolidation.”
5. In accordance with ASC Topic 205, “Presentation of Financial Statements,” 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. Interest-bearing debt consists of short-term bank loans, current maturities of long-term debt and long-term debt, less current maturities (including zero coupon convertible bonds) in the consolidated balance sheets.
8. Capital expenditures represent the additions to tangible and intangible fixed assets.
9. Depreciation and amortization consist of depreciation of tangible fixed assets and amortization of intangible fixed assets.
10. 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 provided by (used in) investing activities
    Nippon Meat Packers, Inc. Shareholders’ Equity Ratio = (Nippon Meat Packers, Inc. shareholders’ equity / Total assets) × 100
    Debt/Equity Ratio = Interest-bearing debt / Nippon Meat Packers, Inc. shareholders’ equity
    Interest Coverage Ratio = Net cash provided by operating activities / Interest paid

# Consolidated Financial Highlights

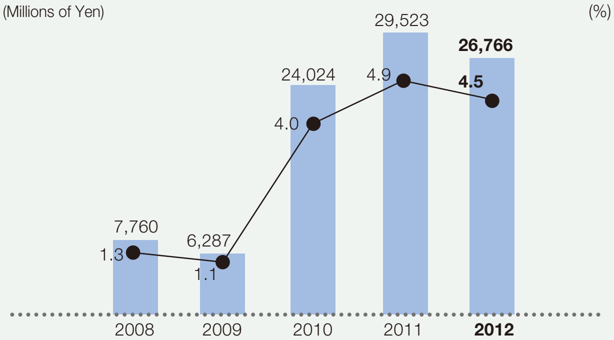
■ Net Sales (Millions of Yen) — Ratio of Operating Income ● (%)



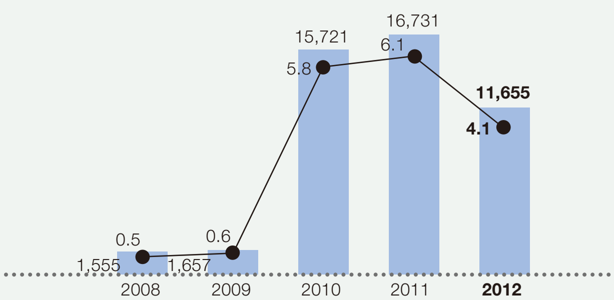

■ Cash Dividends (Yen) — Dividend Payout Ratio ● (%)



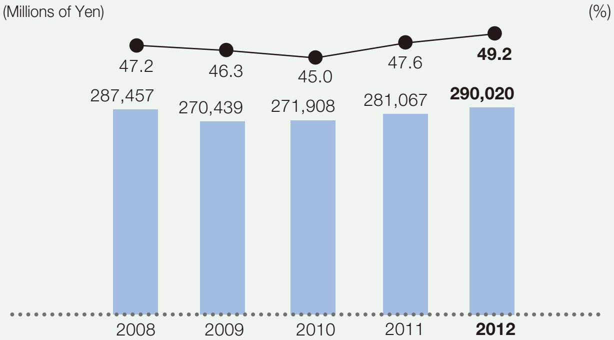

■ Income from Continuing Operations before Income Taxes and Equity in Earnings (Losses) of Associated Companies (Millions of Yen) — ROA ● (%)



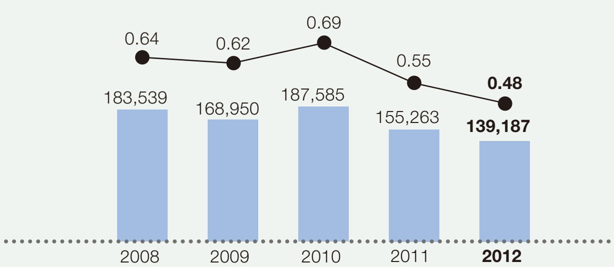

■ Net Income Attributable to Nippon Meat Packers, Inc. (Millions of Yen) — ROE ● (%)



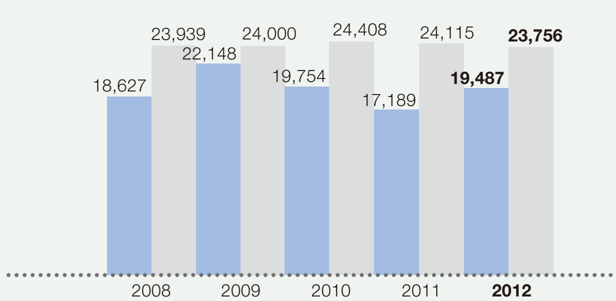

■ Total Nippon Meat Packers, Inc. Shareholders' Equity (Millions of Yen) — Equity Ratio ● (%)



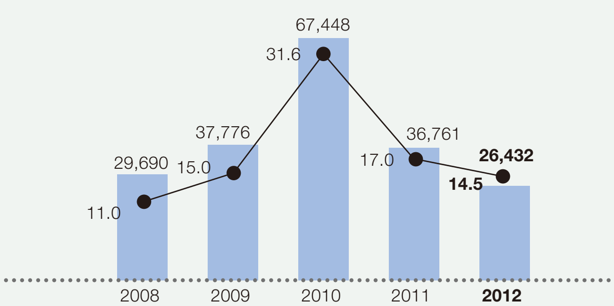

■ Interest-Bearing Debt (Millions of Yen) — Debt/Equity Ratio ● (Times)




■ Capital Expenditures ■ Depreciation and Amortization (Millions of Yen)




■ Net Cash Provided by Operating Activities (Millions of Yen) — Interest Coverage Ratio ● (Times)



# A Message to Shareholders

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

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

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

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

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

July 2012

Hiroshi Kobayashi

Hiroshi Kobayashi
Chairman and Representative Director

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

# Historical Progress with the New Medium-Term Management



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

### Corporate value improvement by continuous reform and challenge

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

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

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

### Solidifying domestic operations and becoming a global enterprise

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

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

# Plan Part IV

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

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

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

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

**Interview with President Noboru Takezoe**

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**Interview with General Managers**

Page 29

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

Page 32

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

Page 37

Koji Kawamura
Director and Executive Officer,
General Manager of Affiliated Business Division

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

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

Noboru Takezoe
President and Representative Director

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

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

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

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

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

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

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

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



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

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

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

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

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

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

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

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



Key Indicators

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

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

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

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

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

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

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

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

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



## Implementation of the New Medium-Term Management Plan Part IV

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

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

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

Main Points of Overhaul

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

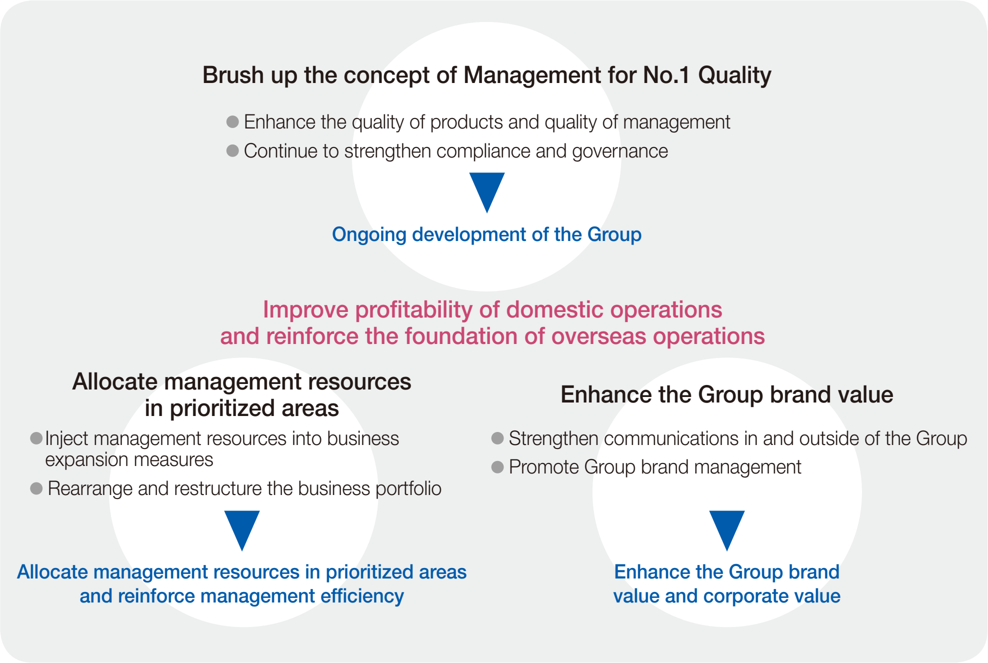
The second point of our overhaul is to position return on equity (ROE) as a new performance indicator, deploying various policies to enhance capital efficiency.

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

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



Theme and Management Policies



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

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

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

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

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

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

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

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

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

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

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



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

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

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

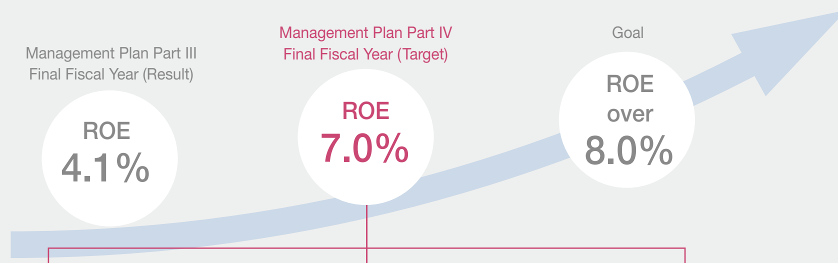
**Q** What are your financial strategies and shareholder returns policies under the New Medium-Term Management Plan Part IV?

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

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

## Capital strategy and measures to boost ROE

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




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

## Our approach to financial strategy and shareholder returns

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

▼

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

# Long-Term Vision

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

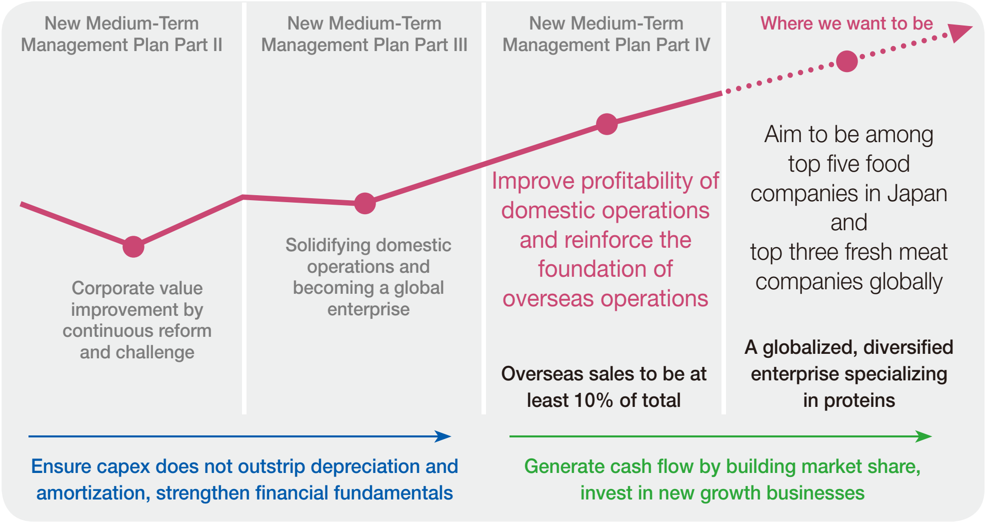
A The Nippon Ham Group maintains its own integrated system to produce and process livestock, distribute, market, and provide consumer services. As I've already explained, integration is the Nippon Ham Group's greatest strength, which we underpin with our product development, technological, and marketing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

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

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



Future profile of the Nippon Ham Group



*Processed Foods Business Division*

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

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

* Incorporate proprietary technologies, outstripping second-tier offerings, and contribute to earnings
** A workplace organization methodology with five phases: sort, set in order, standardize, systemize cleanliness, and sustain discipline

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



## Business Climate Perception

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

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

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

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

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

**Basic policy**

**Undertake strategies for efficiency and strategies to create unmatched products**

**Key measures**

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



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

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

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

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

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

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

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

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

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

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

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

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

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

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



## Topics

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

美ノ国


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

*Fresh Meats Business Division*

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

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

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



Juichi Suezawa

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

## Business Climate Perception

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

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

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

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

**Basic policy**

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

**Key measures**

**Expand sales volumes**

**Reinforce the foundation of overseas operations**

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

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

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

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

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

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

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

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

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

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

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



## Topics

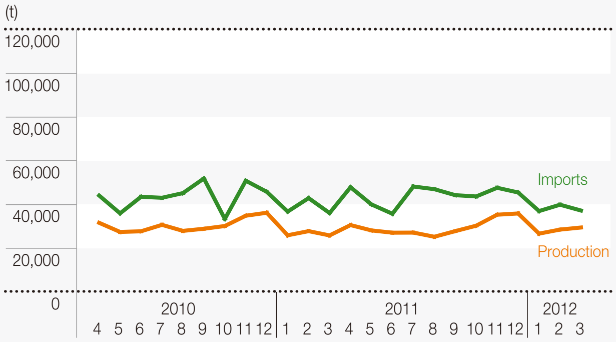
### Expanding Sales of the *Mate Tea Chicken* Brand


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

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

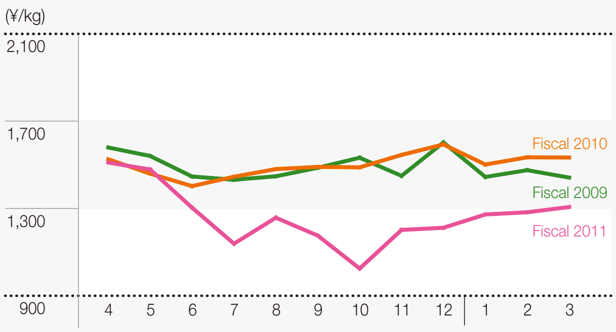
## Prices and Supply/Demand for Beef

### Beef Supply and Demand Trends



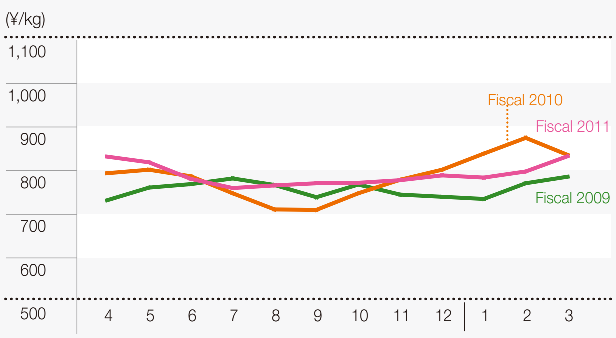

*Source: Agriculture & Livestock Industries Corporation*

### Tokyo Market A-3 Wagyu Steer Prices




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

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

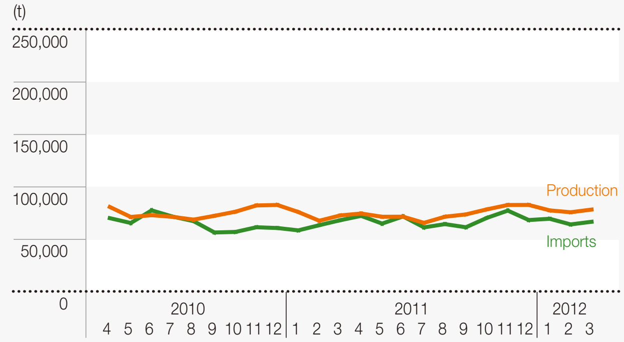



*Source: Agriculture & Livestock Industries Corporation*
*(all graphs based on average prices)*

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

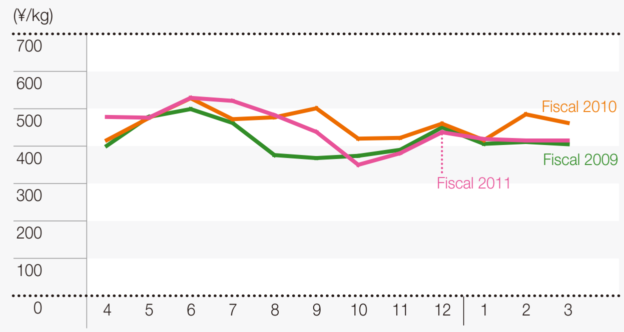
## Prices and Supply/Demand for Pork

### Pork Supply and Demand Trends



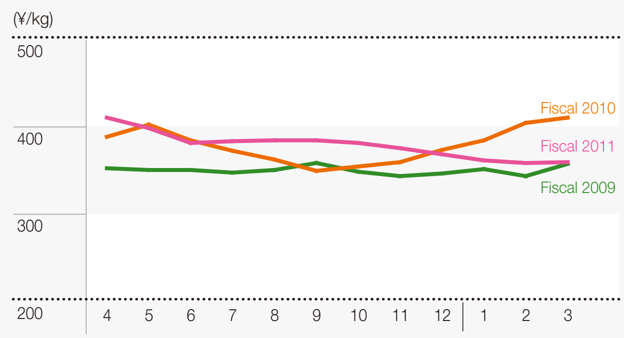

*Source: Agriculture & Livestock Industries Corporation*

### Pork Carcass Prices (Tokyo Market Excellent Grade)




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

### U.S. Frozen Pork (Picnic) Prices

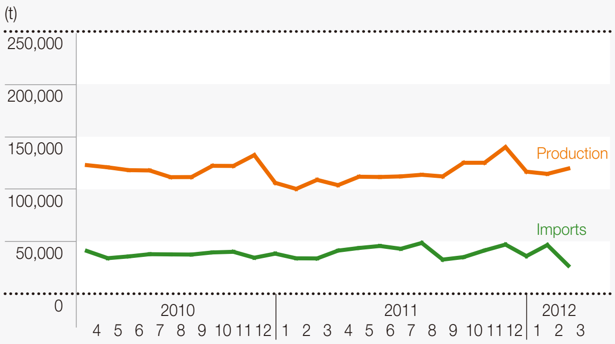



*Source: Agriculture & Livestock Industries Corporation*
*(all graphs based on average prices)*

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

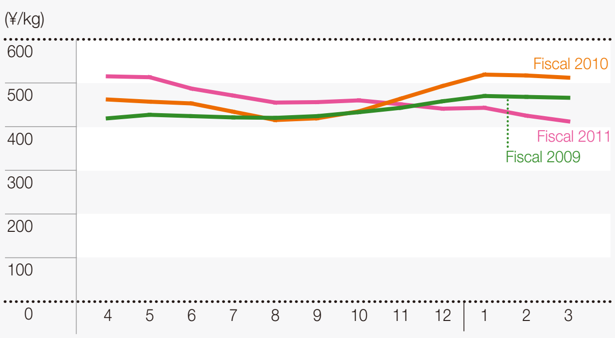
## Prices and Supply/Demand for Poultry

### Poultry Supply and Demand Trends



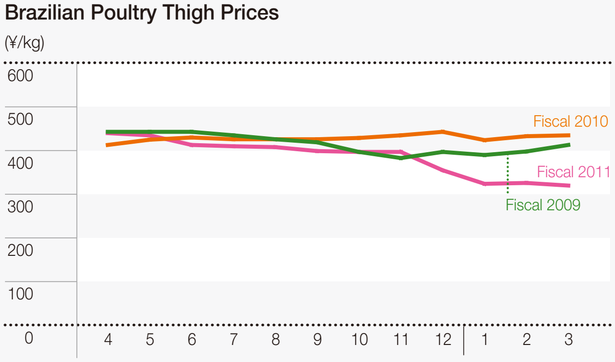

*Source: Agriculture & Livestock Industries Corporation*

### Domestic Poultry Wholesale Prices (Weighted Average)




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

### Brazilian Poultry Thigh Prices

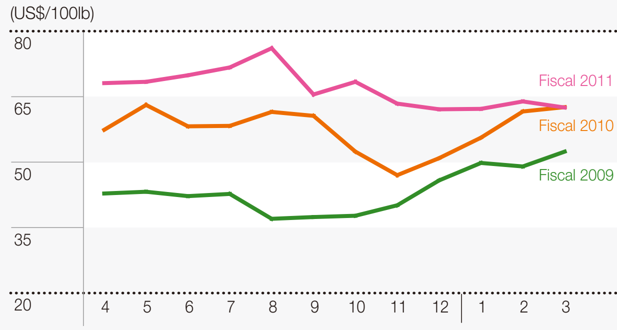



*Source: Agriculture & Livestock Industries Corporation*
*(all graphs based on average prices)*

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

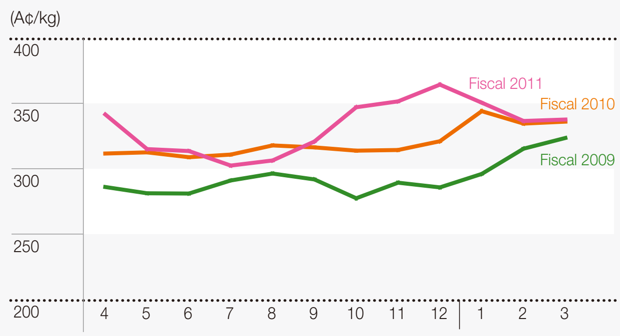
## Overseas Livestock Prices

### Live U.S. Fattening Hog Prices




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

### Live Australian Fattening Cattle Prices

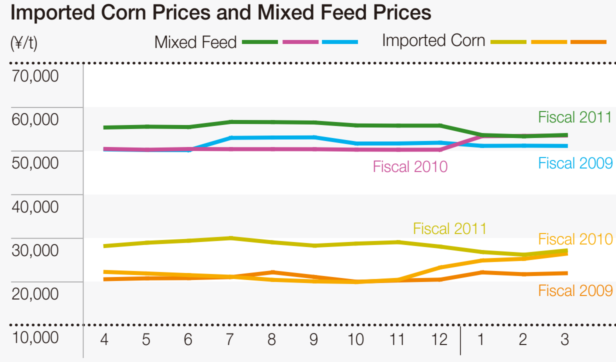



*Source: Agriculture & Livestock Industries Corporation*
*(all graphs based on average prices)*

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

## Feed Prices

### Imported Corn Prices and Mixed Feed Prices




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

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

*Affiliated Business Division*

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

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

Koji Kawamura
Director and Executive Officer,
General Manager of Affiliated Business Division



## Business Climate Perception

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

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

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

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

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

**Basic policy**

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

**Key measures**

**Focus on production to enhance quality and efficiency**



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

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

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

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

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

**Q What steps are you taking on the global stage?**

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

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

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

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



## Topics

## Upgrading Hoko's Hachinohe Factory


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

# Working to Enhance Corporate Value

**The Nippon Ham Group strives to enhance compliance and corporate governance to increase overall management transparency and efficiency and boost corporate value. We seek to remain accountable and credible to customers, shareholders, business partners, employees, and other stakeholders.**

## Basic Policy on Corporate Governance

Our basic policy on corporate governance is to clarify responsibility and authority for monitoring by directors and business implementation by executive officers.

### Efforts to Strengthen Corporate Governance

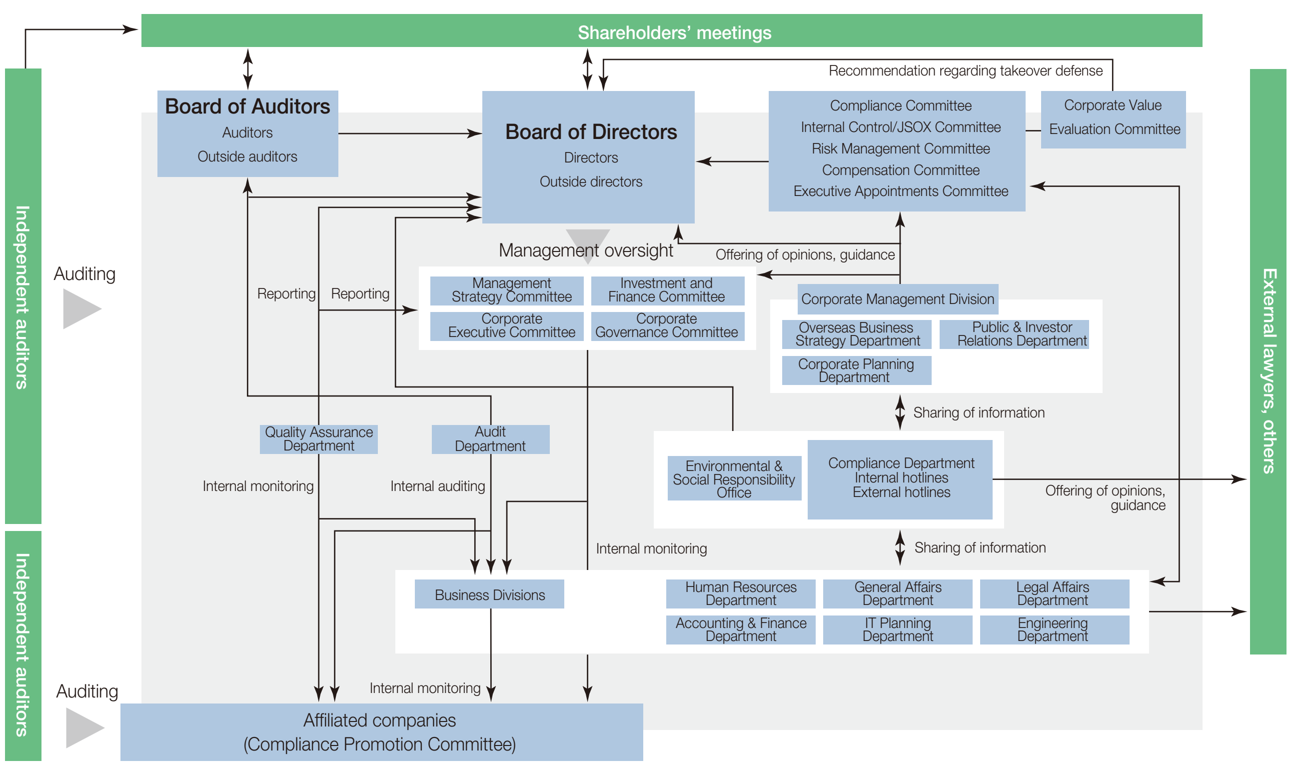
| | |
|---|---|
| April 2003 | Established Investment and Finance Committee |
| April 2004 | Established Corporate Governance Committee |
| May 2006 | Established Corporate Value Evaluation Committee |

### Basic Structure

*Management Framework*

We limited the Board of Directors to less than 13 members to ensure prompt and proper decision making and minimize the scope of liability of that body, which is responsible for monitoring management. Thus, headquarters departments and committees, which support the Board of Directors, have been enhanced.

Corporate Governance System



A director's term is one year for the purpose of facilitating annual accountability. The Board of Directors convened 18 times during the fiscal year ended March 31, 2012.

### *Roles of Outside Directors*

In principle, we appoint more than one outside director to ensure transparency. Outside directors attend regular and special meetings of the Board of Directors, providing objective opinions and advice.

## Toshiko Katayama

**Reasons for Appointment of Candidate**

We consider Ms. Katayama suitable as an outside director because she has outstanding experience and knowledge about consumer issues, having dealt with them for many years as an attorney. As an entity whose core business is to produce and market foods, we recognize that engaging in consumer-oriented management is vital to our business progress, and we believe that Ms. Katayama will accordingly be of great benefit to shareholders.

## Iwao Taka

**Reasons for Appointment of Candidate**

Mr. Taka has researched corporate ethics and corporate social responsibility for many years, and has broad perspectives about international economics. We believe that these qualities made Mr. Taka a suitable outside director. Mr. Taka chaired the Nippon Ham Group Corporate Ethics Committee from 2002 to 2004. He was thereafter a member of our Corporate Value Evaluation Committee, helping to set up our compliance management system and enhance corporate value.

*Notes: 1. There are no special capital, personal, or transactional interests between Ms. Katayama and Mr. Taka and the Company.*
*2. We appointed Ms. Katayama and Mr. Taka as outside directors on the basis that they are independent officers, without interests conflicting with those of shareholders, as set forth in Article 436-2 of the Securities Listing Regulations of the Tokyo Stock Exchange, Inc. (TSE), and have made filings to that effect with the TSE and the Osaka Securities Exchange.*

**Attendances of Outside Directors at Board of Directors' Meetings in Fiscal 2011**

| | |
|---|---|
| Toshiko Katayama | Attended all 18 Board of Directors' meetings |
| Iwao Taka | Attended 16 of the 18 Board of Directors' meetings |

### *Auditing*

We established a monitoring framework comprising corporate auditors and the Board of Corporate Auditors. In principle, the number of corporate auditors is five, of whom at least three are external, to ensure proper monitoring.

## Takeshi Koyama

**Reasons for Appointment of Candidate**

Mr. Koyama is a certified public accountant and has served for many years at an auditing firm, so he has extensive knowledge about corporate finance and accounting. We believe that Mr. Koyama's timely advice to management from finance and accounting perspectives will contribute to the soundness of our finance and accounting practices and systems, thereby greatly benefiting shareholders.

## Fumio Motoi

**Reasons for Appointment of Candidate**

Mr. Motoi has worked for many years as an attorney, and is thoroughly versed in all aspects of criminal law, notably corporate criminal law and administrative penalties for tax law violations, as well as compliance. We believe that Mr. Motoi's timely advice to management from various perspectives will contribute to the soundness of our management, thereby greatly benefiting shareholders.

## Akira Otsuka

**Reasons for Appointment of Candidate**

Mr. Otsuka has a broad and deep knowledge of the law from his long career as an attorney. We believe that Mr. Otsuka's timely advice to management from various perspectives will contribute to the soundness of management, thereby greatly benefiting shareholders.

**Attendances of Outside Directors at Board of Directors' and Board of Corporate Auditors' Meetings in Fiscal 2011**

| | |
|---|---|
| Takeshi Koyama | Attended all 18 Board of Directors' meetings and all 14 Board of Corporate Auditors' meetings |
| Fumio Motoi | Upon appointment, attended all 13 Board of Directors' meetings and all 10 Board of Corporate Auditors' meetings |
| Akira Otsuka | Upon appointment, attended 12 of 13 Board of Directors' meetings and all 10 Board of Corporate Auditors' meetings |

*Note: Since Mr. Motoi and Mr. Otsuka were appointed on June 24, 2011, the number of meetings they attended is lower.*

**Basic Policy on Director and Auditor Compensation**

We maintain a very transparent, just, and rational compensation system that is designed to attract talented executives who can optimize corporate value in performing their duties as directors and auditors.

We ensure that director and auditor compensations are indeed transparent, just, and rational by having the Compensation Committee, whose outside director acts as chairman, to deliberate on these matters, with the Board of Directors resolving them.

**Comments from Outside Directors**

## Accountably Deliver Safety and Reliability to Consumers

*Great anxiety among Japanese consumers about the issue of radioactive contamination has clouded extensive restoration efforts that have continued more than a year since the Great East Japan Earthquake.*

*The food industry must address the tremendous challenges that such consumer concerns pose by consistently supplying safe and reliable food now—and into the future. The Nippon Ham Group must provide products that deliver proven safety and reliability that anxious consumers can trust.*

*Being accountable to consumers is fundamental to all of this. The risks to food are technical and complex and extend beyond radioactive contamination. Consumers without specialized information and knowledge are not able to evaluate what is safe or dangerous or what safety levels make for the best choices, and thus may feel insecure.*

*Companies need to assuage consumer concerns by reinforcing their quality control and assurance systems, fully involving their employees in daily endeavors that reflect strong commitments to safety. Companies must also engage with consumers by explaining their stances and safety management structures in laypersons' terms and disclosing their safety concepts and initiatives.*

*The Consumer Basic Act explicitly mandated that companies ensure safety and disclose necessary information. I would also note that a food company's greatest joy comes from consumers eating food that they thoroughly trust and love. I will encourage all Nippon Ham worksites to act in ways that guarantee reliability for consumers.*

Toshiko Katayama

*Outside Director*

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

**Director and Auditor Compensation**

| Category | Total compensation (Millions of yen) | Total for all types of compensation (Millions of yen) Basic compensation | Number of directors and auditors |
|---|---|---|---|
| Directors<br>(including outside directors) | 387<br>(16) | 387<br>(16) | 13<br>(2) |
| Auditors<br>(including outside auditors) | 71<br>(23) | 71<br>(23) | 7<br>(4) |

*Notes: 1. Total compensation includes payments to one director and two auditors (including an outside auditor) who retired as of the end of the 66th General Meeting of Shareholders on June 24, 2011.*

*2. Aggregate monthly compensation ceilings were resolved at general meetings of shareholders at ¥42 million for the Board of Directors (the meeting of June 27, 1996) and ¥8 million for the Board of Corporate Auditors (the meeting of June 26, 1998).*

### Internal Control Functions

Recognizing the importance of cumulative efforts, we strengthen corporate governance through our management framework and through internal controls at our sites and in Group companies.

### *Compliance*

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

# The Nippon Ham Group's Unique Governance Approach

*As a director of a listed enterprise, I was disappointed last year to see incidents that undermined Japanese corporate governance and lax listing maintenance standards that harmed the nation's reputation around the world. I would not claim that the Nippon Ham Group is perfect, but I can say that it is leading the way in good governance—and I resent good Japanese companies, including the Nippon Ham Group, being lumped together with the bad.*

*With that said, I would now like to present some aspects of the Group's governance endeavors. Every day, all directors and auditors receive information on two or three important matters. These issues are what business units have identified as unusual, and cover such broad concerns as natural disasters, occupational and commuting accidents, operational damage, the probability of lawsuits or administrative sanctions, organized crime, or the potential for legal violations.*

*As far as I can tell, no other companies distribute such information (unfiltered by the business units in question) virtually automatically to all directors and auditors. While such information is sensitive and has to be kept strictly confidential, not one director or auditor can feign ignorance of an occurrence. That means that none of us take issues lightly, which I believe empowers the Company to identify and responsibly address problems. This unique stance is a source of great pride.*

Iwao Taka

*Outside Director*

Profile

| | |
|---|---|
| June 2010 | Appointed director of Nippon Meat Packers, Inc. (current) |
| April 2009 | Becomes head of Department of Economics, Reitaku University (current) |
| April 2007 | Becomes visiting professor, Graduate School of Management, Kyoto University (current) |
| June 2005 | Appointed director of Mitsui Sumitomo Insurance Co., Ltd. |
| April 2001 | Becomes professor, Department of International Economics (now Department of Economics), Reitaku University (current) |

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

*Compliance training*

**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.

### 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 & Social Responsibility Office.

# Board of Directors, Corporate Auditors, and Executive Officers

As of June 27, 2012

Hiroshi Kobayashi
*Chairman and Representative Director*

Noboru Takezoe
*President and Representative Director*

Hiroji Okoso
*Director and Senior Managing Executive Officer*

Koji Uchida
*Director and Managing Executive Officer*

Yoshihide Hata
*Director and Managing Executive Officer*

Juichi Suezawa
*Director and Managing Executive Officer*

Kazuhiro Tsujimoto
*Director and Executive Officer*

Koji Kawamura
*Director and Executive Officer*

Toshiko Katayama
*Outside Director*

Iwao Taka
*Outside Director*

Hiroshi Itagaki
*Corporate Auditor*

Katsutoshi Nishio
*Corporate Auditor*

Fumio Motoi
*Outside Corporate Auditor*

Akira Otsuka
*Outside Corporate Auditor*

Tamio Morimoto
*Outside Corporate Auditor*

**Managing Executive Officer**

Teruo Yamada

**Corporate and Executive Officers**

Toshimichi Miyachi
Katsumi Inoue
Takahito Okoso
Shunichi Ogata
Kazushi Ohta

Kazunori Shinohara
Kanji Bando
Tetsuhiro Kito
Koichi Nishihara
Kazuhiro Mikuni

Sadanori Miyagai
Hajime Takamatsu
Koichi Oyama
Hiroyuki Yano

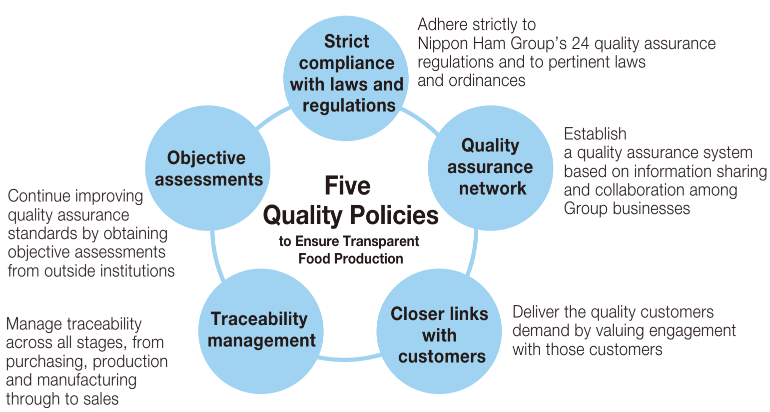
# The Nippon Ham Group's Management for No. 1 Quality Policy

## —Working to Enhance Quality Assurance—

**The Nippon Ham Group has made refining Management for No. 1 Quality a key policy under its New Medium-Term Management Plan Part IV, implementing measures to build a brand that is synonymous with exceptional quality.**

### Further Improving Quality Assurance

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. At the same time, we have deployed five fundamental quality improvement policies to ensure product quality that both satisfies and inspires customers. We have also built a customer-oriented quality assurance network—facilitated by close, organic collaboration among Group businesses—that extends from farm to table. In addition to the Quality Assurance Department, which oversees the entire Group, we have introduced a variety of specific initiatives, including meetings for Group quality assurance officers, and sharing information relating to integrated quality audits and product management to further enhance quality assurance.

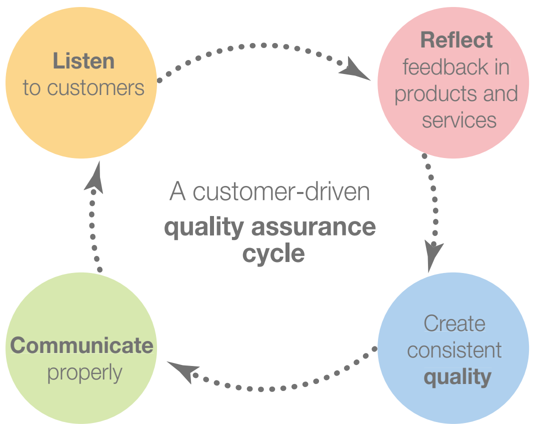



### A Customer-Driven Quality Assurance Cycle

The Nippon Ham Group's quality assurance cycle—listening to customers, reflecting feedback in products and services, creating consistent quality, and communicating properly—enables it to deliver tastier, safer, and more reliable products to customers.

*Listening to customers*

The first stage of the cycle begins with gathering and analyzing the opinions of customers at stores and through the Customer Service Office. To this end, we work to create opportunities for customer engagement and to harness our own networks to swiftly collect information.


*Reflecting feedback in products and services*

We make use of valuable customer feedback to improve our products and services. All employees participate in quality improvement activities, voluntary efforts that take into account customer views, as part of our effort to deliver tastier products. We are enhancing our customer service capabilities by, among others, holding practical workshops that cover skills essential to customer satisfaction improvement, from handling telephone inquiries to customer relations.

*Creating consistent quality*

The Nippon Ham Group is building a Groupwide quality assurance system that organically links safety audits, quality audits, and safety inspections to ensure product safety and quality for customers.

Safety audits evaluate whether ingredients are safe and whether we comply with laws and ordinances on labeling and specifications, as well as our ability to inform customers about product safety and reliability through product labeling and records. Quality audits assess our ability to ensure the reliability of our products by improving our production environment through a quality auditing cycle, which we implement in cooperation with our Quality Assurance Department. Safety inspections evaluate our ability to provide safe and reliable products through rigorous inspections conducted in collaboration with our inspection and research departments in Japan and abroad.

**Building a Global Quality Assurance System**

We aim to build a global quality assurance system as part of efforts under the New Medium-Term Management Plan Part IV to refine Management for No. 1 Quality. We inspect the quality and safety of products where they are made overseas, allowing only those offerings passing our safety audits in Japan to be distributed in the domestic market. We will continue to reinforce our evaluation structure in Japan and abroad and maintain the trust of our customers and society by establishing systems for liaison between quality assurance units.

We therefore need to train engineers and hire and cultivate people around the world. The Nippon Ham Group created a unique mechanism to train people who can create products delivering consistent quality. We produced our own e-learning program for mastering basic knowledge. We provide the same materials to all Group companies, including those overseas, to cover all the learning needs of those engaging in production. We maintain a proprietary curriculum for basic collective training. We provide classroom lectures, on-the-job training, and post-learning assignments to ensure that our people master technical skills and retain their knowledge and capabilities. We choose people from all Group companies for training in advanced fields. Technicians passing our specialization accreditation tests will contribute further to our quality assurance technologies by functioning as technical supervisors at production sites or as lecturers in basic collective and specialized training programs.

The Nippon Ham Group seeks to build a global quality assurance system by additionally providing training overseas to its technicians.

*Thoroughly communicating*

We are creating a cycle in which we listen to our customers, deepening ties with them by properly conveying product information.

The Nippon Ham Group practices Management for No. 1 Quality, earning customer trust through its quality assurance cycle.

*Research and Development Center*

# Undertaking Research and Product Development as Foundations for Ensuring the Joy of Eating

**The core research institution of the Nippon Ham Group, the Research and Development Center (RDC) in Tsukuba, Ibaraki Prefecture, undertakes research to ensure food safety and security, research to develop foods and ingredients that support good health, and the development of production technologies for tasty and high-quality fresh meats.**

**The Nippon Ham Group wishes to deliver the Joy of Eating by adding value to its products.**

### Research to Ensure Food Safety and Security

The RDC pioneered the development of high-precision analytical technologies and is promoting acquisitions of more accreditations under ISO/IEC 17025, the international standard for testing capabilities. In 2011, the RDC obtained accreditation for analyzing trans fatty acids, saturated fatty acids, and cholesterol, complementing existing accreditations for analyzing five essential nutrition labeling items.

The RDC also develops technologies for the prompt analysis of harmful substances in foods, creating a method for simultaneously analyzing 547 agricultural chemical and 190 veterinary drug residues in food products. In 2011, the RDC established the Nippon Ham Group's food radioactivity inspection system in collaboration with the Quality Assurance Department.

The RDC also focuses on food sanitation-screening techniques employing immunotechnologies. It has developed and sold inspection kits whose performances have earned strong external recognition. They include the FASTKIT ELISA Ver. II food allergen identification kit, which complies with the guidelines of Japan's Consumer Affairs Agency. Other examples are the MycoJudge Total Aflatoxin mycotoxins detection kit, which complies with a Ministry of Health, Labour and Welfare notification code, and the NH Immunochromato VT1/2 food poisoning test kit, which is listed in the Ministry of Health, Labour and Welfare notification code. In 2011, we received the Society for Techno-innovation of Agriculture, Forestry and Fisheries' Chairman's Prize in the 2011 Private Sector Agriculture, Forestry and Fisheries Research and Development Meritorious Awards, sponsored by the Ministry of Agriculture, Forestry and Fisheries, in recognition of the contributions of our kits to fresh meat and food hygiene.

### Research and Develop Food and Ingredients that Support Good Health

The RDC has capitalized on the Nippon Ham Group's biological resources to verify safety and health benefits in developing and commercializing food and ingredients that support good health. For example, it developed and commercialized collagen and elastin peptide, which offer cosmetic benefits, as well as imidazole peptide-rich extracts. In 2011, the RDC confirmed cosmetic benefits in extracts of hog uteruses. The Group incorporates these safe, traceable ingredients in its processed and health foods.

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

The RDC's efforts extend to research that scientifically evaluates the good taste and quality of fresh meat, assisting the development of brand-name fresh meats and other products. At the same time, the RDC focuses on development for breeding cattle that produce highly marbled beef. It uses genetics techniques to conduct high-precision checks of bovine hygiene. The RDC established bloodlines for disease-resistant pigs, and is developing a lactic acid probiotic to accelerate pig growth. Research to raise healthier pigs has entered practical stages.

#### Social Contributions

In line with our commitment to supporting healthy lifestyles, we share new knowledge and information gained through R&D efforts by organizing food education activities that focus on such themes as food and sports and food allergies. In August 2011, for example, we published *Hokkaido Nippon-Ham Fighters no Ryo-gohan* (Hokkaido Nippon-Ham Fighters' Dormitory Foods) to showcase recipes that we innovated to feed players on the Hokkaido Nippon-Ham Fighters professional baseball team.


We will continue to push ahead with R&D to realize the promise of our brand statement—"The Brilliance of People for the Future of Food."

# 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 environmental policies of the Nippon Ham Group, which outline the Group's basic policy on environmental protection activities.**

### Environmental Policies of the Nippon Ham Group

In appreciation of nature's blessings, we at the Nippon Ham Group will promote environmentally sound business activities toward the realization of a sustainable society.

1. **Environmentally conscious products and services**
   We will strive to develop products and provide services that are environmentally conscious.
2. **Improvement of environmental performance**
   We will strive to conserve energy and resources and reduce adverse environmental impact that may arise during the course from our business activities.
3. **Continual improvements**
   We will make continual improvements through the effective application of our environmental management system.
4. **Compliance**
   We will strive to enhance the level of our environmental conservation by complying with applicable legal requirements and, when appropriate, setting our own requirements.
5. **Cooperation with communities**
   We will work together with our host communities to promote environmental activities through close communications with them.

### Results of New Medium-Term Management Plan Part III and Targets of New Medium-Term Management Plan Part IV

The Nippon Ham Group launched the three-year New Medium-Term Management Plan Part IV in April 2012.

This initiative sets forth seven key targets, including for reducing $CO_2$ emissions, over that period.

We will continue pursuing improvements in light of the results of New Medium-Term Management Plan Part III, which we completed in fiscal 2011.

| | New Medium-Term Management Plan | | |
|---|---|---|---|
| | Part III | | Part IV |
| | Targets | **Results** | Targets |
| $CO_2$ emissions (per unit of production)[*1] | 3% reduction[*1] | **16.9% reduction** | 12.5% reduction[*2] |
| Waste (Overall)[*1] | 3% reduction[*1] | **0.1% increase** | 3% reduction[*2] |
| Waste recycling rate | 99% | **98.2%** | More than 99% |
| Food recycling rate | 88% | **91.3%** | More than 93% |
| Water consumption (per unit of production)[*1] | 3% reduction[*1] | **2.9% reduction** | 6% reduction[*2] |
| Green purchasing rate | 90% | **74.4%** | More than 90% |
| Vehicle fuel efficiency[*2] | 5% improvement from fiscal 2008 | **4.5% improvement from fiscal 2008** | 3% improvement from fiscal 2010 |

*[*1] Standard value: Average from fiscal 2005 to fiscal 2007*
*[*2] Standard value: Average from fiscal 2005 to fiscal 2010*



### Initiatives to Cut Carbon Dioxide Emissions

In fiscal 2007, the Nippon Ham Group began switching from heavy oil and liquid petroleum gas to fuel its boilers and other facilities to city gas and liquefied natural gas. This move has lowered carbon dioxide ($CO_2$) emissions per thermal unit. In fiscal 2011, the Ibaraki and Ono plants of Nippon Meat Packers and the Kuwana Plant of Nippon Ham Shokuhin Co., Ltd., changed fuels.

Group companies have begun using chicken manure biofuel in their boilers.

# Contributing to Society and the Community

**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

In line with its commitment to building health through food and sports, 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.

Managing 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 strives to help people to refine their senses and provides a variety of information about food.

One such initiative is our program at elementary and junior high schools to highlight the importance of eating and the role of food and provide information on nutrition to help ensure good dietary health for children during their school years. In the period under review, we held such classes for about 2,300 students at 34 schools. In one class presenting the domestic *Sakurahime* brand chicken, students learned about the numerous people involved in the process of bringing food to the dinner table and tried cooking *Sakurahime* chicken for themselves.

Other activities include tours of Nippon Ham Group plants and cooking classes and seminars designed to help people enjoy 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 develops allergy-safe food products and food allergen screening kits and disseminates food allergy information.

People interested in food allergy issues are keen to receive food and medical information concerning food allergies and accurate related information about daily food preparation. We responded to the needs of such individuals by working with Osaka Gas Co., Ltd., to hold seminars and cooking classes for parents of infants with food allergies. These events were popular among participants. One participant commented that the experience helped to resolve concerns by providing accurate information about food allergies. Another said the class was useful for learning new recipes based on what foods children can eat.

# 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.**

### Pushing Forward with the Team Slogan "9+"

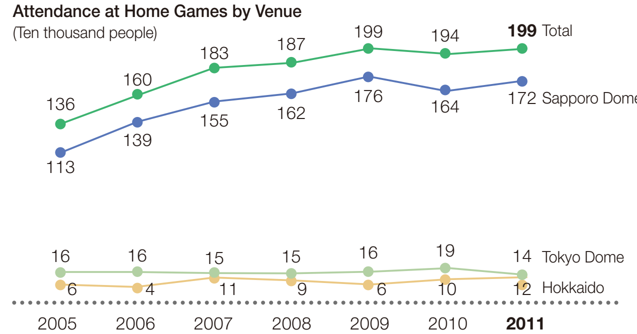
The Hokkaido Nippon-Ham Fighters enjoys the support of many people in Hokkaido for remaining a good member of the community. High attendances at the team's local games underscore that support. This season's team slogan is "9+". The slogan not only refers to the nine years since the team was formed but also encourages all nine players to do their very best every game to benefit the team. The "+" alludes to the team's strong bonds with fans and other stakeholders. The Hokkaido Nippon-Ham Fighters will battle for first place in this year's pennant race in keeping with this slogan.

### Holding Test Rides for Subway Train in Hokkaido Nippon-Ham Fighters Livery

The Sapporo City Transportation Bureau and the Hokkaido Nippon-Ham Fighters held a media event on March 18, 2012. The event entailed a test ride of a train wrapped in plastic film in the team's livery on the Toho Line of the Sapporo Municipal Subway. The outside of the train was decorated with images of team manager Hideki Kuriyama and 23 players, as well as the team logo. Surprised people on the platform cheered when they saw the train enter Sakaemachi Subway Station. Fighters' mascot Brisky the Bear and Notte Koguma (a riding bear cub), a Sapporo City Transportation mascot, rode the train through to Sapporo Station, with members of the media being given the opportunity to view the carriage interiors. Through April 1, the interiors exclusively featured ads for the Nippon-Ham Fighters to build momentum ahead of the start of the season.

This train began operating officially in Nippon-Ham Fighters livery on Monday, March 19, 2012, for a three-year period. In 2010, a Sapporo Municipal Subway train was wrapped in plastic film to showcase the Sapporo Snow Festival season. The Fighters' version will be the first to operate in this way for three years. The train will transport fans to Sapporo Dome and play an active role in transporting the residents of Sapporo and tourists throughout the year.

Attendance at Home Games by Venue




### Launching Project to Keep River Clean

We joined hands with the Hokuren Federation of Agricultural Cooperatives to clean up and protect Chubetsu River in Asahikawa, Hokkaido. Fighters' mascot Brisky the Bear and staffers from the team were involved in this initiative, which also involved members of the public. Around 20 kilograms of waste was collected over one and a half hours. As a member of the Hokkaido community, we will engage in more environmental efforts in the years ahead.

*Cleanup on July 8, 2011*

# Financial Section

## Contents

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

| | Millions of Yen | | | | |
|---|---|---|---|---|---|
| | **2012** | 2011 | 2010 | 2009 | 2008 |
| Net Sales | **¥1,017,784** | ¥ 989,308 | ¥ 953,616 | ¥1,028,449 | ¥1,029,694 |
| Income from Continuing Operations before Income Taxes and Equity in Earnings (Losses) of Associated Companies | **26,766** | 29,523 | 24,024 | 6,287 | 7,760 |
| Net Income Attributable to Nippon Meat Packers, Inc. | **11,655** | 16,731 | 15,721 | 1,657 | 1,555 |
| Total Assets | **589,125** | 590,688 | 604,201 | 583,684 | 608,809 |
| Total Nippon Meat Packers, Inc. Shareholders' Equity | **290,020** | 281,067 | 271,908 | 270,439 | 287,457 |
| Interest-Bearing Debt | **139,187** | 155,263 | 187,585 | 168,950 | 183,539 |
| Net Cash Provided by Operating Activities | **26,432** | 36,761 | 67,448 | 37,776 | 29,690 |
| Net Cash Provided by (Used in) Investing Activities | **9,750** | 8,745 | (60,134) | (15,397) | (26,793) |
| Free Cash Flow | **36,182** | 45,506 | 7,314 | 22,379 | 2,897 |
| Net Cash Provided by (Used in) Financing Activities | **(23,745)** | (36,951) | (5,227) | (24,761) | 7,451 |
| Capital Expenditures | **19,487** | 17,189 | 19,754 | 22,148 | 18,627 |
| Depreciation and Amortization | **23,756** | 24,115 | 24,408 | 24,000 | 23,939 |

| | Yen | | | | |
|---|---|---|---|---|---|
| **Per Share Amounts:** | | | | | |
| Basic earnings per share attributable to Nippon Meat Packers, Inc. shareholders | **¥ 54.79** | ¥ 78.67 | ¥ 69.69 | ¥ 7.26 | ¥ 6.81 |
| Diluted earnings per share attributable to Nippon Meat Packers, Inc. shareholders | **¥ 49.40** | ¥ 70.92 | ¥ 68.99 | ¥ 7.25 | ¥ 6.80 |
| Total Nippon Meat Packers, Inc. Shareholders' Equity | **¥ 1,363.34** | ¥1,321.37 | ¥1,278.83 | ¥ 1,185.25 | ¥ 1,259.74 |
| Cash Dividends | **¥ 18.00** | ¥ 16.00 | ¥ 16.00 | ¥ 16.00 | ¥ 16.00 |

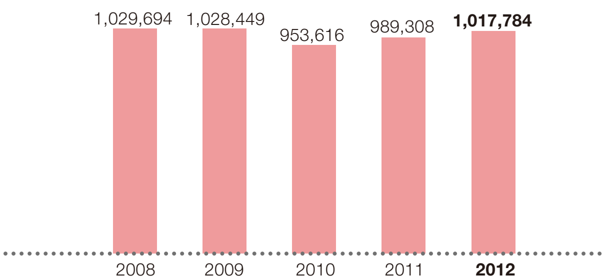
| | Percent | | | | |
|---|---|---|---|---|---|
| **Index** | | | | | |
| Return on Equity (ROE) | **4.1%** | 6.1% | 5.8% | 0.6% | 0.5% |
| Return on Assets (ROA) | **4.5%** | 4.9% | 4.0% | 1.1% | 1.3% |
| Nippon Meat Packers, Inc. Shareholders' Equity Ratio | **49.2%** | 47.6% | 45.0% | 46.3% | 47.2% |

| | Times | | | | |
|---|---|---|---|---|---|
| Debt/Equity Ratio | **0.48** | 0.55 | 0.69 | 0.62 | 0.64 |
| Interest Coverage Ratio | **14.5** | 17.0 | 31.6 | 15.0 | 11.0 |

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. The consolidated financial statements for the years ended March 31, 2009 and 2008 have been reclassified to conform to the presentation requirements in accordance with the Accounting Standards Codification ("ASC") of the U.S. Financial Accounting Standards Board Topic 810, "Consolidation."
4. In accordance with ASC Topic 205, "Presentation of Financial Statements," 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.
5. Interest-bearing debt consists of short-term bank loans, current maturities of long-term debt and long-term debt, less current maturities (including zero coupon convertible bonds) in the consolidated balance sheets.
6. Capital expenditures represent the additions to tangible and intangible fixed assets.
7. Depreciation and amortization consist of depreciation of tangible fixed assets and amortization of intangible fixed assets.
8. 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 operating activities + Net cash provided by (used in) investing activities
Nippon Meat Packers, Inc. Shareholders' Equity Ratio = (Nippon Meat Packers, Inc. shareholders' equity / Total assets) ×100
Debt/Equity Ratio = Interest-bearing debt / Nippon Meat Packers, Inc. shareholders' equity
Interest Coverage Ratio = Net cash provided by operating activities / Interest paid

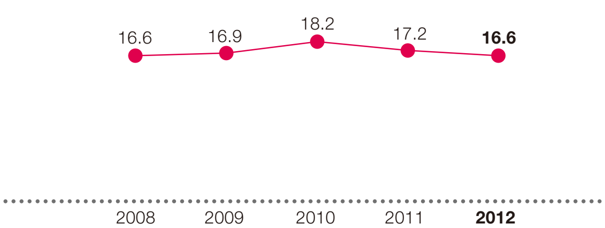
**NET SALES**

(Millions of Yen)



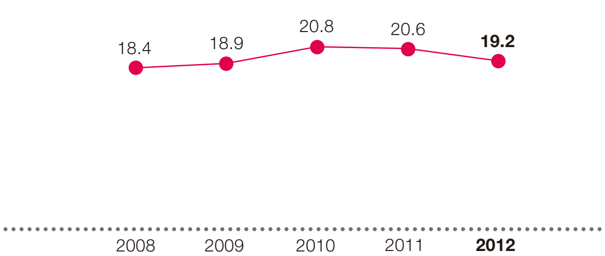

**SELLING, GENERAL AND ADMINISTRATIVE EXPENSES RATIO**

(%)



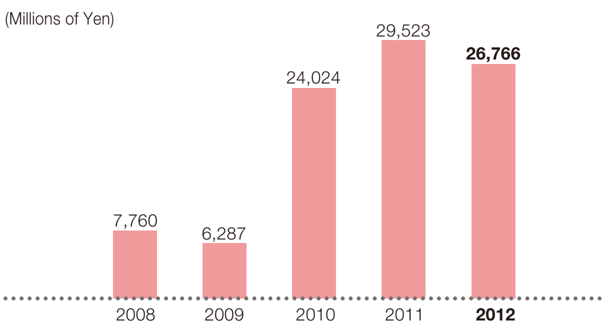

**GROSS PROFIT RATIO***

(%)




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

(Millions of Yen)




# Overview of Business Results

The fiscal year ended March 31, 2012 was a tough year for the Japanese economy. The nation experienced power shortages as a direct result of the Great East Japan Earthquake and because of related nuclear power issues. Compounding the impacts of an economic slowdown in the United States, the European debt problem, and other issues, the yen surged against the dollar and the euro.

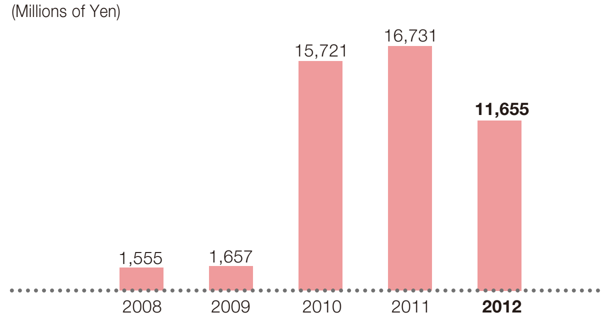
The business climate was adverse. Despite the poultry and pork markets performing solidly in the first half of the fiscal year, the fresh meats sector trended below the previous fiscal year from the third quarter owing to a recovery in supply volumes. Beef demand slumped, reflecting the impacts of such issues as food poisoning incidents in the first half of the fiscal year and cesium contamination. As a result, beef prices plunged from a year earlier. Crude oil and grain prices remained high, affecting the prices of fuels, feedstuffs, and other materials.

It was against this backdrop that the Nippon Ham Group entered the final year of the New Medium-Term Management Plan Part III, launched in April 2009. The Group pushed ahead with several management initiatives in keeping with a focus on meeting the challenges of reinforcing domestic operations while becoming a global enterprise. The Group took various steps to enhance corporate value in line with the aim of establishing and evolving the concept of Management for No. 1 Quality.

The Group strove to reinforce its unique integration position. For the summer and year-end gift-giving seasons, for example, it prioritized marketing *Utsukushi-no-Kuni*

**NET INCOME ATTRIBUTABLE TO NIPPON MEAT PACKERS, INC.**

(Millions of Yen)




* Gross profit represents net sales less cost of goods sold.

premium gift products made of pork from its own farms. Another focus was on a new category of room-temperature and delicatessen gifts.

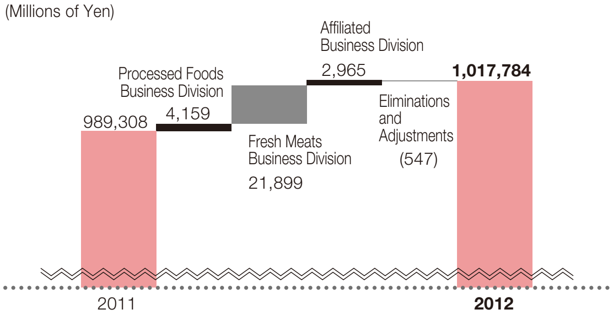
The Group made its core business more competitive in keeping with a management policy of improving profitability through greater selectivity and focus. It continued to restructure its marketing centers and improve efficiency by overhauling supply chain management in its processed foods business. The Group tackled intensifying price competition in a deflationary market by running new product commercials on television and otherwise stepping up marketing activities. A further management policy was to create a global business structure, as part of which the Group marketed heavily overseas. Foreign sales were thus substantially higher than a year earlier. Another attainment was the acquisition of a ham and sausage production company in the fast-growing Vietnamese market.

## Net Sales

Sales of hams and sausages advanced 1.7%. The Group stepped up marketing in this business area by running television commercials for new offerings to cultivate hit products. It also expanded marketing of gift products.

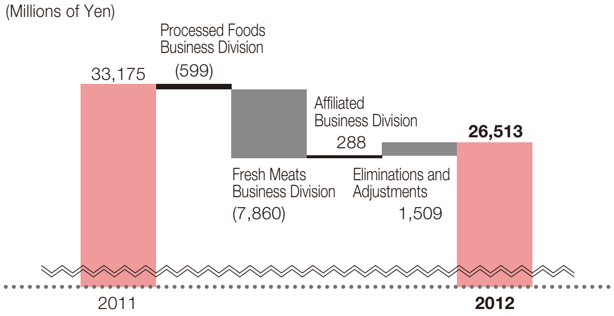
**FACTORS BEHIND THE INCREASE IN NET SALES**

(Millions of Yen)




**FACTORS BEHIND THE INCREASE IN OPERATING INCOME**

(Millions of Yen)




In processed foods, the Group promoted sales of new items while focusing on expanding sales of products that took advantage of a trend toward eating at home. The Group additionally engaged in proposal-based marketing aimed at convenience stores, a commercial channel, based on integrated efforts by manufacturing and sales. These endeavors boosted category sales by 2.7%.

Sales of fresh meats increased 2.6% on higher domestic and overseas shipments stemming from robust marketing in Japan and abroad to overcome adverse conditions in the markets for poultry, pork, and beef.

Sales of marine products increased 3.0%. This gain was the product of an ongoing focus on restaurant channels and stronger sales to volume retailers amid a growing preference among consumers for eating at home. Other contributors included successful year-round efforts to market in-house brands and boost sales of key products.

Sales of dairy products were up 6.2%. This was largely due to contributions from the yogurt and lactic acid probiotic beverages category, as sales of yogurt drinks to convenience stores surged, while sales of cheese to bakeries recovered.

As a result of these factors, consolidated net sales climbed 2.9%, to ¥1,017,784 million.

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

The cost of goods sold rose 4.6%, to ¥822,222 million. This represented 80.8% of consolidated net sales, compared with 79.4% in the previous fiscal year. Gross profit declined 3.9%, to ¥195,562 million, reflecting the higher cost of goods sold. Selling, general and administrative expenses declined 0.7%, to ¥169,049 million, or 16.6% of net sales, down from 17.2% in the previous fiscal year. Income from continuing operations before income taxes and equity in earnings (losses) of associated companies decreased 9.3%, to ¥26,766 million.

The effective tax rate, based on income from continuing operations before income taxes and equity in earnings (losses) of associated companies, was 57.8%, up from 43.4%. Net income attributable to Nippon Meat Packers, Inc., therefore fell 30.3%, to ¥11,655 million. Basic earnings per share attributable to Nippon Meat Packers, Inc. shareholders amounted to ¥54.79.

## Business Results by Segment

The operations of the Group comprise three business divisions. The Processed Foods Business Division primarily manufactures and sells hams, sausages, and deli and processed foods. The Fresh Meats Business Division mainly produces and sells fresh meats. The business of the Affiliated Business Division centers on making and selling marine and dairy products.

### Processed Foods Business Division

In the hams and sausages business, the Group ran TV commercials and promotional campaigns for its new *Mori-no-Kaori Shin Arabiki Wiener Sausage* and *Irodori Kitchen Roast Ham* to develop these offerings as mainstay products. In the summer and year-end gift-giving seasons, the Group actively ran TV commercials and mounted promotions at retailer stores for the flagship *Utsukushi-no-Kuni* gift product and other offerings.

In its processed foods business, the Group focused on promoting sales of the new *Hanetsuki Gyoza* while increasing sales of a line of room-temperature products, including curry. It also prioritized expanding sales of the *Chuka Meisai* series in response to more consumers eating at home. In commercial channels, production and marketing divisions joined hands in marketing to convenience stores, thereby boosting sales.



Despite reducing costs by enhancing productivity while successfully overhauling supply chain management, raw meat, materials, and fuel costs were higher than a year earlier, while the Group additionally suffered flood damage in Thailand.

In light of these factors, segment sales increased 1.2%, to ¥342,186 million, while operating income dropped 6.9%, to ¥8,030 million.

### Fresh Meats Business Division

Domestic prices of poultry and pork were firm from the beginning of the fiscal year. As production recovered, however, prices clearly trended downward, and were down year on year from the third quarter. Beef prices continued plunging from a year earlier in light of such factors as food-poisoning scandals and cesium contamination. The Group tackled these adverse conditions by taking advantage of its global procurement capabilities, which cover a full line of livestock domestically and abroad, and the marketing capabilities of its sales companies in Japan to boost volumes in and outside Japan, thereby increasing sales.

Although profitability improved on fresh meat sales in Japan, it declined on sales of imported poultry, for which prices plummeted following the third quarter of the year. Exacerbating this situation, conditions remained challenging in the Group's Australian farm operations.

Segment sales therefore rose 3.4%, to ¥666,226 million, although operating income fell 32.7%, to ¥16,160 million.

### Affiliated Business Division

In its marine products business, the Group responded to a growing consumer preference for eating at home by stepping up marketing to volume retailers, focusing on specific products. Sales of such key offerings as shrimp and salmon rose during the year, and sales of crab in the year-end shopping season. Unit prices also increased on improved markets. Overall sales were thus higher than a year earlier.

In dairy products, the Group experienced sluggish sales of yogurt and lactic acid probiotic beverages to volume retailers, among which price competition intensified. In contrast, sales of yogurt drinks and other offerings rose steadily to convenience stores, boosting overall sales of yogurt and lactic acid probiotic beverages. The Group reviewed its product items and sales terms to help improve profit margins.

Sales of cheese to key bakeries recovered during the year. The Group focused on expanding sales of consumer products, making significant progress in the year under review. Cheese sales thus increased.

As a result, segment sales rose 2.2%, to ¥135,189 million, and operating income climbed 17.2%, to ¥1,960 million.

# Outlook for the Fiscal Year Ending March 31, 2013

Although the operating climate will likely remain tough in the fiscal year ending March 31, 2013, the Nippon Ham Group will push ahead with the New Medium-Term Management Plan Part IV, launched in April 2012, to expand the profitability of domestic operations and reinforce the infrastructure for overseas businesses. Key priorities will be to refine the Management for No. 1 Quality, concentrate management resources, and enhance Group brand value.

In the Processed Foods Division, raw material prices will probably stabilize, although the costs of other materials and fuels will probably remain high. While the business climate will probably remain tough as consumption polarizes and price competition intensifies, our production and marketing operations will collaborate in pursuing growth- and efficiency-enhancing strategies. Our growth strategies will be to deploy initiatives that position our customers as top partners and deploy strategies for consumer and commercial areas as part of a focus on increasing market share. We will reflect customer perspectives in market analysis and product development to help propose new value. Strategies to enhance efficiency will center on rebuilding the production structure, installing high-productivity lines, and overhauling supply chain management to reduce product losses and logistics costs. We will also trim lineup and eliminate waste to become more cost competitive.

In the Fresh Meats Business Division, we expect a downturn in the domestic fresh meats market to be somewhat prolonged, resulting in a difficult operating climate. The Group will thus leverage its unique production integration system, which covers its farms through to its sales subsidiaries, to boost domestic market share. The Group will endeavor to enhance production capacity in upstream sectors while boosting quality and cost competiveness. The Group will draw on its procurement and marketing capabilities cultivated over many years, in focusing on expanding sales to volume retailers and restaurants while increasing volumes. At the same time, the Group will strive concertedly to improve its Australian operations, whose business environment remains challenging.

In the Affiliated Business Division, the Group will reinforce product development and sales capabilities based on customer-oriented marketing in the marine and dairy products businesses. On the production side, the Group will make extensive capital investments to enhance quality and efficiency and increase its market presence. In the marine products business, the Group will strengthen raw materials procurement to cope with tighter supplies stemming from fishing regulations and higher demand overseas while endeavoring to expand sales of key offerings. In the dairy products business, the Group will further expand commercial and restaurant channels and establish marketing to broaden sales of consumer offerings by taking advantage of its strengths in cheese production technologies. In the yogurt and lactic acid probiotic beverages category, the Group will focus on developing distinctive products and promoting its brands.

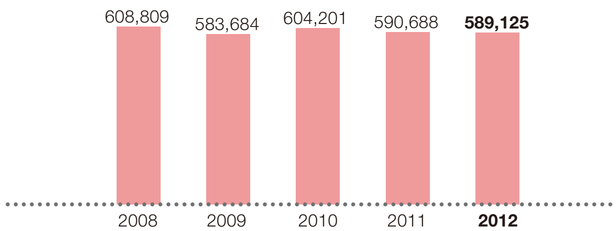
Despite a very difficult operating climate and numerous issues, the Nippon Ham Group will endeavor concertedly to deploy the policies and strategies of its New Medium-Term Management Plan Part IV and priorities under that plan of expanding the profitability of domestic operations and reinforcing the infrastructure for overseas businesses.

The Group's forecasts for the fiscal year ending March 31, 2013 are for consolidated net sales to increase 2.2%, to ¥1,040.0 billion, with operating income climbing 13.2%, to ¥30.0 billion. Income from continuing operations before income taxes and equity in earnings (losses) of associated companies should decline 14.1%, to ¥23.0 billion. Net income attributable to Nippon Meat Packers, Inc. should advance 3.0%, to ¥12.0 billion.

# Analysis of Financial Position

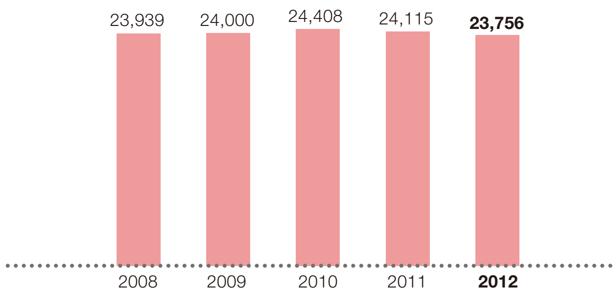
**TOTAL ASSETS**

(Millions of Yen)



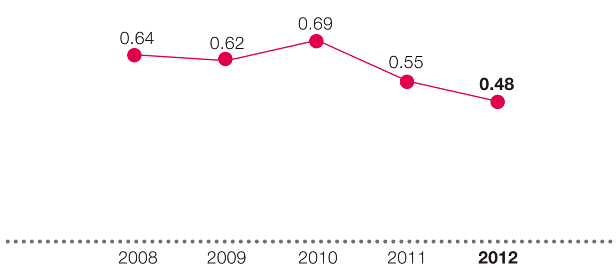

**DEPRECIATION AND AMORTIZATION**

(Millions of Yen)



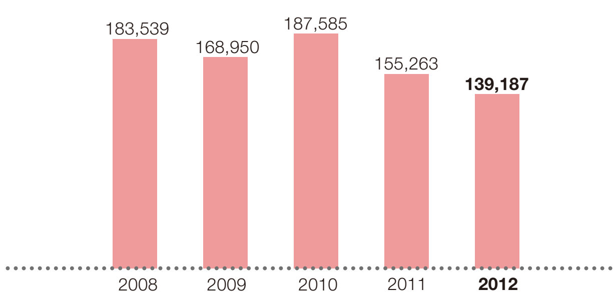

**DEBT/EQUITY RATIO**

(Times)




**INTEREST-BEARING DEBT**

(Millions of Yen)






## Assets

At March 31, 2012, total assets were ¥589,125 million, down 0.3% from a year earlier. Marketable securities dropped 74.3%, to ¥5,199 million, and time deposits were down 55.8%, to ¥7,595 million. In contrast, cash and cash equivalents rose 23.8%, to ¥63,651 million; trade notes and accounts receivable advanced 14.8%, to ¥119,959 million, reflecting the impact of the last day of the fiscal year falling on a holiday for financial institutions; and inventories gained 4.6%, to ¥112,516 million. Total current assets thus increased 2.2%, to ¥324,468 million. Property, plant and equipment declined 2.6%, to ¥213,663 million, reflecting new acquisitions within the scope of depreciation and amortization and an impairment loss of long-lived assets. Total investments and other assets were up 4.1%, to ¥28,889 million, mainly because of an increase in appraisal gain on other securities investments and light stock market conditions picking up near the end of the fiscal year.

## Liabilities

At the end of the fiscal year, total liabilities were ¥296,857 million, down 3.5% from a year earlier. Trade notes and accounts payable were up 7.2%, at ¥96,822 million. Current maturities of long-term debt were ¥26,636 million, up 11.4%, and long-term debt, less current maturities, was ¥72,091 million, down 18.1%. Short-term bank loans were ¥40,460 million, down 6.7%, and accrued income taxes were ¥4,371 million, down 50.8%. Interest-bearing debt was down ¥16,076 million, at ¥139,187 million.

## Total Nippon Meat Packers, Inc. Shareholders' Equity

Total Nippon Meat Packers, Inc. shareholders' equity was up 3.2%, to ¥290,020 million, reflecting a 3.5% increase in unappropriated retained earnings, to ¥239,921 million.

The total Nippon Meat Packers, Inc. shareholders' equity ratio thus rose 1.6 percentage points, to 49.2%.

## Cash Flows

### Cash Flows from Operating Activities

Net cash provided by operating activities was ¥26,432 million, from ¥36,761 million a year earlier. The principal factors in this result included an increase in inventories and the impact of the last day of the fiscal year falling on a holiday for financial institutions, causing an increase in trade notes and accounts receivable, against which there were net income and depreciation and amortization and increases in trade notes and accounts payable.

### Cash Flows from Investing Activities

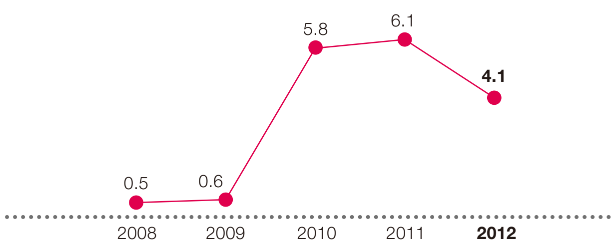
Net cash provided by investing activities was ¥9,750 million, down from ¥8,745 million a year earlier. This change reflected a decrease in short-term investments and proceeds from sales of capital assets, which offset capital expenditures.

### Cash Flows from Financing Activities

Net cash used in financing activities was ¥23,745 million, from ¥36,951 million a year earlier. Contributing factors included a decrease in short-term bank loans and repayments of debt, which offset proceeds from debt.

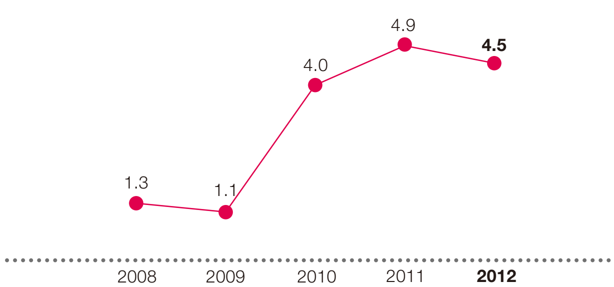
**RETURN ON EQUITY (ROE)**

(%)



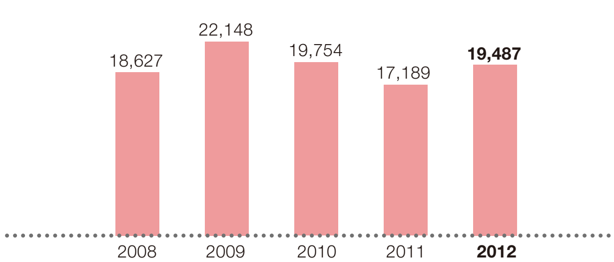

**RETURN ON ASSETS (ROA)**

(%)




**CAPITAL EXPENDITURES**

(Millions of Yen)




As a result of the Group's operating, investing, and financing activities during the term, cash and cash equivalents were ¥63,651 million at the end of the fiscal year, up ¥12,242 million.

## 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. These investments totaled ¥19.5 billion (including software) in the year under review. The principal applications of these investments are described below.

### Processed Foods Business Division

Nippon Meat Packers allocated around ¥3.7 billion in capital expenditures to expand and upgrade production and sales facilities for hams, sausages, and processed foods.

Consolidated subsidiaries, notably Nippon Ham Shokuhin Co., Ltd., used about ¥5.1 billion to expand and upgrade production and sales facilities, mainly for hams, sausages, and processed foods.

### Fresh Meats Business Division

Nippon Meat Packers invested about ¥100 million to upgrade and expand marketing facilities.

Capital expenditures by consolidated subsidiaries totaled approximately ¥8.3 billion. This spending included around ¥4.0 billion by Nippon White Farm Co., Ltd. and Interfarm Co., Ltd. and other businesses to upgrade and refurbish breeding facilities, and about ¥2.6 billion by Nishi Nippon Food, Inc. to improve sales facilities. Nippon Food Packer, Inc. used around ¥1.2 billion to upgrade treatment and processing facilities.

### Affiliated Business Division

Approximately ¥1.6 billion was used to upgrade production, sales, and other facilities for marine and dairy products at Hoko Co., Ltd., Nippon Luna, Inc., and other subsidiaries.

# 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) Safety-Related Risks

Based on its Open Quality concept, which emphasizes earning the trust of customers and responding to their expectations concerning the safety of its products, the Group has established five fundamental quality improvement policies: Strict compliance with laws and regulations; Creation of a quality and safety assurance network; Objective analysis of product safety; Product traceability; and Closer ties with customers. In line with these policies, the Group has built a rigorous quality control system for which it has obtained recognized third-party certification (i.e., ISO and HACCP), and a traceability system for the raw materials used in its fresh meats and its processed food products, which include hams and sausages, thereby ensuring the safety and security of its products right from the procurement of raw materials. Should a quality issue arise, the Group will respond in a manner that reflects its priority on customer safety through the prompt disclosure of information and the implementation of swift, decisive measures to prevent escalation.

However, in the event of a quality issue that falls outside the scope of these frameworks and initiatives or has a major impact on society because, for example, it threatens food safety, the impact thereof has the potential to affect the Group's operating results and financial condition.

## (3) Risks Related to the Procurement of Materials

The Group strives to increase production efficiency and reduce inventory losses and distribution costs. However, should the Group be unsuccessful in offsetting increases in costs related to the procurement of materials and fuel or to distribution—attributable to such factors as high crude oil prices—or in passing those costs onto customers by raising product prices, the resulting increase in costs has the potential to affect the Group's operating results and financial condition.

## (4) Foreign Exchange Risks

The translation into yen of costs, income, and trade receivables and payables associated with transactions undertaken by the Group denominated in other currencies may be affected by fluctuations in currency rates.

To minimize exchange risks, the Group utilizes hedging instruments, including forward foreign exchange contracts, currency swap contracts, currency option contracts and cross-currency swap contracts. Such measures do not, however, guarantee protection against the impact of these risks. Moreover, the use of hedging instruments to minimize foreign exchange risk may expose the Group to the risk of opportunity loss in the event foreign exchange market fluctuations exceed management's estimates.

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

To hedge risks associated with transactions in foreign currencies, the Group continually monitors currency markets in accordance with its exchange risk management policies and periodically assesses its exposure to foreign exchange risk. 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.

## (5) Interest Rate Risks

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

Most of the Group's interest-bearing debt—¥139.2 billion as of March 31, 2012—is fixed-rate. Accordingly, the Group believes that for the foreseeable future the direct impact of interest rate increases will be negligible. Nonetheless, if interest rates were to rise, the resulting increase in the Group's interest burden has the potential to affect the Group's operating results and financial condition.

### (6) 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, 2012, these shares represented unrealized gains. However, share price movements in the future may significantly affect the Group's operating results and financial condition.

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

### (7) Risk of Impairment Loss on Fixed Assets

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

### (8) Risks Associated with Natural Calamities, Unforeseen Accidents, and Social Upheaval

The Group has operations in Japan and several other 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 major natural calamity and the potential impact thereof on the infrastructure, i.e., damage to roads, harbors, and rail lines and the interruption of gas, water, and electric power supplies
- Environmental contamination (pollution of the atmosphere, water, or soil) resulting from an unforeseen accident or chance occurrence
- Social unrest caused by the spread of an infectious disease, such as influenza
- Unforeseen establishment of adverse, or the repealing of favorable, laws or regulations
- Unforeseen adverse economic or social event
- War, conflict, terrorist attack, or other such event

### (9) Risk of Information Leakage

In line with internal regulations for safeguarding personal information and governing insider trading, the Group rigorously protects and manages both the personal information it possesses and critical corporate information through such measures as compliance training and hierarchical employee education. The Group has also formulated measures to ensure the security of its information systems and to respond to the impact of major disasters. Nonetheless, information may be leaked, falsified, or lost, in the event of a natural calamity that exceeds assumptions, an extended interruption of power supplies, damage to hardware and/or software, a computer virus, or unauthorized access of the Group's computer networks; a protracted breakdown of the Group's information systems may also occur. Any of these occurrences has the potential to affect the Group's operating results and financial condition.

### (10) Compliance Risks

The Group strives to maintain a corporate culture that emphasizes transparency and sound business practices and works continuously to reinforce and embed awareness of compliance. The Group has established a risk management structure that ensures its ability to respond swiftly to recognized risks. The Risk Management Committee, which is chaired by the president and representative director of the parent company, is responsible for ensuring compliance Groupwide, while the Compliance Department is charged with deploying ongoing measures aimed at enhancing understanding among employees and management, as well as with compliance risk mitigation.

However, should an instance of noncompliance, such as the failure of an employee or member of management to comply with a relevant law or regulation, arise, it would have the potential to affect the Group's operating results and financial condition.

### (11) Risks Associated with Environmental Issues

In line with its Environmental Charter, the Group is committed to conducting its business in a manner that incorporates consideration for the environment, thereby contributing to the realization of a sustainable society. The Group has obtained certification under ISO 14001 and is working to earn certification from other key external organizations. The Group's management practices, which include environmental audits implemented by the Environmental & Social Responsibility Office, also reflect its commitment to being an environment-friendly organization. The Group also endeavors to ensure the appropriateness and transparency of its environmental and other CSR initiatives. Nonetheless, in the event of an accident, negligence, or other problem resulting in environmental contamination, the Group may be obliged to pay for remediation and/or damages. In the event existing laws and regulations are revised, the Group may be obliged to significantly increase environment-related investment. Either of these occurrences has the potential to affect the Group's operating results and financial condition.

# Consolidated Balance Sheets

Nippon Meat Packers, Inc. and Subsidiaries
March 31, 2012 and 2011

| ASSETS | Millions of Yen 2012 | Millions of Yen 2011 | Thousands of U.S. Dollars (Note 1) 2012 |
|---|---|---|---|
| **CURRENT ASSETS:** | | | |
| Cash and cash equivalents (Note 1) | **¥ 63,651** | ¥ 51,409 | **$ 776,232** |
| Time deposits | **7,595** | 17,191 | **92,622** |
| Marketable securities (Notes 1, 3 and 15) | **5,199** | 20,197 | **63,402** |
| Trade notes and accounts receivable (Note 1) | **119,959** | 104,501 | **1,462,915** |
| Allowance for doubtful receivables | **(518)** | (625) | **(6,317)** |
| Inventories (Notes 1, 2 and 7) | **112,516** | 107,599 | **1,372,146** |
| Deferred income taxes (Notes 1 and 8) | **6,087** | 7,150 | **74,232** |
| Other current assets (Note 16) | **9,979** | 9,941 | **121,695** |
| Total current assets | **324,468** | 317,363 | **3,956,927** |
| **PROPERTY, PLANT AND EQUIPMENT—At cost, less accumulated depreciation** (Notes 1, 4, 6 , 7, 13 and 15) | **213,663** | 219,324 | **2,605,646** |
| **INTANGIBLE ASSETS, less accumulated amortization** (Notes 1 and 5) | **8,737** | 10,244 | **106,549** |
| **INVESTMENTS AND OTHER ASSETS:** | | | |
| Investments in and advances to associated companies (Notes 1 and 3) | **2,510** | 2,309 | **30,610** |
| Other investment securities (Notes 1, 3 and 15) | **17,790** | 16,333 | **216,951** |
| Other assets (Notes 9 and 16) | **8,589** | 9,122 | **104,744** |
| Total investments and other assets | **28,889** | 27,764 | **352,305** |
| **DEFERRED INCOME TAXES—Non-current** (Notes 1 and 8) | **13,368** | 15,993 | **163,024** |
| **TOTAL ASSETS** | **¥589,125** | ¥590,688 | **$7,184,451** |

See notes to consolidated financial statements.

| LIABILITIES AND EQUITY | Millions of Yen 2012 | 2011 | Thousands of U.S. Dollars (Note 1) 2012 |
|---|---|---|---|
| **CURRENT LIABILITIES:** | | | |
| Short-term bank loans (Note 7) | **¥ 40,460** | ¥ 43,344 | **$ 493,415** |
| Current maturities of long-term debt (Notes 7, 13 and 15) | **26,636** | 23,907 | **324,829** |
| Trade notes and accounts payable | **96,822** | 90,317 | **1,180,756** |
| Accrued income taxes (Notes 1 and 8) | **4,371** | 8,885 | **53,305** |
| Deferred income taxes (Notes 1 and 8) | **2,038** | 689 | **24,854** |
| Accrued expenses (Note 9) | **19,006** | 19,530 | **231,780** |
| Other current liabilities (Note 16) | **14,338** | 11,124 | **174,854** |
| Total current liabilities | **203,671** | 197,796 | **2,483,793** |
| **LIABILITY UNDER RETIREMENT AND SEVERANCE PROGRAMS** (Notes 1 and 9) | **17,170** | 17,581 | **209,390** |
| **LONG-TERM DEBT, LESS CURRENT MATURITIES** (Notes 7, 13 and 15) | **72,091** | 88,012 | **879,159** |
| **DEFERRED INCOME TAXES—Non-current** (Notes 1 and 8) | **2,616** | 2,589 | **31,902** |
| **OTHER LONG-TERM LIABILITIES** | **1,309** | 1,506 | **15,963** |
| **TOTAL LIABILITIES** | **296,857** | 307,484 | **3,620,207** |
| **COMMITMENTS AND CONTINGENT LIABILITIES** (Notes 1 and 18) | | | |
| **NIPPON MEAT PACKERS, INC. SHAREHOLDERS' EQUITY:** | | | |
| Common stock, no par value—authorized, 570,000,000 shares; issued: 2012 and 2011—228,445,350 shares (Notes 1 and 11) | **24,166** | 24,166 | **294,707** |
| Capital surplus (Notes 1, 10 and 11) | **50,786** | 50,809 | **619,341** |
| Retained earnings: | | | |
| Appropriated for legal reserve (Note 11) | **7,350** | 7,248 | **89,634** |
| Unappropriated (Notes 11 and 19) | **239,921** | 231,771 | **2,925,866** |
| Accumulated other comprehensive loss (Note 12) | **(15,526)** | (16,231) | **(189,341)** |
| Treasury stock, at cost: 2012—15,718,715 shares 2011—15,736,839 shares (Note 11) | **(16,677)** | (16,696) | **(203,378)** |
| Total Nippon Meat Packers, Inc. shareholders' equity | **290,020** | 281,067 | **3,536,829** |
| **NONCONTROLLING INTERESTS** | **2,248** | 2,137 | **27,415** |
| **TOTAL EQUITY** | **292,268** | 283,204 | **3,564,244** |
| **TOTAL LIABILITIES AND EQUITY** | **¥589,125** | ¥590,688 | **$7,184,451** |

# Consolidated Statements of Income

Nippon Meat Packers, Inc. and Subsidiaries
For the Years Ended March 31, 2012, 2011 and 2010

| | Millions of Yen | | | Thousands of U.S. Dollars (Note 1) |
|---|---|---|---|---|
| | **2012** | 2011 | 2010 | **2012** |
| **REVENUES:** | | | | |
| Net sales (Notes 1 and 16) | **¥1,017,784** | ¥989,308 | ¥953,616 | **$12,412,000** |
| Gain from the transfer through the posting system (Note 1) | **4,017** | | | **48,988** |
| Other (Note 4) | **905** | 1,030 | 4,694 | **11,037** |
| Total | **1,022,706** | 990,338 | 958,310 | **12,472,025** |
| **COST AND EXPENSES:** | | | | |
| Cost of goods sold (Notes 2 and 16) | **822,222** | 785,878 | 754,992 | **10,027,098** |
| Selling, general and administrative expenses (Note 1) | **169,049** | 170,255 | 173,769 | **2,061,573** |
| Interest expense (Note 16) | **1,727** | 2,125 | 2,125 | **21,061** |
| Other (Notes 4, 6, 9 and 16) | **2,942** | 2,557 | 3,400 | **35,878** |
| Total | **995,940** | 960,815 | 934,286 | **12,145,610** |
| **INCOME BEFORE INCOME TAXES AND EQUITY IN EARNINGS OF ASSOCIATED COMPANIES** | **26,766** | 29,523 | 24,024 | **326,415** |
| **INCOME TAXES** (Notes 1 and 8)**:** | | | | |
| Current | **11,781** | 12,889 | 9,066 | **143,671** |
| Deferred | **3,679** | (68) | (696) | **44,866** |
| Total | **15,460** | 12,821 | 8,370 | **188,537** |
| **INCOME BEFORE EQUITY IN EARNINGS OF ASSOCIATED COMPANIES** | **11,306** | 16,702 | 15,654 | **137,878** |
| **EQUITY IN EARNINGS OF ASSOCIATED COMPANIES— Net of applicable income taxes** (Note 1) | **495** | 223 | 249 | **6,037** |
| **NET INCOME** | **11,801** | 16,925 | 15,903 | **143,915** |
| **NET INCOME ATTRIBUTABLE TO NONCONTROLLING INTERESTS** | **(146)** | (194) | (182) | **(1,780)** |
| **NET INCOME ATTRIBUTABLE TO NIPPON MEAT PACKERS, INC.** | **¥ 11,655** | ¥ 16,731 | ¥ 15,721 | **$ 142,135** |

| | Yen | | | U.S. Dollars |
|---|---|---|---|---|
| **PER SHARE AMOUNTS** (Note 1)**:** | | | | |
| Basic earnings per share attributable to Nippon Meat Packers, Inc. shareholders: | | | | |
| Net Income | **¥ 54.79** | ¥ 78.67 | ¥ 69.69 | **$ 0.67** |
| Diluted earnings per share attributable to Nippon Meat Packers, Inc. shareholders: | | | | |
| Net Income | **¥ 49.40** | ¥ 70.92 | ¥ 68.99 | **$ 0.60** |

See notes to consolidated financial statements.

# Consolidated Statements of Changes in Equity

Nippon Meat Packers, Inc. and Subsidiaries
For the Years Ended March 31, 2012, 2011 and 2010

| | 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 |
|---|---|---|---|---|---|---|---|---|---|
| | Millions of Yen | | | | | | | | |
| **BALANCE, APRIL 1, 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 16) | | | | | (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 |
| Comprehensive income | | | | | | | | | |
| Net income | | | | 16,731 | | | 16,731 | 194 | 16,925 |
| Other comprehensive loss (Note 12) | | | | | | | | | |
| Net unrealized losses on securities available-for-sale (Notes 1 and 3) | | | | | (558) | | (558) | 0 | (558) |
| Net unrealized gains on derivative financial instruments (Notes 1 and 16) | | | | | 163 | | 163 | | 163 |
| Pension liability adjustments (Note 9) | | | | | (882) | | (882) | | (882) |
| Foreign currency translation adjustments | | | | | (2,887) | | (2,887) | (58) | (2,945) |
| Comprehensive income | | | | | | | 12,567 | 136 | 12,703 |
| Cash dividends (Note 11) | | | | (3,402) | | | (3,402) | (53) | (3,455) |
| Transfer to retained earnings appropriated for legal reserve (Note 11) | | | 59 | (59) | | | | | |
| Treasury stock acquired (Note 11) | | | | | | (14) | (14) | | (14) |
| Disposition of treasury stock (Note 11) | | | | 0 | | 9 | 9 | | 9 |
| Exercise of stock options (Note 10) | | (116) | | 19 | | 96 | (1) | | (1) |
| **BALANCE, MARCH 31, 2011** | 24,166 | 50,809 | 7,248 | 231,771 | (16,231) | (16,696) | 281,067 | 2,137 | 283,204 |
| Comprehensive income | | | | | | | | | |
| Net income | | | | 11,655 | | | 11,655 | 146 | 11,801 |
| Other comprehensive income (Note 12) | | | | | | | | | |
| Net unrealized gains on securities available-for-sale (Notes 1 and 3) | | | | | 982 | | 982 | 2 | 984 |
| Net unrealized gains on derivative financial instruments (Notes 1 and 16) | | | | | 277 | | 277 | | 277 |
| Pension liability adjustments (Note 9) | | | | | 980 | | 980 | | 980 |
| Foreign currency translation adjustments | | | | | (1,534) | | (1,534) | (2) | (1,536) |
| Comprehensive income | | | | | | | 12,360 | 146 | 12,506 |
| Cash dividends (Note 11) | | | | (3,403) | | | (3,403) | (71) | (3,474) |
| Transfer to retained earnings appropriated for legal reserve (Note 11) | | | 102 | (102) | | | | | |
| Treasury stock acquired (Note 11) | | | | | | (4) | (4) | | (4) |
| Disposition of treasury stock (Note 11) | | | | 0 | | 0 | 0 | | 0 |
| Exercise of stock options (Note 10) | | (23) | | | | 23 | 0 | | 0 |
| Others | | | | | | | | 36 | 36 |
| **BALANCE, MARCH 31, 2012** | ¥24,166 | ¥50,786 | ¥7,350 | ¥239,921 | ¥(15,526) | ¥(16,677) | ¥290,020 | ¥2,248 | ¥292,268 |

| | 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 |
|---|---|---|---|---|---|---|---|---|---|
| | Thousands of U.S. Dollars (Note 1) | | | | | | | | |
| **BALANCE, MARCH 31, 2011** | $294,707 | $619,622 | $88,390 | $2,826,475 | $(197,939) | $(203,610) | $3,427,645 | $26,062 | $3,453,707 |
| Comprehensive income | | | | | | | | | |
| Net income | | | | 142,135 | | | 142,135 | 1,780 | 143,915 |
| Other comprehensive income (Note 12) | | | | | | | | | |
| Net unrealized gains on securities available-for-sale (Notes 1 and 3) | | | | | 11,976 | | 11,976 | 24 | 12,000 |
| Net unrealized gains on derivative financial instruments (Notes 1 and 16) | | | | | 3,378 | | 3,378 | | 3,378 |
| Pension liability adjustments (Note 9) | | | | | 11,951 | | 11,951 | | 11,951 |
| Foreign currency translation adjustments | | | | | (18,707) | | (18,707) | (24) | (18,731) |
| Comprehensive income | | | | | | | 150,733 | 1,780 | 152,513 |
| Cash dividends (Note 11) | | | | (41,500) | | | (41,500) | (866) | (42,366) |
| Transfer to retained earnings appropriated for legal reserve (Note 11) | | | 1,244 | (1,244) | | | | | |
| Treasury stock acquired (Note 11) | | | | | | (49) | (49) | | (49) |
| Disposition of treasury stock (Note 11) | | | | 0 | | 0 | 0 | | 0 |
| Exercise of stock options (Note 10) | | (281) | | | | 281 | 0 | | 0 |
| Others | | | | | | | | 439 | 439 |
| **BALANCE, MARCH 31, 2012** | $294,707 | $619,341 | $89,634 | $2,925,866 | $(189,341) | $(203,378) | $3,536,829 | $27,415 | $3,564,244 |

See notes to consolidated financial statements.

Nippon Meat Packers, Inc. and Subsidiaries
For the Years Ended March 31, 2012, 2011 and 2010

| | Millions of Yen | | | Thousands of U.S. Dollars (Note 1) |
|---|---|---|---|---|
| | **2012** | 2011 | 2010 | **2012** |
| **OPERATING ACTIVITIES:** | | | | |
| Net income | **¥11,801** | ¥16,925 | ¥15,903 | **$143,915** |
| Adjustments to reconcile net income to net cash provided by operating activities: | | | | |
| Depreciation and amortization | **24,234** | 24,643 | 25,098 | **295,537** |
| Impairment loss of long-lived assets | **2,213** | 1,422 | 792 | **26,988** |
| Income taxes deferred | **3,679** | (68) | (696) | **44,866** |
| Foreign exchange translation adjustments | **118** | (1,325) | (4,239) | **1,439** |
| Decrease (increase) in trade notes and accounts receivable | **(15,532)** | (4,230) | 3,048 | **(189,415)** |
| Decrease (increase) in inventories | **(4,567)** | (7,529) | 16,950 | **(55,695)** |
| Decrease (increase) in other current assets | **73** | (1,247) | 838 | **890** |
| Increase (decrease) in trade notes and accounts payable | **6,496** | 6,465 | (1,786) | **79,220** |
| Increase (decrease) in accrued income taxes | **(4,492)** | 2,284 | 4,794 | **(54,780)** |
| Increase (decrease) in accrued expenses and other current liabilities | **1,513** | (941) | 4,458 | **18,451** |
| Other, net | **896** | 362 | 2,288 | **10,925** |
| Net cash provided by operating activities | **26,432** | 36,761 | 67,448 | **322,341** |
| **INVESTING ACTIVITIES:** | | | | |
| Capital expenditures | **(17,311)** | (15,913) | (17,464) | **(211,110)** |
| Proceeds from sales of capital assets | **2,218** | 2,614 | 1,623 | **27,049** |
| Decrease (increase) in short-term investments | **23,783** | 21,848 | (43,630) | **290,037** |
| Purchases of marketable securities and other investment securities | **(444)** | (10,346) | (1,423) | **(5,415)** |
| Proceeds from sales and maturities of marketable securities and other investment securities | **302** | 10,386 | 29 | **3,683** |
| Net decrease in cash and cash equivalents resulting from purchase of subsidiaries | **(198)** | | | **(2,415)** |
| Net decrease in cash and cash equivalents resulting from sale of a subsidiary | | | (412) | |
| Other, net | **1,400** | 156 | 1,143 | **17,073** |
| Net cash provided by (used in) investing activities | **9,750** | 8,745 | (60,134) | **118,902** |
| **FINANCING ACTIVITIES:** | | | | |
| Cash dividends | **(3,474)** | (3,455) | (3,730) | **(42,366)** |
| Decrease in short-term bank loans | **(2,977)** | (3,711) | (7,672) | **(36,305)** |
| Proceeds from debt | **12,462** | 25,931 | 29,968 | **151,976** |
| Repayments of debt | **(29,753)** | (55,711) | (7,316) | **(362,841)** |
| Acquisition of treasury stock | **(4)** | (14) | (16,480) | **(49)** |
| Other, net | **1** | 9 | 3 | **12** |
| Net cash used in financing activities | **(23,745)** | (36,951) | (5,227) | **(289,573)** |
| **EFFECT OF EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS** | **(195)** | (664) | 108 | **(2,377)** |
| **NET INCREASE IN CASH AND CASH EQUIVALENTS** | **12,242** | 7,891 | 2,195 | **149,293** |
| **CASH AND CASH EQUIVALENTS AT BEGINNING OF THE YEAR** | **51,409** | 43,518 | 41,323 | **626,939** |
| **CASH AND CASH EQUIVALENTS AT END OF THE YEAR** | **¥63,651** | ¥51,409 | ¥43,518 | **$776,232** |
| | | | | |
| **ADDITIONAL CASH FLOW INFORMATION:** | | | | |
| Interest paid | **¥ 1,826** | ¥ 2,158 | ¥ 2,136 | **$ 22,268** |
| Income taxes paid | **15,796** | 11,089 | 4,141 | **192,634** |
| Capital lease obligations incurred | **2,676** | 1,958 | 3,824 | **32,634** |

See notes to consolidated financial statements.

Nippon Meat Packers, Inc. and Subsidiaries
For the Years Ended March 31, 2012, 2011 and 2010

## 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, 2012 are included solely for the convenience of readers outside Japan and have been made at the rate of ¥82=$1, the approximate rate of exchange on March 31, 2012. 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.

**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, all of its majority-owned directly or indirectly subsidiaries, and any variable interest entities of which the Company and its subsidiaries are the primary beneficiary (collectively, the "Companies"). Intercompany transactions and balances are eliminated. Investments in associated companies (20% to 50% owned) are accounted for using the equity method of accounting. In preparing the consolidated financial statements, financial statements with reporting periods different from the consolidated reporting period are used for certain subsidiaries. Necessary adjustments are booked when material intervening events occurr and affect the financial position or result of operations for the period between the subsidiary's year-end reporting date and the consolidated reporting date.

**(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 original maturities of 3 months 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, which are recorded in accumulated other comprehensive income (loss), net of applicable income taxes. 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 values exceed those related market prices, 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 49%, 49% and 50% of total depreciable assets as of March 31, 2012, 2011 and 2010, 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 mainly as follows:

| | |
|---|---|
| Buildings | 15–38 years |
| Machinery and equipment | 5–10 years |

**(7) Impairment of Long-Lived Assets**

The Companies apply Accounting Standards Codification ("ASC") of the U.S. Financial Accounting Standards Board ("FASB") Topic 360, "Property, Plant, and Equipment" and ASC Topic 205, "Presentation of Financial Statements." 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 from discontinued operations—net of applicable income taxes, as it occurs.

**(8) Goodwill and Other Intangible Assets**

The Companies apply ASC Topic 350, "Intangibles-Goodwill and Other." 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." In accordance with the provisions of ASC Topic 805, the acquisitions of subsidiaries are accounted for using the acquisition method of accounting.

**(10) Retirement and Severance Programs**

The Companies apply ASC Topic 715, "Compensation-Retirement 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, 2012 and 2011.

**(12) Fair Value Measurements**

The Companies apply ASC Topic 820, "Fair value Measurements and Disclosures." For more information, see "Note 15. Fair Value Measurements."

**(13) Income Taxes**

The Companies apply ASC Topic 740, "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.

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) 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 |
|---|---|---|---|---|
| | **2012** | 2011 | 2010 | **2012** |
| **Net Income (Numerator)** | | | | |
| Income attributable to Nippon Meat Packers, Inc. shareholders | **¥11,655** | ¥16,731 | ¥15,721 | **$142,135** |

| | Thousands of Shares | | |
|---|---|---|---|
| | **2012** | 2011 | 2010 |
| **Shares (Denominator)** | | | |
| Average shares outstanding for basic earnings per share | **212,724** | 212,668 | 225,580 |
| Dilutive effect of stock options | **267** | 326 | 394 |
| Dilutive effect of convertible bonds | **22,918** | 22,918 | 1,910 |
| Average shares outstanding for diluted earnings per share | **235,909** | 235,912 | 227,884 |

**(15) 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.

**(16) Gain from the Transfer through the Posting System**

On January 25, 2012, Hokkaido Nippon Ham Fighters Baseball Club Co., Ltd., a subsidiary of the Company, received a fee of ¥4,017 million ($48,988 thousand), for the transfer of Darvish Yu to the Texas Rangers of the Major League Baseball under the United States-Japanese Player Contract Agreement.

**(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". 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 ¥10,868 million ($132,537 thousand), ¥12,471 million and ¥13,110 million for the years ended March 31, 2012, 2011 and 2010, respectively.

**(19) Research and Development**

Research and development costs are expensed as incurred. Research and development costs amounted to ¥2,992 million ($36,488 thousand), ¥3,081 million and ¥3,011 million for the years ended March 31, 2012, 2011 and 2010, 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". 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", 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:**

***Amendments to Achieve Common Fair Value Measurement and Disclosure Requirements in U.S. GAAP and IFRSs—***The Companies adopted ASU 2011-04, which provides amendments to ASC subtopic 820-10, "Fair value measurements and disclosures—Overall," in the fourth quarter of the year ended March 31, 2012. This update clarifies existing guidance and expands disclosure requirements, particularly for Level 3 inputs. The adoption of this update had no significant impact on the consolidated financial statements.

***Presentation of Comprehensive Income—***In June 2011, the FASB issued ASU 2011-05, which provides amendments to ASC 220, "Comprehensive Income." This update eliminates the option to present components of other comprehensive income as part of the statement of changes in stockholders' equity. In this update, an entity has the option to present the total of comprehensive income, the components of net income, and the components of other comprehensive income either in a single continuous statement of comprehensive income or in two separate but consecutive statements. The entity is required to present on the face of the financial statements reclassification adjustments for items that are reclassified from other comprehensive income to net income in the statement(s) where the components of net income and the components of other comprehensive income are presented. This update is effective for fiscal years, and interim periods within those years, beginning after December 15, 2011. Early adoption is permitted. In December 2011, the FASB issued ASU 2011-12 , which defers the effective date to redeliberate about certain provisions of ASU 2011-05 "Presentation of Comprehensive Income" which requires entities to present on the face of the financial statements items of reclassifications adjustments out of accumulated other comprehensive income. The Companies are currently evaluating the impact of adopting ASU 2011-05 and ASU 2011-12 on the consolidated financial statements.

***Testing Goodwill for Impairment—***In September 2011, the FASB issued ASU 2011-08, which amends the guidance in ASC Subtopic 350-20 "Intangibles—Goodwill." This update amends the current guidance on testing goodwill for impairment. This revised guidance gives entities the option of performing a qualitative assessment before comparing the carrying amount of the reporting unit with its fair value in the first step of the goodwill impairment test, and adds the examples of events and circumstances that should be considered in the qualitative assessment. Also the amendments in this update expand the examples of events and circumstances that should be considered on an interim basis and the examples of events and circumstances that an entity having a reporting unit with zero or negative carrying amount should consider. This update is effective for annual and interim goodwill impairment tests performed for fiscal years beginning after December 15, 2011, and early adoption is permitted. The Companies do not expect the adoption of this update to have a significant impact on the consolidated financial statements.

***Disclosures about an Employer's Participation in a Multiemployer Plan—***The Companies adopted ASU 2011-09, which amends the guidance in ASC Subtopic 715-80 "Compensation—Retirement Benefits—Multiemployer Plans" in the year ended March 31, 2012. This update expands the disclosures about multiemployer plan, and requires employer to disclose a narrative description of the nature of the multiemployer pension plans and information about the employer's participation in the plans, and to present both qualitative and quantitative information in a tabular disclosure. The amendments in the ASU should be applied retrospectively for all periods presented. The adoption of this update expands certain disclosures of Note 9 (Retirement and Severance Programs) to consolidated financial statements.

***Disclosures about Offsetting Assets and Liabilities—***In December 2011, the FASB issued ASU 2011-11, which amends the guidance in ASC Subtopic 210-20 "Balance Sheet-Offsetting." This update requires entities to disclose both gross information and net information about financial instruments and derivative instruments eligible for offset in the statement of financial position and the content of related arrangements. This update is effective for fiscal years, and interim periods within those years, beginning on or after January 1, 2013, and the amendments in the ASU should be applied retrospectively for all periods presented. The Companies are currently evaluating the impact of adopting ASU2011-11 on the consolidated financial statements.

## 2. INVENTORIES

Inventories at March 31, 2012 and 2011 consisted of the following:

| | Millions of Yen | | Thousands of U.S. Dollars |
|---|---|---|---|
| | **2012** | 2011 | **2012** |
| Finished goods and merchandise | **¥ 69,945** | ¥ 66,536 | **$ 852,988** |
| Raw materials and work-in-process | **38,646** | 37,200 | **471,293** |
| Supplies | **3,925** | 3,863 | **47,865** |
| Total | **¥112,516** | ¥107,599 | **$1,372,146** |

The Companies recognized losses of ¥2,621 million ($31,963 thousand), ¥999 million and ¥1,230 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, 2012, 2011 and 2010, 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, 2012 and 2011:

| | Millions of Yen | | | | | | | | Thousands of U.S. Dollars | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | **2012** | | | | 2011 | | | | **2012** | | | |
| | 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 | **¥ 4,521** | **¥1,521** | **¥ (7)** | **¥ 6,035** | ¥ 4,435 | ¥ 817 | ¥(194) | ¥ 5,058 | **$ 55,134** | **$18,549** | **$ (85)** | **$ 73,598** |
| Others | **5,903** | **1,740** | **(38)** | **7,605** | 5,954 | 1,164 | (134) | 6,984 | **71,987** | **21,220** | **(463)** | **92,744** |
| Mutual funds | **290** | **9** | | **299** | 296 | 4 | 0 | 300 | **3,537** | **110** | | **3,647** |
| Held-to-maturity: | | | | | | | | | | | | |
| Commercial paper | **4,999** | | | **4,999** | 19,997 | | | 19,997 | **60,963** | | | **60,963** |
| Japanese government bonds | **200** | | **0** | **200** | 200 | | 0 | 200 | **2,439** | | **0** | **2,439** |
| Total | **¥15,913** | **¥3,270** | **¥(45)** | **¥19,138** | ¥30,882 | ¥1,985 | ¥(328) | ¥32,539 | **$194,060** | **$39,879** | **$(548)** | **$233,391** |

Fair value and gross unrealized holding losses of available-for-sale securities and held-to-maturity securities, aggregated by investment category and length of time that individual securities have been in a continuous unrealized loss position, at March 31, 2012 and 2011 were as follows. There were no investments in a continuous unrealized loss position for 12 months or more at March 31, 2012 and 2011.

| | Millions of Yen | | | | Thousands of U.S. Dollars | |
|---|---|---|---|---|---|---|
| | **2012** | | 2011 | | **2012** | |
| | 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 | **¥140** | **¥ (7)** | ¥1,088 | ¥(194) | **$1,707** | **$ (85)** |
| Others | **333** | **(38)** | 1,057 | (134) | **4,061** | **(463)** |
| Mutual funds | | | 33 | 0 | | |
| Held-to-maturity: | | | | | | |
| Japanese government bonds | **200** | **0** | 200 | 0 | **2,439** | **0** |
| Total | **¥673** | **¥(45)** | ¥2,378 | ¥(328) | **$8,207** | **$(548)** |

The proceeds from sales of available-for-sale securities were ¥50 million ($610 thousand), ¥182 million and ¥29 million for the years ended March 31, 2012, 2011 and 2010, respectively. These sales resulted in gross realized gains and losses as follows:

| | Millions of Yen | | | Thousands of U.S. Dollars |
|---|---|---|---|---|
| | **2012** | 2011 | 2010 | **2012** |
| Realized gains | **¥25** | ¥20 | ¥ 0 | **$305** |
| Realized losses | **0** | 0 | (16) | **0** |

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, 2012 are as follows:

| | Millions of Yen | | Thousands of U.S. Dollars | |
|---|---|---|---|---|
| | Cost | Fair Value | Cost | Fair Value |
| Due within one year | **¥5,199** | **¥5,199** | **$63,402** | **$63,402** |

Non-marketable equity securities, for which there is no practicable method to estimate fair values, were carried at their cost of ¥3,851 million ($46,962 thousand) and ¥3,991 million at March 31, 2012 and 2011, respectively.

Investments in and advances to associated companies at March 31, 2012 and 2011 consisted of the following:

| | Millions of Yen | | Thousands of U.S. Dollars |
|---|---|---|---|
| | **2012** | 2011 | **2012** |
| Investments in capital stock | **¥2,510** | ¥2,292 | **$30,610** |
| Advances | | 17 | |
| Total | **¥2,510** | ¥2,309 | **$30,610** |

The carrying value of investments in associated companies approximates the Company's equity in their net assets at March 31, 2012 and 2011.

## 4. PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment at March 31, 2012 and 2011 consisted of the following:

| | Millions of Yen | | Thousands of U.S. Dollars |
|---|---|---|---|
| | **2012** | 2011 | **2012** |
| Land | **¥ 84,349** | ¥ 85,496 | **$ 1,028,646** |
| Buildings | **256,749** | 256,179 | **3,131,085** |
| Machinery and equipment | **217,608** | 215,732 | **2,653,756** |
| Construction in progress | **2,044** | 647 | **24,927** |
| Total | **560,750** | 558,054 | **6,838,414** |
| Less accumulated depreciation | **(347,087)** | (338,730) | **(4,232,768)** |
| Property, plant and equipment—net | **¥ 213,663** | ¥ 219,324 | **$ 2,605,646** |

Depreciation expense of property, plant and equipment was ¥20,488 million ($249,853 thousand), ¥20,769 million and ¥21,498 million for the years ended March 31, 2012, 2011 and 2010, respectively. The Companies recorded a net gain of ¥12 million ($146 thousand), a net gain of ¥152 million and a net loss of ¥311 million on dispositions of property, plant and equipment, for the years ended March 31, 2012, 2011 and 2010, respectively. The gains for the years ended March 31, 2012 and 2011 are included in revenues—other in the consolidated statements of income, while the loss for the year ended March 31, 2010 is 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, 2012 and 2011 consisted of the following:

| | Millions of Yen | | | | Thousands of U.S. Dollars | |
|---|---|---|---|---|---|---|
| | **2012** | | 2011 | | **2012** | |
| | Gross Carrying Amount | Accumulated Amortization | Gross Carrying Amount | Accumulated Amortization | Gross Carrying Amount | Accumulated Amortization |
| Software | **¥20,586** | **¥13,296** | ¥19,163 | ¥10,114 | **$251,049** | **$162,146** |
| Software in progress | **96** | | 281 | | **1,171** | |
| Other | **875** | **278** | 687 | 252 | **10,671** | **3,390** |
| Total | **¥21,557** | **¥13,574** | ¥20,131 | ¥10,366 | **$262,891** | **$165,536** |

Intangible assets not subject to amortization at March 31, 2012 and 2011 were immaterial.

Amortization expense was ¥3,268 million ($39,854 thousand), ¥3,346 million and ¥2,910 million for the years ended March 31, 2012, 2011 and 2010, 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 |
|---|---|---|
| 2013 | ¥3,096 | $37,756 |
| 2014 | 2,490 | 30,366 |
| 2015 | 1,426 | 17,390 |
| 2016 | 496 | 6,049 |
| 2017 | 200 | 2,439 |

The carrying amounts of goodwill at March 31, 2012 and 2011 and changes in its carrying amounts for the years ended March 31, 2012 and 2011 were immaterial to the Companies' operations.

## 6. IMPAIRMENT OF LONG-LIVED ASSETS

The Companies recognized impairment losses of ¥2,213 million ($26,988 thousand) for the year ended March 31, 2012. The impairment losses relate principally to idle assets which are related to Processed Foods Business Division and to assets used for business damaged by the floods in Thailand. They 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 and the damage from the floods which results in early disposing of the assets in the near future. The Companies have insured the assets used for business damaged by the floods, but its final insurance amount is uncertain.

The Companies recognized impairment losses of ¥1,422 million for the year ended March 31, 2011. 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 ¥792 million 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 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, 2012 and 2011 range from 0.4% to 7.3% and from 0.4% to 9.0%, respectively.

The Company entered into contracts with certain financial institutions for committed credit lines totaling ¥75,000 million ($914,634 thousand) and ¥76,000 million at March 31, 2012 and 2011, respectively, which are available for immediate borrowings. There were no borrowings against these credit lines.

Long-term debt at March 31, 2012 and 2011 consisted of the following:



| | Millions of Yen | | Thousands of U.S. Dollars |
|---|---|---|---|
| | **2012** | 2011 | **2012** |
| Long-term debt with collateral: | | | |
| Mainly banks and insurance companies, maturing through 2019, interest rates ranging from 0.9% to 2.1% in 2012 and from 0.9% to 2.7% in 2011 | **¥ 2,883** | ¥ 4,195 | **$ 35,159** |
| Long-term debt without collateral: | | | |
| Mainly banks and insurance companies, maturing through 2017, interest rates ranging from 0.3% to 5.0% in 2012 and from 0.3% to 4.5% in 2011 | **22,069** | 33,214 | **269,134** |
| 1.45% bonds due December 2012 | **20,000** | 20,000 | **243,902** |
| 2.01% bonds due December 2017 | **10,000** | 10,000 | **121,951** |
| 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** | 30,000 | **365,854** |
| Capital lease obligations, maturing through 2029, interest rates ranging from 0.3% to 4.4% in 2012 and 2011 | **13,775** | 14,510 | **167,988** |
| Total | **98,727** | 111,919 | **1,203,988** |
| Less current maturities | **(26,636)** | (23,907) | **(324,829)** |
| Long-term debt, less current maturities | **¥ 72,091** | ¥ 88,012 | **$ 879,159** |

At March 31, 2012, the aggregate annual maturities of long-term debt are as follows:

| Year Ending March 31 | Millions of Yen | Thousands of U.S. Dollars |
|---|---|---|
| 2013 | ¥26,636 | $ 324,829 |
| 2014 | 34,952 | 426,244 |
| 2015 | 7,485 | 91,280 |
| 2016 | 7,572 | 92,341 |
| 2017 | 7,103 | 86,622 |
| Thereafter | 14,979 | 182,672 |
| Total | ¥98,727 | $1,203,988 |

At March 31, 2012, property, plant and equipment with a net book value of ¥14,354 million ($175,049 thousand) was pledged as collateral for long-term debt of ¥2,883 million ($35,159 thousand), and inventories of ¥464 million ($5,659 thousand) were pledged as collateral for short-term bank loans of ¥290 million ($3,537 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, 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, 2012 and 2011 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, 2012, 2011 and 2010, respectively. Foreign subsidiaries are subject to income taxes of the countries in which they operate.

In accordance with ASC Topic 740, a change in tax laws and rates requires an adjustment of deferred tax assets and liabilities, and the difference caused by the adjustment shall be included in deferred tax expenses. As a result of the amendments to the Japanese tax regulations enacted into law on November 30, 2011, the normal Japanese statutory tax rates will be reduced from approximately 41.0% to 38.0% for three years on and after April 1, 2012, to 36.0% on and after April 1, 2015. Deferred tax expense increased by ¥1,933 million ($23,573 thousand) by the adjustments of deferred tax assets and liabilities at the date of enactment in comparison with that before the amendments.

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:

| | **2012** | 2011 | 2010 |
|---|---|---|---|
| Normal Japanese statutory tax rates | **41.0%** | 41.0% | 41.0% |
| Increase (decrease) in taxes resulting from: | | | |
| Difference in foreign subsidiaries tax rates | **0.2** | (1.3) | (2.6) |
| Change in the valuation allowance | **3.9** | 0.5 | (1.2) |
| Impact from restructuring of certain subsidiaries | | 0.0 | (0.3) |
| Permanently non-deductible expenses | **3.1** | 2.0 | 3.2 |
| Tax credit | **(0.7)** | (0.9) | (2.2) |
| Tax rate change | **7.2** | | |
| Other—net | **3.1** | 2.1 | (3.1) |
| Effective income tax rates | **57.8%** | 43.4% | 34.8% |

The approximate effects of temporary differences and net operating loss and tax credit carryforwards that gave rise to deferred tax balances at March 31, 2012 and 2011 were as follows:

| | Millions of Yen | | Thousands of U.S. Dollars |
|---|---|---|---|
| | **2012** | 2011 | **2012** |
| Deferred tax assets: | | | |
| Securities | | ¥ 386 | |
| Certain accrued prefectural income taxes | **¥ 494** | 538 | **$ 6,024** |
| Accrued bonuses | **3,234** | 3,694 | **39,439** |
| Liability under retirement and severance programs | **9,661** | 11,055 | **117,817** |
| Investments in subsidiaries | | 201 | |
| Fixed assets | **3,630** | 3,953 | **44,268** |
| Other temporary differences | **3,233** | 3,138 | **39,427** |
| Net operating loss and tax credit carryforwards | **8,196** | 7,972 | **99,951** |
| Total | **28,448** | 30,937 | **346,926** |
| Less valuation allowance | **(8,764)** | (7,765) | **(106,878)** |
| Total deferred tax assets | **19,684** | 23,172 | **240,048** |
| Deferred tax liabilities: | | | |
| Securities | **(144)** | (21) | **(1,756)** |
| Inventories | **(441)** | (718) | **(5,378)** |
| Investments in subsidiaries | **(2,132)** | (2,141) | **(26,000)** |
| Fixed assets | **(357)** | (242) | **(4,354)** |
| Gain from the transfer through the posting system | **(1,647)** | | **(20,085)** |
| Other temporary differences | **(162)** | (185) | **(1,975)** |
| Total deferred tax liabilities | **(4,883)** | (3,307) | **(59,548)** |
| Net deferred tax assets | **¥14,801** | ¥19,865 | **$ 180,500** |

The net changes in the total valuation allowance for the years ended March 31, 2012 and 2011 were an increase of ¥999 million ($12,183 thousand) and a decrease of ¥523 million, respectively.

At March 31, 2012, the net operating loss carryforwards of the Companies for corporate income tax and local income tax purposes amounted to ¥22,143 million ($270,037 thousand) and ¥10,795 million ($131,646 thousand), respectively. The net operating loss carryforwards for corporate income tax and local income tax purposes subject to expiration in the period from 2013 to 2017 are ¥342 million ($4,171 thousand) and ¥3,176 million ($38,732 thousand), respectively. The remaining balances for corporate income tax and local income tax purposes, ¥21,801 million ($265,866 thousand) and ¥7,619 million ($92,914 thousand), respectively, will expire in years beyond 2017 or have an indefinite carryforward period. At March 31, 2012, the Companies had tax credit carryforward of ¥247 million ($3,012 thousand), of which ¥1 million ($12 thousand) will expire within 5 years while the remaining ¥246 million ($3,000 thousand) will expire beyond 2017 or have an indefinite carryforward period.

The portion of the undistributed earnings of foreign subsidiaries which is deemed to be permanently invested amounted to ¥15,605 million ($190,305 thousand) at March 31, 2012. Provisions are not made for taxes on undistributed earnings and cumulative translation adjustments of foreign subsidiaries whose earnings are deemed to be permanently invested.

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, with limited exception, income tax examinations by tax authorities for years ended on or before March 31, 2010. Major subsidiaries in the United States, Australia and other foreign countries are no longer subject to, with limited exception, income tax examinations by tax authorities for years ended on or before March 31, 2007.

## 9. RETIREMENT AND SEVERANCE PROGRAMS

The Company has a contributory pension plan and a lump-sum severance indemnities plan to establish a 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. Certain of the Company's subsidiaries have defined benefit pension plans, lump-sum severance plans and defined contribution plans. Assumptions used for those plans were generally the same as those used for the Company's plans.

The Companies recognized the defined contribution cost of ¥1,426 million ($17,390 thousand), ¥1,392 million and ¥1,326 million for the years ended March 31, 2012, 2011 and 2010, respectively.



Net periodic benefit cost under the Companies' retirement and severance programs for the years ended March 31, 2012, 2011 and 2010 included the following components:

| | Millions of Yen | | | Thousands of U.S. Dollars |
|---|---|---|---|---|
| | **2012** | 2011 | 2010 | **2012** |
| Service cost | **¥2,327** | ¥2,266 | ¥2,307 | **$28,378** |
| Interest cost | **695** | 734 | 777 | **8,476** |
| Expected return on plan assets | **(416)** | (410) | (473) | **(5,073)** |
| Amortization of prior service credit | **(303)** | (303) | (294) | **(3,695)** |
| Recognized actuarial loss | **1,416** | 1,091 | 1,575 | **17,268** |
| Settlement (gain) loss | **479** | (4) | 1,068 | **5,841** |
| Curtailment gain | | | (102) | |
| Net periodic benefit cost | **¥4,198** | ¥3,374 | ¥4,858 | **$51,195** |

The following table sets forth various information about the Companies' plans as of March 31, 2012 and 2011.

| | Millions of Yen | | Thousands of U.S. Dollars |
|---|---|---|---|
| | **2012** | 2011 | **2012** |
| Change in the projected benefit obligations: | | | |
| Projected benefit obligations at the beginning of the year | **¥ 50,961** | ¥ 50,216 | **$ 621,476** |
| Service cost | **2,327** | 2,266 | **28,378** |
| Interest cost | **695** | 734 | **8,476** |
| Actuarial loss | **888** | 980 | **10,829** |
| Benefits paid: | | | |
| Settlement paid | **(1,488)** | (1,623) | **(18,147)** |
| Others | **(1,656)** | (1,612) | **(20,195)** |
| Projected benefit obligations at the end of the year | **51,727** | 50,961 | **630,817** |
| Change in fair value of plan assets: | | | |
| Fair value of plan assets at the beginning of the year | **33,845** | 34,832 | **412,743** |
| Actual gain (loss) on plan assets | **1,296** | (890) | **15,805** |
| Employer contribution | **1,752** | 1,735 | **21,366** |
| Benefits paid: | | | |
| Settlement paid | **(239)** | (220) | **(2,915)** |
| Others | **(1,656)** | (1,612) | **(20,195)** |
| Fair value of plan assets at the end of the year | **34,998** | 33,845 | **426,804** |
| Funded status at the end of the year | **¥(16,729)** | ¥(17,116) | **$(204,013)** |

Amounts recognized by the Companies in the consolidated balance sheets at March 31, 2012 and 2011 consisted of:

| | Millions of Yen | | Thousands of U.S. Dollars |
|---|---|---|---|
| | **2012** | 2011 | **2012** |
| Prepaid benefit cost | **¥ 108** | ¥ 114 | **$ 1,317** |
| Accrued expenses | **(239)** | (231) | **(2,915)** |
| Accrued benefit liability | **(16,598)** | (16,999) | **(202,415)** |
| | **¥(16,729)** | ¥(17,116) | **$(204,013)** |

Amounts recognized by the Companies in accumulated other comprehensive loss at March 31, 2012 and 2011 consisted of:

| | Millions of Yen | | Thousands of U.S. Dollars |
|---|---|---|---|
| | **2012** | 2011 | **2012** |
| Actuarial loss | **¥19,218** | ¥21,105 | **$234,366** |
| Prior service credit | **(2,109)** | (2,412) | **(25,720)** |
| | **¥17,109** | ¥18,693 | **$208,646** |

The Companies' accumulated benefit obligations for defined benefit plans at March 31, 2012 and 2011 were as follows:

| | Millions of Yen | | Thousands of U.S. Dollars |
|---|---|---|---|
| | **2012** | 2011 | **2012** |
| Accumulated benefit obligations | **¥51,727** | ¥50,961 | **$630,817** |

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

| | Millions of Yen | | Thousands of U.S. Dollars |
|---|---|---|---|
| | **2012** | 2011 | **2012** |
| Plans with projected benefit obligations in excess of plan assets: | | | |
| Projected benefit obligations | **¥49,332** | ¥48,124 | **$601,610** |
| Fair value of plan assets | **32,495** | 30,894 | **396,280** |
| Plans with accumulated benefit obligations in excess of plan assets: | | | |
| Accumulated benefit obligations | **49,332** | 48,124 | **601,610** |
| Fair value of plan assets | **32,495** | 30,894 | **396,280** |

Amounts recognized by the Companies in the other comprehensive loss and reclassification adjustments of the other comprehensive loss for the years ended March 31, 2012 and 2011 were as follows:

| | Millions of Yen | | Thousands of U.S. Dollars |
|---|---|---|---|
| | **2012** | 2011 | **2012** |
| Current year actuarial loss | **¥ 8** | ¥ 2,280 | **$ 97** |
| Amortization of prior service credit | **303** | 303 | **3,695** |
| Recognition of actuarial loss | **(1,895)** | (1,087) | **(23,109)** |

The estimated prior service credit and actuarial loss for the Companies' 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 | ¥ (303) | $ (3,695) |
| Actuarial loss | 1,112 | 13,561 |

**Assumptions**

Weighted-average assumptions used to determine the Companies' benefit obligations at March 31, 2012 and 2011 were as follows:

| | **2012** | 2011 |
|---|---|---|
| Discount rate | **1.2%** | 1.4% |

Weighted-average assumptions used to determine the Companies' net periodic benefit cost for the years ended March 31, 2012, 2011 and 2010 were as follows:

| | **2012** | 2011 | 2010 |
|---|---|---|---|
| Discount rate | **1.4%** | 1.6% | 1.4% |
| Expected long-term rate of return on plan assets | **2.0%** | 2.0% | 2.3% |

The Company has a contributory pension plan and a lump-sum severance indemnities plan to establish a formula for determining benefits including a point-based benefits system. Accordingly, rate of increase in future compensation levels was not used to determine net periodic benefit cost for the years ended March 31, 2012, 2011 and 2010.

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.

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

**Plan Assets**

The Companies' fundamental policy for the investment of plan assets is to secure the necessary profit on a long term basis to enable the Companies 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 Companies' portfolio consists of four major components; approximately 32% is invested in equity securities, approximately 30% is invested in debt securities, approximately 25% is invested in life insurance company general accounts, and approximately 13% is invested in mutual funds and other investment vehicles. The equity securities consist primarily of stocks that are listed on the stock exchanges. The Companies investigate the business condition of the investee companies and appropriately diversify investments by industry types and other relevant factors. The debt securities consist primarily of government bonds, public debt instruments and corporate bonds. The Companies investigate the quality of the bonds, including credit rating, interest rate and repayment dates, and appropriately diversify 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 Companies' defined benefit pension plans by asset class was 23% for equity securities, 42% for debt securities and 35% for life insurance company general accounts for the year ended March 31, 2012, and the target allocation for the year ending March 31, 2013 is 21% for equity securities, 42% for debt securities and 37% for life insurance company general accounts. Plan assets of the employee retirement benefit trust were included in plan assets, which amounted to ¥10,574 million ($128,951 thousand) and ¥9,512 million for the years ended March 31, 2012 and 2011, respectively.

The fair values of the Companies' pension plans' asset allocations at March 31, 2012 and 2011 by asset class were as follows:

| | Millions of Yen | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| | **2012** | | | | 2011 | | | |
| Asset class | Level 1 | Level 2 | Level 3 | Total | Level 1 | Level 2 | Level 3 | Total |
| Equity securities: | | | | | | | | |
| Domestic stocks | **¥ 8,965** | | | **¥ 8,965** | ¥ 8,685 | | | ¥ 8,685 |
| Foreign stocks | **2,280** | | | **2,280** | 2,823 | | | 2,823 |
| Debt securities: | | | | | | | | |
| Japanese government bonds and domestic municipal bonds | **7,882** | | | **7,882** | 5,402 | | | 5,402 |
| Domestic corporate bonds | **1,791** | | | **1,791** | 1,120 | | | 1,120 |
| Foreign government bonds and foreign municipal bonds | **774** | | | **774** | 1,040 | | | 1,040 |
| Foreign corporate bonds | **16** | | | **16** | 94 | | | 94 |
| Life insurance company general accounts | | **¥ 8,821** | | **8,821** | | ¥ 9,249 | | 9,249 |
| Others: | | | | | | | | |
| Mutual funds | | **1,541** | | **1,541** | | 2,466 | | 2,466 |
| Others | **2,461** | **51** | **¥416** | **2,928** | 2,422 | 7 | ¥537 | 2,966 |
| Total | **¥ 24,169** | **¥10,413** | **¥416** | **¥34,998** | ¥ 21,586 | ¥11,722 | ¥537 | ¥33,845 |

| | Thousands of U.S. Dollars | | | |
|---|---|---|---|---|
| | **2012** | | | |
| Asset class | Level 1 | Level 2 | Level 3 | Total |
| Equity securities: | | | | |
| Domestic stocks | **$109,329** | | | **$109,329** |
| Foreign stocks | **27,805** | | | **27,805** |
| Debt securities: | | | | |
| Japanese government bonds and domestic municipal bonds | **96,122** | | | **96,122** |
| Domestic corporate bonds | **21,841** | | | **21,841** |
| Foreign government bonds and foreign municipal bonds | **9,439** | | | **9,439** |
| Foreign corporate bonds | **195** | | | **195** |
| Life insurance company general accounts | | **$107,573** | | **107,573** |
| Others: | | | | |
| Mutual funds | | **18,793** | | **18,793** |
| Others | **30,012** | **622** | **$5,073** | **35,707** |
| Total | **$294,743** | **$126,988** | **$5,073** | **$426,804** |

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 years ended March 31, 2012 and 2011 were not significant.

**Contributions**

The Companies expect to contribute ¥1,803 million ($21,988 thousand) to the defined benefit pension plans in the year ending March 31, 2013.

**Estimated Future Benefit Payments**

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

| Year Ending March 31 | Millions of Yen | Thousands of U.S. Dollars |
|---|---|---|
| 2013 | ¥ 2,685 | $ 32,744 |
| 2014 | 2,908 | 35,463 |
| 2015 | 2,792 | 34,049 |
| 2016 | 2,866 | 34,951 |
| 2017 | 2,660 | 32,439 |
| 2018–2022 | 13,493 | 164,549 |

Certain domestic subsidiaries participate in multiemployer plans. This disclosure uses the most recently available information.

| Pension Fund | Zone Status 2012 | Zone Status 2011 | Contributions of the Company's subsidiaries: Millions of Yen 2012 | 2011 | 2010 | Thousands of U.S. Dollars 2012 | Surcharge Imposed | Expiration Date of Collective-Bargaining Agreement |
|---|---|---|---|---|---|---|---|---|
| Japan Ham&Sausage Processors Pension Fund | **Less than 65% (March 31, 2011)** | Less than 65% (March 31, 2010) | **¥264** | ¥290 | ¥264 | **$3,220** | N/A | N/A |
| Nationwide Dainty Pension Fund | **At least 80% (March 31, 2011)** | At least 80% (March 31, 2010) | **224** | 221 | 223 | **2,732** | N/A | N/A |
| Total | | | **¥488** | ¥511 | ¥487 | **$5,952** | | |

The risks of participating in these multiemployer plans are different from single-employer plans primarily in the following aspects:

- Assets contributed to the multiemployer plan by one employer may be used to provide benefits to employees of other participating employers.
- If a participating employer stops contributing to the multiemployer plan, the unfunded obligations of the multiemployer plan may be borne by the remaining participating employers.
- If the Companies choose to stop participating in some of those multiemployer plans, the Companies may be required to pay those plans an amount based on the underfunded status of the multiemployer plan, referred to as a withdrawal liability.

Plan information for Japan Ham&Sausage Processors Pension Fund is not publicly available. This fund provides monthly retirement payments on the basis of the contributions earned by the participating employees. To the extent that the plan is underfunded, the future contributions to the plan may increase. This fund's financial statements for the years ended March 31, 2011 and 2010 indicated pension plan assets of ¥24,230 million ($295,488 thousand) and ¥25,779 million, respectively; underfunded amounts of ¥17,443 million ($212,720 thousand) and ¥16,766 million, respectively; and total contributions for all participating employers of ¥2,438 million ($29,732 thousand) and ¥2,506 million, respectively. This fund has been underfunded, and is expected to resolve the underfunding by special contributions which are calculated by multiplying the standard salary on the basis of the amount of salary by the fixed contribution rate.

Plan information for Japan Nationwide Dainty Pension Fund is not publicly available. This fund provides monthly retirement payments on the basis of the contributions earned by the participating employees. To the extent that the plan is underfunded, the future contributions to the plan may increase. This fund's financial statements for the years ended March 31, 2011 and 2010 indicated pension plan assets of ¥11,177 million ($136,305 thousand) and ¥11,420 million, respectively; underfunded amounts of ¥2,032 million($24,780 thousand) and ¥1,690 million, respectively; and total contributions for all participating employers of ¥1,191 million($14,524 thousand) and ¥1,192 million, respectively.

| Pension Fund | Year Contributions to Plan Exceeded More Than 5 Percent of Total Contributions (as of March 31 of the Plan's Year-End) |
|---|---|
| Japan Ham&Sausage Processors Pension Fund | 2011 and 2010 |
| Nationwide Dainty Pension Fund | 2011 and 2010 |

Additionally, the Companies provided for directors' retirement allowances of ¥572 million ($6,976 thousand) and ¥582 million at March 31, 2012 and 2011, respectively, based on their internal regulations.

Special severance benefits of ¥107 million ($1,305 thousand), ¥71 million and ¥221 million were paid in 2012, 2011 and 2010, respectively, 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

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.

A summary of option activity under the Company's stock option plan at March 31, 2012 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, 2011 | **284,000** | **¥1** | | | **$0** | |
| Exercised | **(21,000)** | **1** | | | **0** | |
| Forfeited | **(1,000)** | **1** | | | **0** | |
| Outstanding at March 31, 2012 | **262,000** | **1** | 9.8 | ¥275 | **0** | **$3,354** |
| Exercisable at March 31, 2012 | **37,000** | **¥1** | 2.0 | ¥ 39 | **$0** | **$ 476** |

The total intrinsic value of options exercised during the years ended March 31, 2012, 2011 and 2010 was ¥23 million ($280 thousand), ¥96 million and ¥35 million, respectively.

Cash received from options exercised for the years ended March 31, 2012, 2011 and 2010 was immaterial.

## 11. EQUITY

Japanese companies are subject to the Companies Act of Japan (the "Companies Act"). The significant provisions 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, 2012 was ¥111,312 million ($1,357,463 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, 2012, 2011 and 2010 are as follows:

| | Millions of Yen | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|
| | 2012 | | | 2011 | | | 2010 | | |
| | 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 | ¥ 1,408 | ¥ (518) | ¥ 890 | ¥(1,402) | ¥ 575 | ¥ (827) | ¥ 258 | ¥ (106) | ¥ 152 |
| Reclassification adjustments for losses realized in net income | 157 | (65) | 92 | 455 | (186) | 269 | 1,885 | (773) | 1,112 |
| Net change during the year | 1,565 | (583) | 982 | (947) | 389 | (558) | 2,143 | (879) | 1,264 |
| Net unrealized gains (losses) on derivative financial instruments | | | | | | | | | |
| Amounts arising during the year | (110) | 45 | (65) | (480) | 197 | (283) | (456) | 187 | (269) |
| Reclassification adjustments for losses realized in net income | 579 | (237) | 342 | 756 | (310) | 446 | 386 | (158) | 228 |
| Net change during the year | 469 | (192) | 277 | 276 | (113) | 163 | (70) | 29 | (41) |
| Pension liability adjustments | | | | | | | | | |
| Amounts arising during the year | (8) | 3 | (5) | (2,280) | 935 | (1,345) | 5,810 | (2,382) | 3,428 |
| Reclassification adjustments for losses realized in net income | 1,592 | (607) | 985 | 784 | (321) | 463 | 2,246 | (921) | 1,325 |
| Net change during the year | 1,584 | (604) | 980 | (1,496) | 614 | (882) | 8,056 | (3,303) | 4,753 |
| Foreign currency translation adjustments | | | | | | | | | |
| Amounts arising during the year | (1,534) | | (1,534) | (2,888) | | (2,888) | (111) | | (111) |
| Reclassification adjustments for losses realized in net income | | | | 1 | | 1 | 18 | | 18 |
| Net change during the year | (1,534) | | (1,534) | (2,887) | | (2,887) | (93) | | (93) |
| Other comprehensive income (loss) | ¥ 2,084 | ¥(1,379) | ¥ 705 | ¥(5,054) | ¥ 890 | ¥(4,164) | ¥10,036 | ¥(4,153) | ¥5,883 |

| | Thousands of U.S. Dollars | | |
|---|---|---|---|
| | 2012 | | |
| | Before-Tax Amount | Income Tax | After-Tax Amount |
| Net unrealized gains on securities available-for-sale | | | |
| Amounts arising during the year | $17,171 | $ (6,317) | $ 10,854 |
| Reclassification adjustments for losses realized in net income | 1,915 | (793) | 1,122 |
| Net change during the year | 19,086 | (7,110) | 11,976 |
| Net unrealized gains on derivative financial instruments | | | |
| Amounts arising during the year | (1,341) | 549 | (792) |
| Reclassification adjustments for losses realized in net income | 7,061 | (2,891) | 4,170 |
| Net change during the year | 5,720 | (2,342) | 3,378 |
| Pension liability adjustments | | | |
| Amounts arising during the year | (97) | 37 | (60) |
| Reclassification adjustments for losses realized in net income | 19,414 | (7,403) | 12,011 |
| Net change during the year | 19,317 | (7,366) | 11,951 |
| Foreign currency translation adjustments | | | |
| Amounts arising during the year | (18,707) | | (18,707) |
| Net change during the year | (18,707) | | (18,707) |
| Other comprehensive income | $ 25,416 | $(16,818) | $ 8,598 |

Accumulated other comprehensive loss, net of tax effects, at March 31, 2012 and 2011 consisted of the following:

| | Millions of Yen | | Thousands of U.S. Dollars |
|---|---|---|---|
| | **2012** | 2011 | **2012** |
| Net unrealized gains on securities available-for-sale | **¥ 1,950** | ¥ 968 | **$ 23,780** |
| Net unrealized losses on derivative financial instruments | | (277) | |
| Pension liability adjustments | **(8,229)** | (9,209) | **(100,354)** |
| Foreign currency translation adjustments | **(9,247)** | (7,713) | **(112,767)** |
| Accumulated other comprehensive loss | **¥(15,526)** | ¥(16,231) | **$(189,341)** |

## 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, 2012 and 2011 were as follows:

| | Millions of Yen | | Thousands of U.S. Dollars |
|---|---|---|---|
| | **2012** | 2011 | **2012** |
| Buildings | **¥ 14,986** | ¥ 14,986 | **$ 182,756** |
| Machinery and equipment | **14,342** | 13,427 | **174,902** |
| Total | **29,328** | 28,413 | **357,658** |
| Less accumulated depreciation | **(17,833)** | (16,152) | **(217,476)** |
| Total | **¥ 11,495** | ¥ 12,261 | **$ 140,182** |

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 are included in the consolidated balance sheets at March 31, 2012.

| Year Ending March 31 | Millions of Yen | Thousands of U.S. Dollars |
|---|---|---|
| 2013 | ¥ 3,627 | $ 44,232 |
| 2014 | 3,191 | 38,915 |
| 2015 | 2,666 | 32,512 |
| 2016 | 2,314 | 28,220 |
| 2017 | 1,009 | 12,305 |
| Thereafter | 1,659 | 20,231 |
| Total minimum lease payments | 14,466 | 176,415 |
| Less amount representing interest | (691) | (8,427) |
| Present value of net minimum lease payments | 13,775 | 167,988 |
| Less current capital lease obligations | (3,239) | (39,500) |
| Long-term capital lease obligations | ¥10,536 | $128,488 |

The Companies also lease office space, employee housing and office equipment under operating leases. Rent expense under these leases amounted to ¥10,558 million ($128,756 thousand), ¥10,547 million and ¥11,742 million for the years ended March 31, 2012, 2011 and 2010, respectively.

Future minimum lease payments under non-cancelable operating leases as of March 31, 2012 are as follows:

| Year Ending March 31 | Millions of Yen | Thousands of U.S. Dollars |
|---|---|---|
| 2013 | ¥1,565 | $ 19,085 |
| 2014 | 1,193 | 14,549 |
| 2015 | 1,017 | 12,402 |
| 2016 | 899 | 10,963 |
| 2017 | 799 | 9,744 |
| Thereafter | 4,425 | 53,963 |
| Total minimum lease payments | ¥9,898 | $120,706 |

## 14. FOREIGN CURRENCY TRANSACTION GAINS AND LOSSES

Foreign currency transaction net loss of ¥623 million ($7,598 thousand), net gain of ¥1,474 million and net gain of ¥2,433 million were included in the determination of net income for the years ended March 31, 2012, 2011 and 2010, 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, 2012 and 2011 are as follows:

| | Millions of Yen | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| | **2012** | | | | 2011 | | | |
| Assets | Level 1 | Level 2 | Level 3 | Total | Level 1 | Level 2 | Level 3 | Total |
| Domestic stocks | | | | | | | | |
| Retail industry | **¥ 6,035** | | | **¥ 6,035** | ¥ 5,058 | | | ¥ 5,058 |
| Others | **7,605** | | | **7,605** | 6,984 | | | 6,984 |
| Mutual funds | | **¥ 299** | | **299** | | ¥ 300 | | 300 |
| Derivative instruments (see Note 16) | | **1,584** | | **1,584** | | 1,082 | | 1,082 |
| Total assets | **¥13,640** | **¥1,883** | | **¥15,523** | ¥12,042 | ¥1,382 | | ¥13,424 |

| | Millions of Yen | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| | **2012** | | | | 2011 | | | |
| Liabilities | Level 1 | Level 2 | Level 3 | Total | Level 1 | Level 2 | Level 3 | Total |
| Derivative instruments (see Note 16) | | **¥112** | | **¥112** | | ¥905 | | ¥905 |
| Total liabilities | | **¥112** | | **¥112** | | ¥905 | | ¥905 |



| | Thousands of U.S. Dollars | | | |
|---|---|---|---|---|
| | **2012** | | | |
| Assets | Level 1 | Level 2 | Level 3 | Total |
| Domestic stocks | | | | |
| Retail industry | **$ 73,598** | | | **$ 73,598** |
| Others | **92,744** | | | **92,744** |
| Mutual funds | | **$ 3,647** | | **3,647** |
| Derivative instruments (see Note 16) | | **19,317** | | **19,317** |
| Total assets | **$166,342** | **$22,964** | | **$189,306** |

| | Thousands of U.S. Dollars | | | |
|---|---|---|---|---|
| | **2012** | | | |
| Liabilities | Level 1 | Level 2 | Level 3 | Total |
| Derivative instruments (see Note 16) | | **$1,366** | | **$1,366** |
| Total liabilities | | **$1,366** | | **$1,366** |

Valuation processes and 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, currency swap contracts and cross-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 years ended March 31, 2012 and 2011 of which ¥275 million ($3,354 thousand) and ¥134 million have already been sold to a third party for the years ended March 31, 2012 and 2011, respectively.

| | Millions of Yen | | | | Thousands of U.S. Dollars | | | |
|---|---|---|---|---|---|---|---|---|
| | **2012** | | | | **2012** | | | |
| | Level 1 | Level 2 | Level 3 | Total | Level 1 | Level 2 | Level 3 | Total |
| Non-marketable equity securities | | | **¥ 93** | **¥ 93** | | | **$ 1,134** | **$ 1,134** |
| Long-lived assets | | | **1,342** | **1,342** | | | **16,366** | **16,366** |

| | Millions of Yen | | | |
|---|---|---|---|---|
| | 2011 | | | |
| | Level 1 | Level 2 | Level 3 | Total |
| Non-marketable equity securities | | | ¥ 263 | ¥ 263 |
| Long-lived assets | | | 1,387 | 1,387 |

Valuation processes and techniques used to measure fair value are as follows:

**Non-marketable equity securities**
In accordance with ASC Topic 320, "Investments – Debt and Equity Securities," the Companies recognize impairment losses of non-marketable equity securities when their fair values are below the carrying amounts and the decline in fair values is considered to be other than temporary. These non-marketable equity securities are measured at fair value using unobservable inputs based mainly on the valuation by the cost approach, which fall within Level 3.

**Long-lived assets**
In accordance with ASC Topic 360, the Companies recognize impairment losses on long-lived assets when the carrying amounts of the assets are considered to be unrecoverable. 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, 2012 and 2011 were as follows:

| | Millions of Yen | | | | Thousands of U.S. Dollars | |
|---|---|---|---|---|---|---|
| | **2012** | | 2011 | | **2012** | |
| | Carrying Amount | Fair Value | Carrying Amount | Fair Value | Carrying Amount | Fair Value |
| Available-for-sale securities and held-to-maturity securities (see Note 3) | **¥ 19,138** | **¥ 19,138** | ¥ 32,539 | ¥ 32,539 | **$ 233,391** | **$ 233,391** |
| Derivative instruments | | | | | | |
| Assets | **1,584** | **1,584** | 1,082 | 1,082 | **19,317** | **19,317** |
| Liabilities | **(112)** | **(112)** | (905) | (905) | **(1,366)** | **(1,366)** |
| Long-term debt | **(84,952)** | **(86,869)** | (97,409) | (100,272) | **(1,036,000)** | **(1,059,378)** |

The carrying values of all other financial instruments approximate their estimated fair values. The fair values of long-term debt are estimated using quoted market prices for identical debt or present values of cash flows using borrowing rates currently available to the Companies for bank loans with similar terms, which fall within Level 2.

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 commodity price risk. The Companies use foreign currency forward exchange contracts, currency swap contracts, currency option contracts and cross-currency swap contracts to mitigate foreign exchange risk. The Company uses interest rate swap contract and cross-currency swap contracts to mitigate interest rate risk relating to floating-rate borrowing. Forward contracts on commodity prices are entered into to mitigate commodity 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 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 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, 2012, 2011 and 2010.

At March 31, 2011, contract amount or notional principal amount of derivative instruments that qualify for cash flow hedges is set forth below:

| | Millions of Yen |
|---|---|
| | 2011 |
| Foreign currency forward exchange contracts | ¥2,744 |

### Derivative instruments which do not qualify for hedge accounting

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

At March 31, 2012 and 2011, contract amounts or notional principal amounts of derivative instruments that do not qualify for hedge accounting are set forth below:

| | Millions of Yen | | Thousands of U.S. Dollars |
|---|---|---|---|
| | **2012** | 2011 | **2012** |
| Interest rate swap contracts | **¥ 1,007** | ¥ 2,736 | **$ 12,280** |
| Foreign currency forward exchange contracts and currency swap contracts | **44,066** | 51,114 | **537,390** |
| Cross-currency swap contracts | **2,000** | | **24,390** |

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

As of March 31, 2012, 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:

| | **2012** | | | |
|---|---|---|---|---|
| Millions of Yen | Derivative assets | | Derivative liabilities | |
| | Balance Sheet Location | Fair Value | Balance Sheet Location | Fair Value |
| Derivatives not designated as hedging instruments under ASC Topic 815 | | | | |
| Interest rate swap contract | | | Other current liabilities | **¥ 2** |
| Foreign currency forward exchange contracts and currency swap contracts | Other current assets | **¥ 1,462** | Other current liabilities | **110** |
| Cross-currency swap contracts | Other current assets | **15** | | |
| | Other assets | **107** | | |
| Total (see Note 15) | | **¥1,584** | | **¥112** |

| Millions of Yen | 2011 | | | |
|---|---|---|---|---|
| | Derivative assets | | Derivative liabilities | |
| | Balance Sheet Location | Fair Value | Balance Sheet Location | Fair Value |
| Derivatives designated as hedging instruments under ASC Topic 815 | | | | |
| Foreign currency forward exchange contracts | | | Other current liabilities | ¥405 |
| Sub-Total | | | | 405 |
| Derivatives not designated as hedging instruments under ASC Topic 815 | | | | |
| Interest rate swap contract | | | Other current liabilities | 3 |
| Foreign currency forward exchange contracts | Other current assets | ¥1,082 | Other current liabilities | 497 |
| Sub-Total | | 1,082 | | 500 |
| Total (see Note 15) | | ¥1,082 | | ¥905 |

| Thousands of U.S. Dollars | **2012** | | | |
|---|---|---|---|---|
| | Derivative assets | | Derivative liabilities | |
| | Balance Sheet Location | Fair Value | Balance Sheet Location | Fair Value |
| Derivatives not designated as hedging instruments under ASC Topic 815 | | | | |
| Interest rate swap contract | | | Other current liabilities | **$ 24** |
| Foreign currency forward exchange contracts and currency swap contracts | Other current assets | **$17,829** | Other current liabilities | **1,342** |
| Cross-currency swap contracts | Other current assets | **183** | | |
| | Other assets | **1,305** | | |
| Total (see Note 15) | | **$19,317** | | **$1,366** |

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 years ended March 31, 2012, 2011 and 2010 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) | |
|---|---|---|---|---|---|
| | **2012** | Location | **2012** | Location | **2012** |
| Foreign currency forward exchange contracts | **¥(110)** | Cost of goods sold | **¥(579)** | | |
| Total | **¥(110)** | | **¥(579)** | | |

| Millions of Yen | Amount of Loss Recognized in Other Comprehensive Loss 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) | |
|---|---|---|---|---|---|
| | 2011 | Location | 2011 | Location | 2011 |
| Interest rate swap contract | ¥ (2) | Interest expense | ¥ (21) | | |
| Foreign currency forward exchange contracts | (478) | Cost of goods sold | (735) | | |
| Total | ¥(480) | | ¥(756) | | |

| 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) | | |

| 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) | |
|---|---|---|---|---|---|
| | **2012** | Location | **2012** | Location | **2012** |
| Foreign currency forward exchange contracts | **$(1,341)** | Cost of goods sold | **$(7,061)** | | |
| Total | **$(1,341)** | | **$(7,061)** | | |

The effect of derivative instruments not designated or qualifying as hedging instruments under ASC Topic 815 on the consolidated statements of income for the years ended March 31, 2012, 2011 and 2010 is as follows:

| | Millions of Yen | | Thousands of U.S. Dollars |
|---|---|---|---|
| | Amount of Gain or (Loss) Recognized in Income on Derivative | | Amount of Gain or (Loss) Recognized in Income on Derivative |
| | Location | **2012** | **2012** |
| Interest rate swap contract | Interest expense | **¥ 1** | **$ 12** |
| Foreign currency forward exchange contracts and currency swap contracts | Net sales | **654** | **7,976** |
| | Cost of goods sold | **284** | **3,463** |
| | Cost and expenses—other | **(367)** | **(4,476)** |
| Cross-currency swap contracts | Interest expense | **8** | **98** |
| | Cost and expenses—other | **114** | **1,390** |
| Total | | **¥ 694** | **$ 8,463** |

| | Millions of Yen | |
|---|---|---|
| | Amount of Gain or (Loss) Recognized in Income on Derivative | |
| | Location | 2011 |
| Interest rate swap contract | Interest expense | ¥ (3) |
| Foreign currency forward exchange contracts and currency swap contracts | Net sales | 965 |
| | Cost of goods sold | (1,327) |
| | Cost and expenses—other | (531) |
| Total | | ¥ (896) |

| | Millions of Yen | |
|---|---|---|
| | Amount of Gain Recognized in Income on Derivative | |
| | Location | 2010 |
| Foreign currency forward exchange contracts | Net sales | ¥ 23 |
| | Cost of goods sold | 2,591 |
| Total | | ¥2,614 |

## 17. SEGMENT INFORMATION

ASC Topic 280, "Segment Reporting" 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 following table presents certain information regarding the Companies' operating segments at March 31, 2012, 2011 and 2010 and for the years then ended.

Operating segment information

| | Millions of Yen | | | | | |
|---|---|---|---|---|---|---|
| | **2012** | | | | | |
| | Processed Foods Business Division | Fresh Meats Business Division | Affiliated Business Division | Total | Eliminations, adjustments and others | Consolidated |
| Net sales | | | | | | |
| External customers | **¥320,722** | **¥577,176** | **¥132,470** | **¥1,030,368** | **¥ (12,584)** | **¥ 1,017,784** |
| Intersegment | **21,464** | **89,050** | **2,719** | **113,233** | **(113,233)** | |
| Total | **342,186** | **666,226** | **135,189** | **1,143,601** | **(125,817)** | **1,017,784** |
| Operating expenses | **334,156** | **650,066** | **133,229** | **1,117,451** | **(126,180)** | **991,271** |
| Segment profit | **8,030** | **16,160** | **1,960** | **26,150** | **363** | **26,513** |
| Assets | **171,336** | **294,322** | **49,206** | **514,864** | **74,261** | **589,125** |
| Depreciation and amortization | **9,695** | **9,493** | **1,747** | **20,935** | **2,821** | **23,756** |
| Capital expenditures | **8,752** | **8,494** | **1,604** | **18,850** | **637** | **19,487** |

| | Millions of Yen | | | | | |
|---|---|---|---|---|---|---|
| | 2011 | | | | | |
| | Processed Foods Business Division | Fresh Meats Business Division | Affiliated Business Division | Total | Eliminations, adjustments and others | Consolidated |
| Net sales | | | | | | |
| External customers | ¥314,821 | ¥557,482 | ¥129,521 | ¥1,001,824 | ¥ (12,516) | ¥989,308 |
| Intersegment | 23,206 | 86,845 | 2,703 | 112,754 | (112,754) | |
| Total | 338,027 | 644,327 | 132,224 | 1,114,578 | (125,270) | 989,308 |
| Operating expenses | 329,398 | 620,307 | 130,552 | 1,080,257 | (124,124) | 956,133 |
| Segment profit | 8,629 | 24,020 | 1,672 | 34,321 | (1,146) | 33,175 |
| Assets | 170,160 | 294,507 | 43,473 | 508,140 | 82,548 | 590,688 |
| Depreciation and amortization | 9,713 | 9,396 | 1,659 | 20,768 | 3,347 | 24,115 |
| Capital expenditures | 9,250 | 6,249 | 1,695 | 17,194 | (5) | 17,189 |

| | 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 | ¥526,799 | ¥130,027 | ¥ 964,959 | ¥ (11,343) | ¥953,616 |
| Intersegment | 21,303 | 78,129 | 2,500 | 101,932 | (101,932) | |
| Total | 329,436 | 604,928 | 132,527 | 1,066,891 | (113,275) | 953,616 |
| Operating expenses | 320,463 | 588,469 | 131,911 | 1,040,843 | (112,082) | 928,761 |
| Segment profit | 8,973 | 16,459 | 616 | 26,048 | (1,193) | 24,855 |
| Assets | 172,790 | 288,872 | 43,363 | 505,025 | 99,176 | 604,201 |
| Depreciation and amortization | 9,333 | 9,504 | 1,690 | 20,527 | 3,881 | 24,408 |
| Capital expenditures | 9,219 | 7,571 | 1,293 | 18,083 | 1,671 | 19,754 |

| | Thousands of U.S. Dollars | | | | | |
|---|---|---|---|---|---|---|
| | **2012** | | | | | |
| | Processed Foods Business Division | Fresh Meats Business Division | Affiliated Business Division | Total | Eliminations, adjustments and others | Consolidated |
| Net sales | | | | | | |
| External customers | **$3,911,244** | **$7,038,732** | **$1,615,488** | **$12,565,464** | **$ (153,464)** | **$12,412,000** |
| Intersegment | **261,756** | **1,085,976** | **33,159** | **1,380,891** | **(1,380,891)** | |
| Total | **4,173,000** | **8,124,708** | **1,648,647** | **13,946,355** | **(1,534,355)** | **12,412,000** |
| Operating expenses | **4,075,073** | **7,927,635** | **1,624,745** | **13,627,453** | **(1,538,782)** | **12,088,671** |
| Segment profit | **97,927** | **197,073** | **23,902** | **318,902** | **4,427** | **323,329** |
| Assets | **2,089,463** | **3,589,293** | **600,073** | **6,278,829** | **905,622** | **7,184,451** |
| Depreciation and amortization | **118,232** | **115,768** | **21,305** | **255,305** | **34,402** | **289,707** |
| Capital expenditures | **106,732** | **103,585** | **19,561** | **229,878** | **7,768** | **237,646** |

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 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. Depreciation and amortization related to each reportable segment do not include those 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.

The following table shows reconciliations of the total of the segment profit to income before income taxes and equity in earnings of associated companies for the years ended March 31, 2012, 2011 and 2010.

| | Millions of Yen | | | Thousands of U.S. Dollars |
|---|---|---|---|---|
| | **2012** | 2011 | 2010 | **2012** |
| Segment profit total | **¥ 26,150** | ¥34,321 | ¥26,048 | **$318,902** |
| Gain from the transfer through the posting system | **4,017** | | | **48,988** |
| Interest expenses | **(1,727)** | (2,125) | (2,125) | **(21,061)** |
| Other revenues and (expenses) | **(2,037)** | (1,527) | 1,294 | **(24,841)** |
| Eliminations, adjustments and others | **363** | (1,146) | (1,193) | **4,427** |
| Income before income taxes and equity in earnings of associated companies | **¥ 26,766** | ¥29,523 | ¥24,024 | **$326,415** |

Net sales to external customers for products and services for the years ended March 31, 2012, 2011 and 2010 were as follows:

| | Millions of Yen | | | Thousands of U.S. Dollars |
|---|---|---|---|---|
| | **2012** | 2011 | 2010 | **2012** |
| Hams and sausages | **¥ 137,286** | ¥134,941 | ¥137,549 | **$ 1,674,220** |
| Processed foods | **203,167** | 197,745 | 188,870 | **2,477,646** |
| Fresh meats | **544,054** | 530,154 | 496,100 | **6,634,805** |
| Marine products | **82,836** | 80,435 | 82,570 | **1,010,195** |
| Dairy products | **23,261** | 21,903 | 21,985 | **283,671** |
| Others | **27,180** | 24,130 | 26,542 | **331,463** |
| Consolidated total | **¥1,017,784** | ¥989,308 | ¥953,616 | **$12,412,000** |

Certain information about geographic areas at March 31, 2012, 2011 and 2010 and for the years then ended was as follows:

(1) Net sales to external customers

| | Millions of Yen | | | Thousands of U.S. Dollars |
|---|---|---|---|---|
| | **2012** | 2011 | 2010 | **2012** |
| Japan | **¥ 938,846** | ¥918,888 | ¥892,872 | **$11,449,341** |
| Other countries | **78,938** | 70,420 | 60,744 | **962,659** |
| Total | **¥1,017,784** | ¥989,308 | ¥953,616 | **$12,412,000** |

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 |
|---|---|---|---|---|
| | **2012** | 2011 | 2010 | **2012** |
| Japan | **¥205,522** | ¥212,504 | ¥221,106 | **$2,506,366** |
| Other countries | **17,069** | 17,871 | 19,113 | **208,159** |
| Total | **¥222,591** | ¥230,375 | ¥240,219 | **$2,714,525** |

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

There were no sales to a single major external customer exceeding 10% of net sales for the years ended March 31, 2012, 2011 and 2010.

## 18. COMMITMENTS AND CONTINGENT LIABILITIES

The Companies guarantee certain financial liabilities of associated companies and certain suppliers. At March 31, 2012, the maximum potential amount of future payments which the Companies could be required to make under these guarantees is ¥548 million ($6,683 thousand). The guarantees with suppliers are secured by certain properties and real estates.



## 19. EVENTS SUBSEQUENT TO MARCH 31, 2012

On May 14, 2012, the Board of Directors resolved to pay cash dividends to shareholders of record at March 31, 2012 of ¥18 ($0.22) per share, which include commemorative dividends of ¥2 ($0.02) per share in celebration of the 70th anniversary of the Company's establishment, for a total of ¥3,829 million ($46,695 thousand).

The Companies evaluated subsequent events that have occurred after March 31, 2012 through the date that the Yukashouken-houkokusho (Annual Securities Report filed under the Financial Instruments and Exchange Act of Japan) was issued (June 28, 2012).

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 ("the Company") as of March 31, 2012 and 2011 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, 2012 (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, 2012 and 2011, and the results of their operations and their cash flows for each of the three years in the period ended March 31, 2012 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, 2012

Member of
Deloitte Touche Tohmatsu Limited

**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

Noboru Takezoe, 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, 2012, 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

—

Noboru Takezoe
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 AUDITOR'S REPORT

June 28, 2012

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

Deloitte Touche Tohmatsu LLC
Designated Unlimited Liability Partner, Engagement Partner, Certified Public Accountant: Seiichiro Azuma
Designated Unlimited Liability Partner, Engagement Partner, Certified Public Accountant: Wakyu Shinmen
Designated Unlimited Liability Partner, Engagement Partner, Certified Public Accountant: Koichi Sekiguchi
Designated Unlimited Liability Partner, Engagement Partner, Certified Public Accountant: Takashige Ikeda

**[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 as of March 31, 2012 of Nippon Meat Packers, Inc. and its consolidated subsidiaries, and the consolidated statements of income, changes in equity and cash flows for the fiscal year from April 1, 2011 to March 31, 2012, and the related notes and consolidated supplementary schedules.

**Management's Responsibility for the Consolidated Financial Statements**
Management is responsible for the preparation and fair presentation of these consolidated financial statements in conformity with accounting principles generally accepted in the United States of America pursuant to the third paragraph of the Supplementaty Provisions of the Cabinet Office Ordinance for Partial Amendment of the Regulations for Terminology, Forms and Preparation Methods of Consolidated Financial Statements (No.11 of the Cabinet Office Ordinance in 2002), and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

**Auditor's Responsibility**
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 from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

**Audit 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 its consolidated subsidiaries as of March 31, 2012, and the 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.

**[Audit of Internal Control]**
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, 2012.

**Management's Responsibility for the Report on Internal Control**
The Company's management is responsible for designing and operating effective internal control over financial reporting and for the preparation and fair presentation of its report on internal control in conformity with assessment standards for internal control over financial reporting generally accepted in Japan. There is a possibility that misstatements may not be completely prevented or detected by internal control over financial reporting.

**Auditor's Responsibility**
Our responsibility is to express an opinion on management's report on internal control based on our internal control audit. We conducted our internal control 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 is free from material misstatement.

An internal control audit involves performing procedures to obtain audit evidence about the results of the assessment of internal control over financial reporting in management's report on internal control. The procedures selected depend on the auditor's judgment, including the significance of effects on reliability of financial reporting. An internal control audit includes examining representations on the scope, procedures and results of the assessment of internal control over financial reporting made by management, as well as evaluating the overall presentation of management's report on internal control.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

**Opinion**
In our opinion, management's report on internal control referred to above, which represents that the internal control over financial reporting of Nippon Meat Packers, Inc. as of March 31, 2012 is effectively maintained, presents fairly, in all material respects, the results of the assessment of internal control over financial reporting in conformity with assessment standards for internal control over financial reporting generally accepted in Japan.

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

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

# Main Group Companies

As of April 1, 2012

### 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)

### 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 Factory Co., Ltd. (Japan)
Nippon Ham Hokkaido Factory Co., Ltd. (Japan)
Tohoku 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)
Nippon Golden Pig Joint Stock Company Co., Ltd. (Vietnam)

### 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
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 Chilled Logistics, Inc. (Japan)
Nippon Logistics Center, Inc. (Japan)
Nippon Ham Daily Net 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)
Thai Nippon Meat Packers Co., Ltd. (Thailand)
Nippon Meat Packers (Taiwan) Inc. (Taiwan)
Nippon Meat Packers U.K. Ltd. (The United Kingdom)

Nippon Meat Packers, Inc.

## Corporate Data

| | |
|---|---|
| Established | May 30, 1949 |
| Capital | ¥24,166 million |
| President | Noboru Takezoe |
| Employees | 28,356 (consolidated) |
| (As of March 31, 2012) | 4,533 (non-consolidated) (including the average number of temporary employees) |
| Main Businesses | • Manufacture and sale of processed meats (hams, sausages, etc.) and cooked foods (retort-packed food, pre-prepared foods, etc.)<br>• Breeding of livestock, and processing and sale of fresh meats<br>• Production and sale of marine and dairy products |
| Head Office | 6-14, Minami-Honmachi 3-chome, Chuo-ku, Osaka 541-0054, Japan (current address)<br>4-9, Umeda 2-chome, Kita-ku, Osaka 530-0001, Japan (address as of August 15, 2012) |
| Telephone | +81-6-6282-3031 |

## Share Data (As of March 31, 2012)

| | |
|---|---|
| Authorized Shares | 570,000,000 |
| Issued and Outstanding | 228,445,350 |
| Shareholders | 10,694 |

### ● Shareholders by Category

| | | |
|---|---|---|
| Financial institutions | 70 | (116,181 thousand shares) |
| Foreign investors | 343 | (54,332 thousand shares) |
| Individual/Other | 9,904 | (18,956 thousand shares) |
| Treasury stock | 1 | (15,718 thousand shares) |
| Other companies | 346 | (13,077 thousand shares) |
| Securities firms | 30 | (10,179 thousand shares) |

### ● Shareholders by Holding

| | | |
|---|---|---|
| Less than 1,000 | 1,781 | (251 thousand shares) |
| 1,000–Less than 10,000 | 8,431 | (12,843 thousand shares) |
| 10,000–Less than 100,000 | 319 | (10,202 thousand shares) |
| 100,000–Less than 1 million | 116 | (38,167 thousand shares) |
| 1 million–Less than 5 million | 38 | (78,166 thousand shares) |
| More than 5 million | 9 | (88,811 thousand shares) |

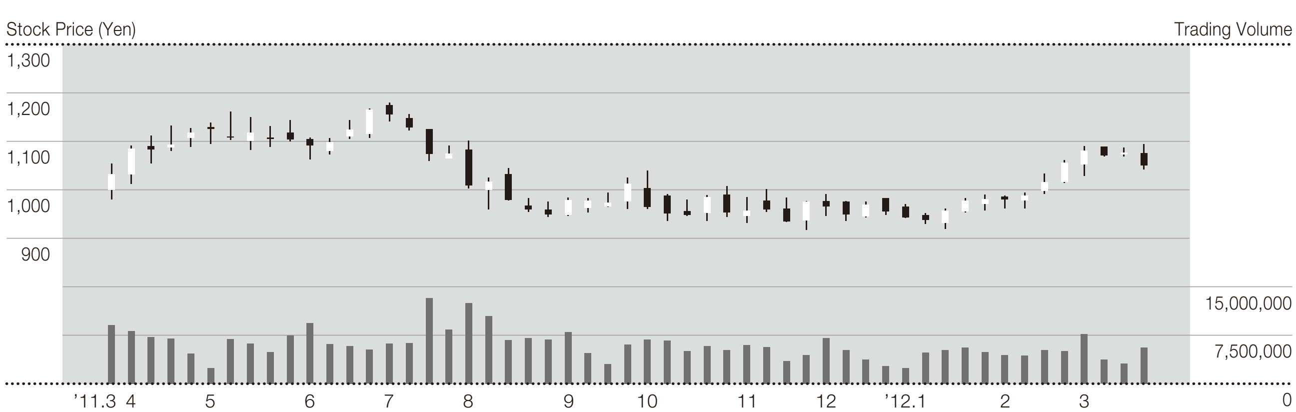


### ● Major Shareholders (Top 10 by shareholding)

| Name | Shareholding (thousands of shares) |
|---|---|
| The Master Trust Bank of Japan, Ltd. (Trust account) | 17,261 |
| Japan Trustee Services Bank, Ltd. (Trust account) | 12,943 |
| The Hyakujushi Bank, Ltd. | 9,037 |
| Meiji Yasuda Life Insurance Company | 7,354 |
| The Bank of Tokyo-Mitsubishi UFJ, Ltd. | 7,326 |
| Nippon Life Insurance Company | 6,962 |
| Japan Trustee Services Bank, Ltd. (Trust account 9) | 6,282 |
| The Norinchukin Bank | 5,926 |
| NIPPONKOA Insurance Company, Ltd. | 4,990 |
| Sumitomo Mitsui Banking Corporation | 4,650 |

Note: In addition to the list above, the Company holds 15,718 thousand shares of common stock.

## Stock Price Trend




# The Nippon Ham Group's Brand Statement

## The Brilliance of People for the Future of Food

The Nippon Ham Group's brand statement encompasses its commitment to providing products that communicate the "Joy of Eating," thereby contributing positively to healthy, joyful lives and to the building of a positive future in which people can realize their full potential.
Looking ahead, we will continue to incorporate the customer's perspective into everything we do and to place our highest priority on people—our customers, the residents of the communities and countries in which we operate, the children who will inherit the earth, our employees.
This brand statement will continue to guide us in all our activities.

Nippon Meat Packers, Inc.

http://www.nipponham.co.jp/en/

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