

# ***Business Results for the First Quarter of FY3/11***

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**August 10, 2010 (Tue.)  
Nippon Meat Packers, Inc.**

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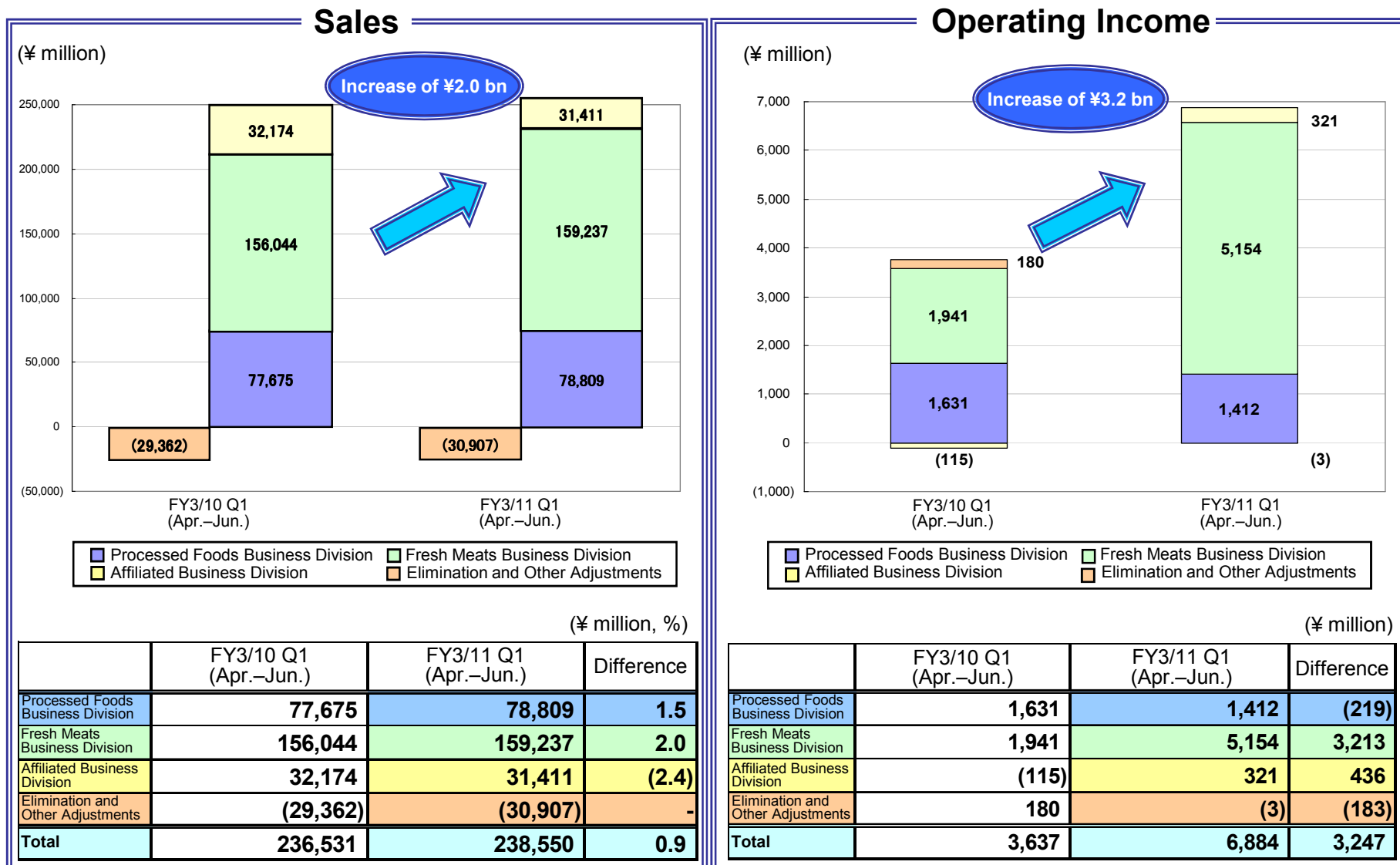


## **Consolidated Business Results for FY3/11 Q1**

- 1. Business Results by Operating Segment: FY3/11 Q1 (Apr.–Jun.)**
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## Business Results by Operating Segment: FY3/11 Q1 (Apr.–Jun.)

### Business Results by Operating Segment: FY3/11 Q1 (Apr.–Jun.)



- Sales by operating segment and sales values in Page 15 of this presentation (by category) do not necessarily correspond (due to intersegment transactions).
- Sales for each segment include intersegment sales.

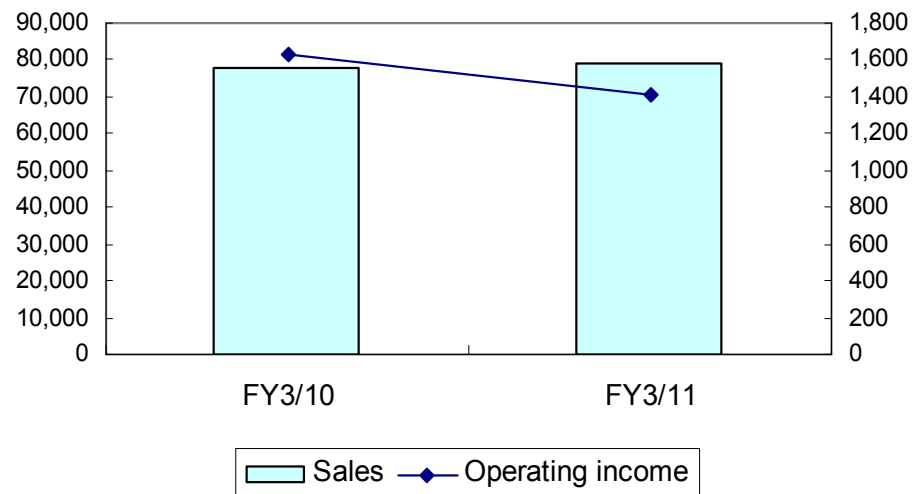
## Operating Segment Data: Processed Foods Business Division

### Processed Foods Business Division

#### Q1 Results (Apr.–Jun.)

(Sales: ¥ million)

(Operating income:  
¥ million)



	(¥ million)	
	FY3/10	FY3/11
Sales	<b>77,675</b>	<b>78,809</b>
Operating income	<b>1,631</b>	<b>1,412</b>
Operating income ratio	<b>2.1%</b>	<b>1.8%</b>

#### FY3/11 Q1

- Sales increased 1.5% year-on-year due to a significant volume increase in both hams and sausages and processed foods.
- Operating income decreased by around ¥200 million year-on-year, due chiefly to lower selling prices resulting from intensified competition.

## Processed Foods Business Division: Factors behind changes in operating income

### ● FY3/11 Q1: Factors behind changes

Impact on operating income from lower prices for raw materials and other materials

⇒ Approximately ¥1.2 bn increase year-on-year

Total operating income in the Processed Foods Business Division

⇒ Approximately ¥0.2 bn decrease year-on-year

### Factor Analysis: Changes in operating income

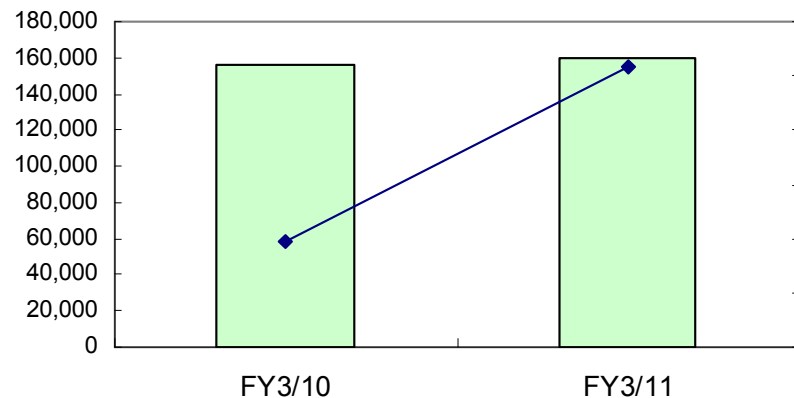
	(¥ billion)
	FY3/11 Q1 results
<b>Principal raw / secondary materials prices</b>	<b>1.2</b>
Lower principal raw materials prices	0.9
Lower other materials / logistics costs	0.3
<b>Total for cost reduction factors</b>	<b>1.0</b>
Manufacturing and marketing improvements	0.7
Sales increases	0.3
<b>Total for cost increase factors</b>	<b>(2.4)</b>
Impact of SCM reforms	(0.7)
Cost of other sales promotion initiatives	(1.7)
<b>Total</b>	<b>(0.2)</b>

## Operating Segment Data: Fresh Meats Business Division

### Fresh Meats Business Division

#### Q1 Results (Apr.–Jun.)

(Sales: ¥ million)



(Operating income:  
¥ million)

6,000  
5,000  
4,000  
3,000  
2,000  
1,000  
0

(¥ million)

	FY3/10	FY3/11
Sales	156,044	159,237
Operating income	1,941	5,154
Operating income ratio	1.2%	3.2%

■ Sales ◆ Operating income

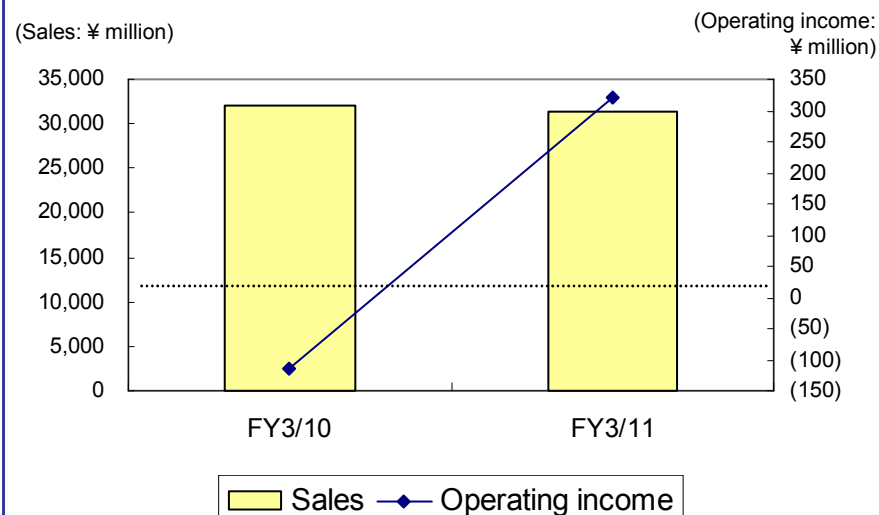
#### FY3/11 Q1

- Sales increased 2.0% year-on-year due mainly to higher volumes.
- Operating income rose ¥3.2 billion year-on-year on recovery in farm operations and increased sales volumes.

# Operating Segment Data: Affiliated Business Division

## Affiliated Business Division

### Q1 Results (Apr.–Jun.)



	(¥ million)	
	FY3/10	FY3/11
Sales	32,174	31,411
Operating income	(115)	321
Operating income ratio	-	1.0%

### FY3/11 Q1

- Sales decreased 2.4% year-on-year due to lower volumes for marine and dairy products.
- Operating income rose ¥400 million on higher volumes for marine products sold through volume retail channels as well as higher selling prices for dairy products (cheeses).

Reference: Current status of major Group companies

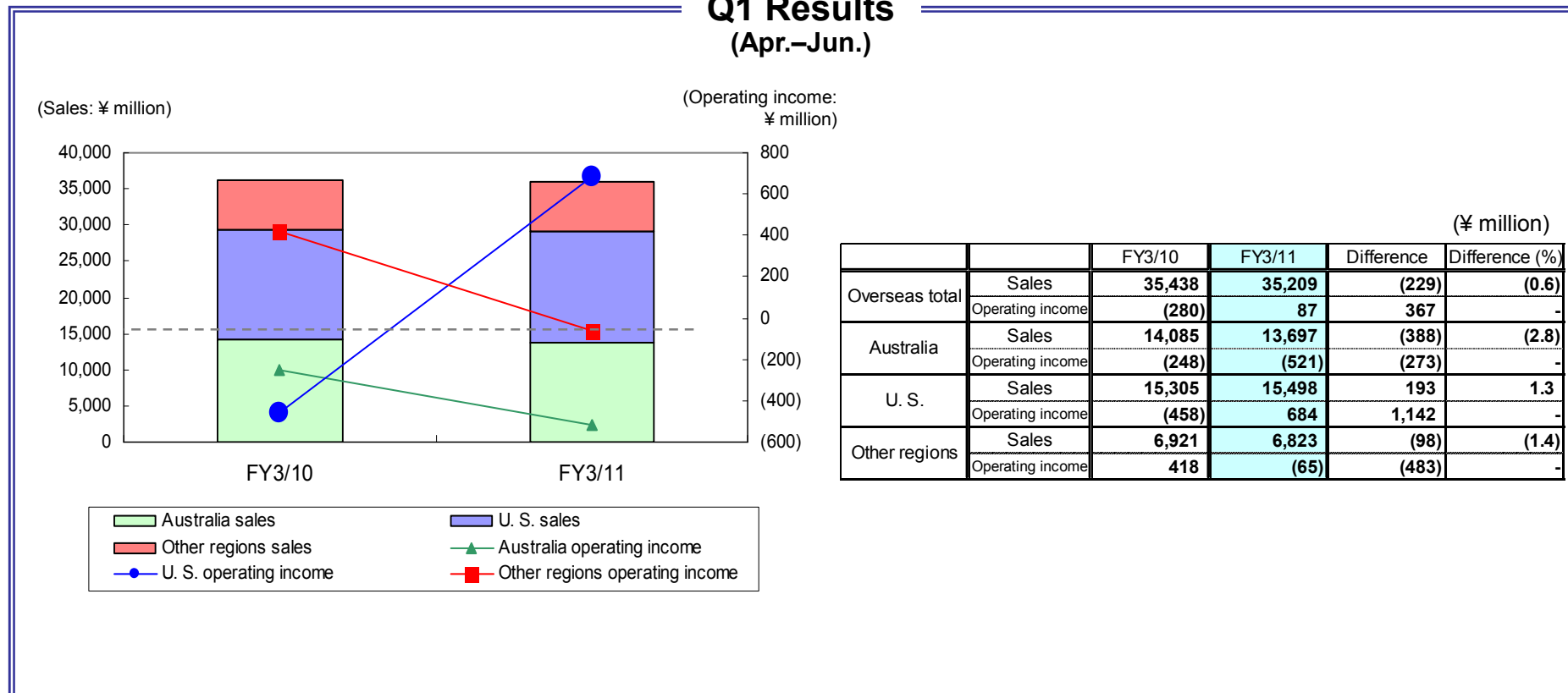
	Performance
Marine Foods Corp.	Sales declined, but earnings rose year-on-year
Hoko Co., Ltd.	Sales on par with previous year, but earnings rose
Nippon Luna Inc.	Both sales and earnings fell year-on-year



# Business Results in Major Overseas Markets

## Overseas operations

### Q1 Results (Apr.–Jun.)



- Sales revenues represent amounts prior to consolidation adjustments.  
(The figures for all overseas segments do not match the overseas sales total, by reason of the elimination of intersegment transactions.)
- The U.S. includes Canadian and South American businesses. Other overseas markets are in East Asia and Europe.

### FY3/11 Q1

- Overall sales in overseas businesses were flat from the previous year, as a strong performance in the U. S. was outweighed by decreased sales in Australia and other regions.
- Operating income increased ¥400 million year-on-year thanks to a rise in live hog prices in the U. S.

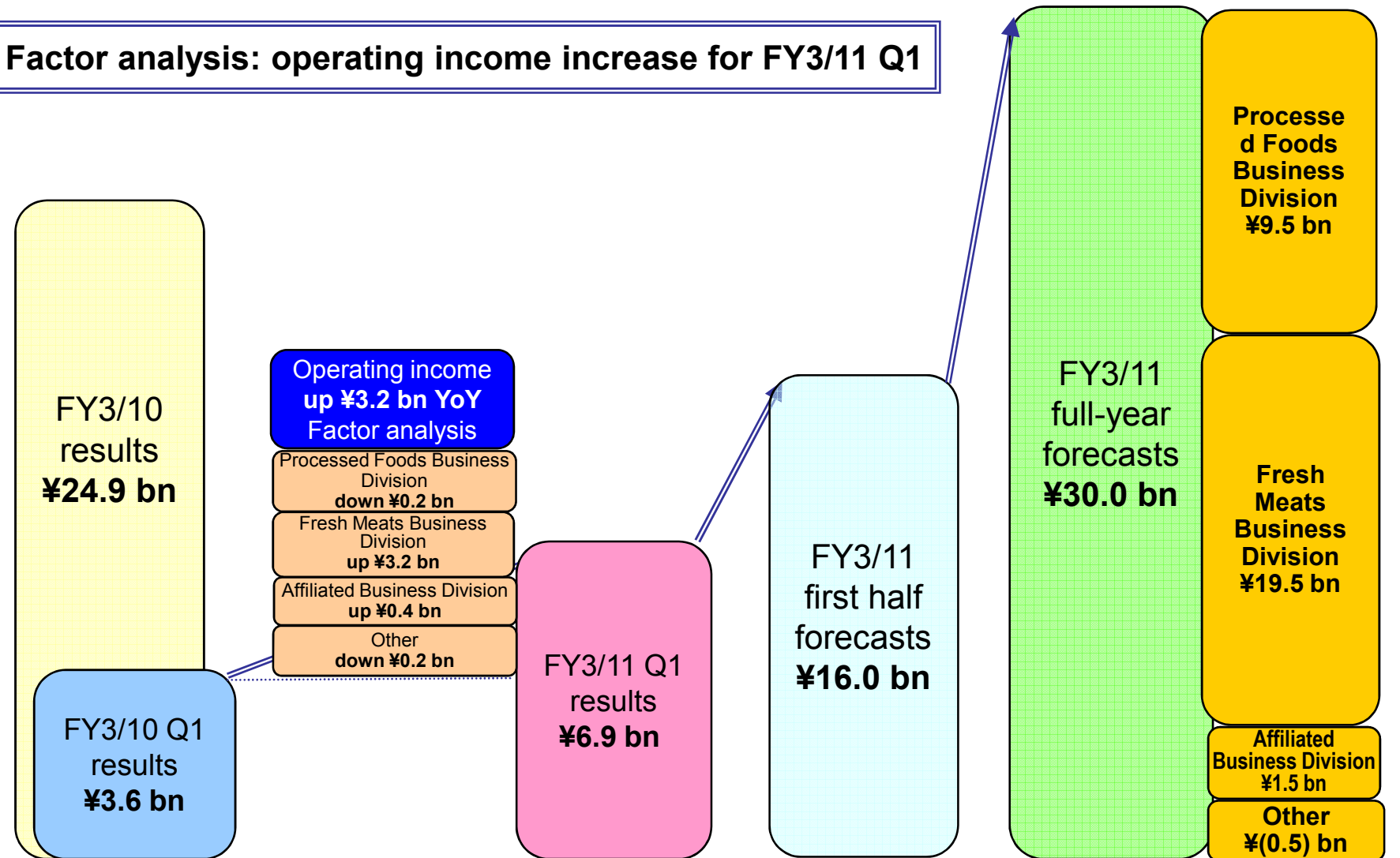


## **Outlook for FY3/11**

- 1. FY3/11 Operating Income Targets by Business Segment**
- 2. Processed Foods Business Division: Outlook**
- 3. Fresh Meats Business Division: Outlook**
- 4. Affiliated Business Division: Outlook**

# FY3/11 Operating Income: YoY Factor Analysis for Q1 and Targets for First Half and Full-Term

## Factor analysis: operating income increase for FY3/11 Q1



(¥ billion)

	Q1	1st half	2nd half	Full year
FY3/10 results	3.6	8.8	16.1	24.9
FY3/11 forecasts	6.9	16.0	14.0	30.0
<b>Difference</b>	<b>up 3.2</b>	<b>up 7.2</b>	<b>down 2.1</b>	<b>up 5.1</b>

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

## Processed Foods Business Division: Measures to increase sales

### ● Marketing targets for summer gift-giving season

Summer gift-giving season sales volume:  
results for FY3/10 and targets for FY3/11

(unit: 1,000)

	FY3/10 results	FY3/11 targets	Difference
Summer gift-giving season	1,926	2,110	110%

### ● Major brands and new products

Reference: YoY sales comparison of major brand  
products for FY3/11 Q1

SCHAU ESSEN	100%	Chuka Meisai	111%
Mori no Kaori Wiener	93%	Ishigama Kobo	102%
Hams	90%	Prefried	97%
Bacons	95%	Hamburgers / Meatballs	92%

### ● Sales by channel

Reference: YoY growth in sales by channel for  
FY3/11 Q1

	Consumer	Commercial-use	Total
Hams and sausages	96%	98%	97%
Delicatessen products	102%	118%	109%

### ● Measures to increase sales

- Sales of our flagship brand Utsukushi-no-Kuni premium hams and sausages rose 180% (unit base, YoY) as of the end of July, on brisk demand.
- Total sales volume for summer gift-giving season stayed at the same level as the previous year.

### ● Measures to increase sales

- 1) Hams and sausages
  - Continue SCHAU ESSEN brand campaign
  - Expand sales of wiener products other than SCAU ESSEN
  - Expand sales of hams other than “formed” hams and bacons
- 2) Processed foods
  - Strengthen marketing of priority brand products
  - Improve the ratio of deliveries per store for seasonal products such as ingredients for *nabemono* (casserole dish) for autumn and winter
  - Expand sales of new products, centering on *Tokujo-shumai* steamed Chinese dumplings

### ● Measures to increase sales

- For hams and sausages, continue to expand consumer-use products, despite correction following eating-at-home trend seen in the previous year
- For delicatessen products, continue to prioritize expansion of sales volumes, and expand sales of both commercial- and consumer-use products

## Fresh Meats Business Division: Market conditions

### ● Current status of overseas businesses

#### ◆ Australia

⇒ Operating environment remains difficult, with worldwide reduction in beef demand and falling market prices. Performance in the leather business to improve on consolidation of production facilities.

#### ◆ U.S.

⇒ Supply and demand are now moving toward equilibrium in the U.S. market, with gradual recovery in the live hog market.

### ● Outlook for overseas businesses

#### ◆ Australia

⇒ Cost-cutting measures to continue in the beef business, though export price conditions are likely to remain difficult with rising procurement prices due to inadequate supply of live cattle as well as appreciation of the Australian dollar.

#### ◆ U.S.

⇒ Improvement likely in the pig farming business on recovery in live hog prices and cost-cutting measures in production. The outlook for live hog prices for the second half is unclear due to the uncertain economy outlook

### ● Current status of production businesses in Japan

#### ◆ Feed prices

⇒ Grain prices stabilize year-on-year.

#### ◆ Farming operations in Japan

⇒ Poultry operations are steady thanks to increased demand. Recovery in pork due to seasonal factors.

### ● Outlook for production businesses in Japan

#### ◆ Feed prices

⇒ We expect grain prices to remain stable.

#### ◆ Farming operations in Japan

⇒ We expect improvement in poultry operations on improved production costs and an increase in units shipped.

We forecast a year-on-year rise in pig carcass prices in Japan on recovery in demand and rising prices on overseas markets, coupled with cost-cutting in production.

### ● Current status of sales companies

⇒ Sales volumes expanded through active marketing drive with focus on major volume retailers.

⇒ Earnings difficult to lock in due to intensified competition with selling prices declining while consumers keep their wallets closed.

### ● Outlook for sales companies

⇒ We aim to build earnings by increasing share through expanded volumes to volume retailers and restaurants.

⇒ We will strengthen own-brand product development and sales, using our value-added and competitive strengths by leveraging the benefits of integration.

## ● Current status of marine products business

- Increased sales revenues due to aggressive marketing through volume retail channels. In the restaurant sector, sales revenues were held down by intensified price competition.

Reference: FY3/11 Q1: Marine Foods Corp.  
Growth in sales volume by channel

	YoY comparison	
	Sales volume	Sales revenues
Sushi bars	109%	104%
Volume retailers	93%	87%

## ● Future policies

- Continue to expand sales through volume retailers.
- Improve product development capabilities at Mie Plant. Improve earnings by expanding sales of high value-added products, and customized products for priority customers.

## ● Current status of dairy products business

- Sales revenues for cheese products were flat from previous year, due to an increase in bakery channel sales, making up for sluggish restaurant sector.
- Severe glut persists in yogurts due to intensified competition.

Growth rate by product, FY3/11 Q1

	YoY comparison	
	Sales volume	Sales revenues
Cheese	100%	100%
Yogurt	90%	88%

## ● Future policies

- Expand sales of cheese products for the bakery and restaurant sector, our main end-customers.
- For yogurt products, expand sales volume by focusing on marketing of our mainstay *Vanilla Yogurt* for volume retailers and by aggressively launching new and updated products for convenience stores.

## ● Trends in raw materials and secondary ingredients

- Prices of imported raw ingredients for cheese products have been rising since the beginning of 2010, but we raised our own prices in April.
- Prices for ingredients of yogurt products have been stable for both domestic and imported products.

## ● Outlook

- In the second half of FY3/11, we expect prices to remain stable.
- In yogurts, we expect domestic powdered milk product prices to remain stable, but see rises for powdered milk products produced overseas.



## **Consolidated Financial Results for FY3/11 Q1**

- 1. FY3/11 Q1 Business Results at a Glance**
- 2. FY3/11 Growth Rates by Sales Category**  
**FY3/11 Q1 Business Results at a Glance by Geographical Segment**
- 3. Selling, General and Administrative Expenses / Other Income and Expenses**
- 4. Balance Sheets / Property, Plant and Equipment / Depreciation and Amortization**

## FY3/11 Q1 Business Results at a Glance

(¥ million, %)

Consolidated	FY3/10 results			FY3/11 results and forecasts					
	Q1	1st half	Full year	Q1	Difference	1st half	Difference	Full year	Difference
Net sales	236,531	474,973	953,616	238,550	0.9	495,000	4.2	1,000,000	4.9
Hams and sausages	32,017	66,636	137,549	30,775	(3.9)	67,500	1.3	140,000	1.8
Processed foods	44,586	92,655	188,870	47,602	6.8	95,000	2.5	193,000	2.2
Fresh meats	127,890	250,498	496,100	130,564	2.1	266,500	6.4	532,000	7.2
Beef	48,694	95,202	181,104	46,467	(4.6)	100,000	5.0	195,000	7.7
Pork	47,253	92,998	185,733	49,131	4.0	99,000	6.5	201,000	8.2
Poultry	26,254	50,229	105,769	29,199	11.2	54,500	8.5	111,000	4.9
Other fresh meats	5,689	12,069	23,494	5,767	1.4	13,000	7.7	25,000	6.4
Marine products	19,383	39,908	82,570	18,780	(3.1)	41,000	2.7	84,000	1.7
Dairy products	5,661	11,344	21,985	5,330	(5.8)	11,000	(3.0)	23,000	4.6
Others	6,994	13,932	26,542	5,499	(21.4)	14,000	0.5	28,000	5.5
Cost of goods sold	190,525	380,453	754,992	190,888	0.2				
Gross profit	46,006	94,520	198,624	47,662	3.6				
Gross profit ratio	19.5%	19.9%	20.8%	20.0%	-				
SG&A expenses	42,369	85,764	173,769	40,778	(3.8)				
Operating income	3,637	8,756	24,855	6,884	89.3	16,000	82.7	30,000	20.7
Income before income taxes	4,953	8,520	24,024	5,061	2.2	14,000	64.3	26,000	8.2
Net income	3,161	5,405	15,721	3,276	3.6	7,500	38.8	14,000	(10.9)

\* Reclassified amounts that were originally calculated in accordance with U.S. accounting standards.

\* Year-on-year comparisons are expressed as % increases/decreases.



## FY3/11 Q1 Business Results: Growth Rates by Sales Category, and by Geographical Segment

### Growth Rates by Sales Category

Category	Growth rates, FY3/11 Q1 (Apr.-Jun.)	
	Sales volume	Sales revenue
Hams and sausages	1.4%	(3.9)%
Processed foods	13.1%	6.8%
Fresh meats	3.7%	2.1%
Beef	(2.8)%	(4.6)%
Pork	3.5%	4.0%
Poultry	10.3%	11.2%
Other fresh meats	(0.9)%	1.4%

### FY3/10 Business Results and FY3/11 Forecasts by Geographical Segment

(¥ million, %)

Consolidated	FY3/10 results			FY3/11 results and forecasts					
	Q1	1st half	Full year	Q1	Difference	1st half	Difference	Full year	Difference
Domestic									
Net sales	219,982	442,465	893,363	222,024	0.9	461,800	4.4	936,000	4.8
External customers	219,886	442,215	892,872	221,863	0.9	461,500	4.4	935,000	4.7
Intersegment	96	250	491	161	67.7	300	20.0	1,000	103.7
Operating income	4,014	9,487	23,123	6,156	53.4	15,300	61.3	28,100	21.5
Operating income ratio	1.8%	2.1%	2.6%	2.8%	-	3.3%	-	3.0%	-
Overseas									
Net sales	35,438	72,168	138,660	35,209	(0.6)	73,500	1.8	145,000	4.6
External customers	16,645	32,758	60,744	16,687	0.3	33,500	2.3	65,000	7.0
Intersegment	18,793	39,410	77,916	18,522	(1.4)	40,000	1.5	80,000	2.7
Operating income (loss)	(280)	(448)	2,102	87	-	1,000	-	2,200	4.7
Operating income ratio	-	-	1.5%	0.2%	-	1.4%	-	1.5%	-

\* Sales by geographic segment are before intersegment elimination.

\* Year-on-year comparisons are expressed as % increases/decreases.

## Selling, General and Administrative Expenses / Other Income and Expenses

(¥ million)

SG&A expenses	FY3/10	FY3/11		
	Q1	Q1	Difference (%)	Difference
★① Selling, general and administrative expenses	42,369	40,778	(3.8)	(1,591)
Personnel	17,509	17,022	(2.8)	(487)
★② Advertisement	3,206	2,342	(26.9)	(864)
★③ Logistics	8,520	8,872	4.1	352
Others	13,134	12,542	(4.5)	(592)

Major reasons for increases/decreases

- ★① Total SG&A Expenses: Declined by some ¥1.6 billion year-on-year. The ratio of SG&A expenses to sales decreased 0.8 percentage point from 17.9% to 17.1%.
- ★② Advertisement: Decreased by some ¥900 million, due to reduction in TV and newspaper advertising
- ★③ Logistics: Increased by some ¥400 million, due to an increase in sales volume

(¥ million)

Other income and expenses	FY3/10	FY3/11		
	Q1	Q1	Difference (%)	Difference
Other income	2,898	565	(80.5)	(2,333)
Interest and dividends income	261	205	(21.5)	(56)
Foreign exchange gains	2,626	-	-	(2,626)
Others	11	360	-	349

Interest expenses	537	559	4.1	22
Other expenses	1,045	1,829	75.0	784
Impairment loss of investment securities	810	150	(81.5)	(660)
Impairment loss of fixed assets	66	36	(45.5)	(30)
★① Foreign exchange losses	-	1,563	-	1,563
Others	169	80	(52.7)	(89)

Major reasons for increases/decreases

- ★① Other expenses: Foreign exchange losses, mainly on translation of yen-denominated borrowings at an overseas subsidiary

## Balance Sheets / Property, Plant and Equipment / Depreciation and Amortization

(¥ million)

Consolidated balance sheets	FY3/10	Q1	FY3/11	
			Difference (%)	Difference
Total assets	604,201	609,187	0.8	4,986
Cash and cash equivalents	43,518	45,674	5.0	2,156
★① Trade notes and accounts receivables	100,366	102,832	2.5	2,466
★② Inventories	100,545	111,243	10.6	10,698
Investments and other assets	29,950	28,803	(3.8)	(1,147)
Property, plant and equipment - at cost, less accumulated depreciation	227,081	223,614	(1.5)	(3,467)
Deferred income taxes - non-current	15,617	15,777	1.0	160
Total liabilities	330,239	336,776	2.0	6,537
Trade notes and accounts payable	84,124	92,580	10.1	8,456
★③ Interest-bearing debt	187,585	184,336	(1.7)	(3,249)
Liability under retirement and severance program	16,128	15,980	(0.9)	(148)
Total Nippon Meat Packers, Inc. shareholders' equity	271,908	270,372	(0.6)	(1,536)
Noncontrolling interests	2,054	2,039	(0.7)	(15)
Total equity	273,962	272,411	(0.6)	(1,551)

Major reasons for increases/decreases

- ★① Trade notes and accounts receivables: Increased by some ¥2.5 billion from the previous term-end due to seasonal factors. Down by some ¥1.1 billion year-on-year
- ★② Inventories: Increased by some ¥10.7 billion due to seasonal factors. Down by some ¥6.4 billion year-on-year
- ★③ Interest-bearing debt: Down by some ¥3.2 billion due mainly to scheduled payment of long-term debt

(¥ million)

Capital expenditures and Depreciation	FY3/10	Q1	FY3/11		FY3/11
	Q1	Q1	Difference (%)	Difference	Forecast
Property, plant and equipment	4,527	3,512	(22.4)	(1,015)	25,900
Production facilities	1,976	1,656	(16.2)	(320)	10,200
Marketing and logistics facilities	536	447	(16.6)	(89)	5,000
Farms and processing facilities	591	677	14.6	86	5,000
Overseas operations facilities	174	382	119.5	208	3,100
Other facilities	1,250	350	(72.0)	(900)	2,600
Depreciation and amortization	5,746	5,872	2.2	126	24,500



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### **Forward-looking statements**

**This presentation 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.**