

# Business Results for the First Half of FY3/12

**November 7, 2011 (Mon.)**

**Nippon Meat Packers, Inc.**

# Contents

- I. Consolidated Business Results for First Half of FY3/12
- II. Outlook for Second Half of FY3/12
- III. Consolidated Financial Results for First Half of FY3/12

# **I . Consolidated Business Results for First Half of FY3/12**

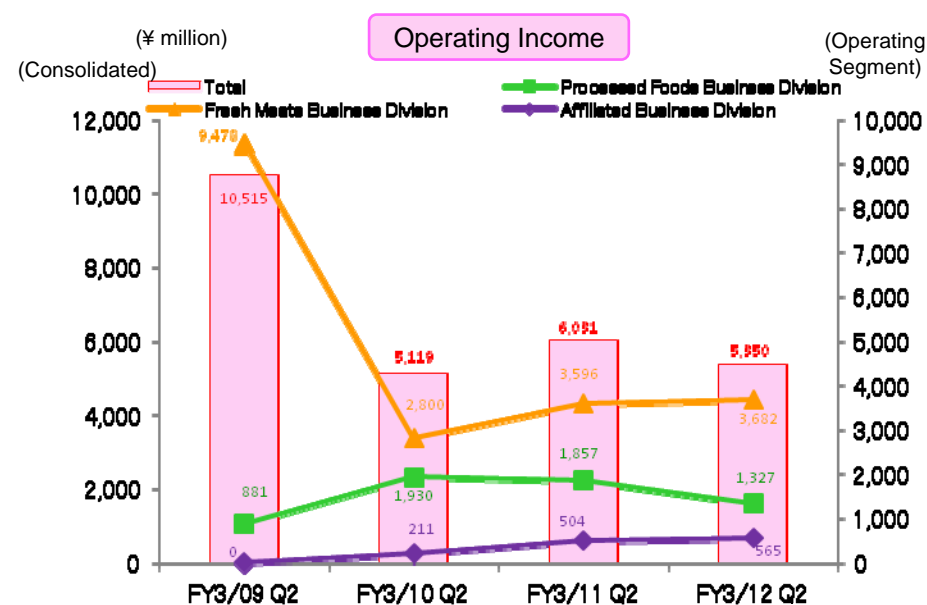
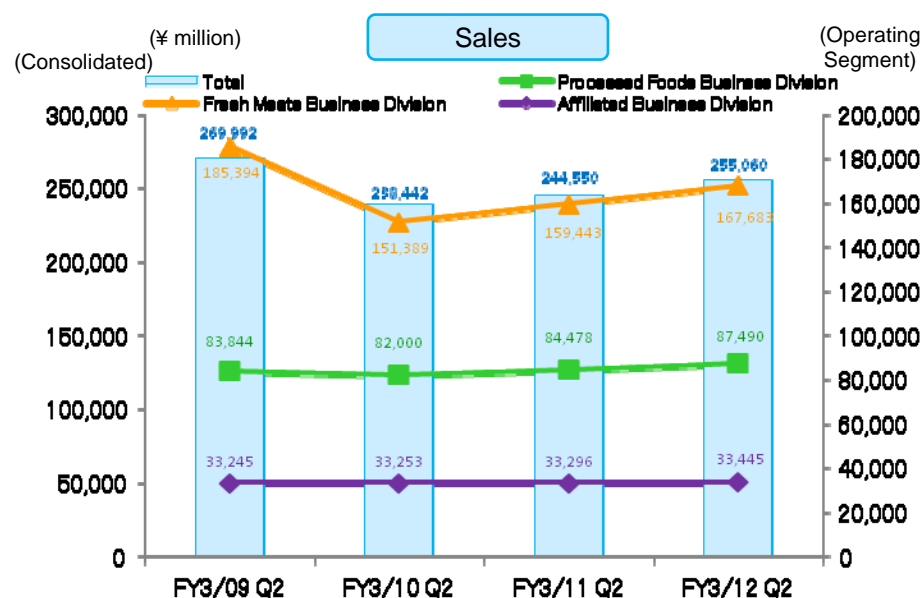
- 1. Business Results by Operating Segment: Q2**
- 2. Business Results by Operating Segment: First Half of FY3/12**
- 3. Operating Segment Data: Processed Foods Business Division**
- 4. Operating Segment Data: Fresh Meats Business Division**
- 5. Operating Segment Data: Affiliated Business Division**
- 6. Business Results in Major Overseas Markets**

# 1. Business Results by Operating Segment: Q2

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(¥ million)

|                                   |                  | FY3/09 Q2 | FY3/10 Q2 | FY3/11 Q2 | FY3/12 Q2 |
|-----------------------------------|------------------|-----------|-----------|-----------|-----------|
| Processed Foods Business Division | Sales            | 83,844    | 82,000    | 84,478    | 87,490    |
|                                   | Operating income | 881       | 1,930     | 1,857     | 1,327     |
| Fresh Meats Business Division     | Sales            | 185,394   | 151,389   | 159,443   | 167,683   |
|                                   | Operating income | 9,478     | 2,800     | 3,596     | 3,682     |
| Affiliated Business Division      | Sales            | 33,245    | 33,253    | 33,296    | 33,445    |
|                                   | Operating income | 0         | 211       | 504       | 565       |
| Elimination and other adjustments | Sales            | (32,491)  | (28,200)  | (32,667)  | (33,558)  |
|                                   | Operating income | 156       | 178       | 74        | (224)     |
| Consolidated                      | Sales            | 269,992   | 238,442   | 244,550   | 255,060   |
|                                   | Operating income | 10,515    | 5,119     | 6,031     | 5,350     |



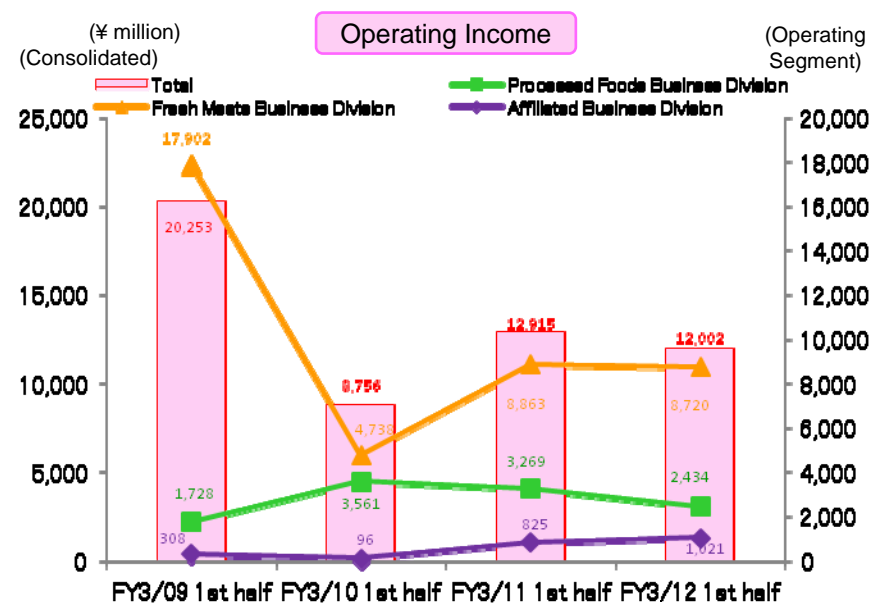
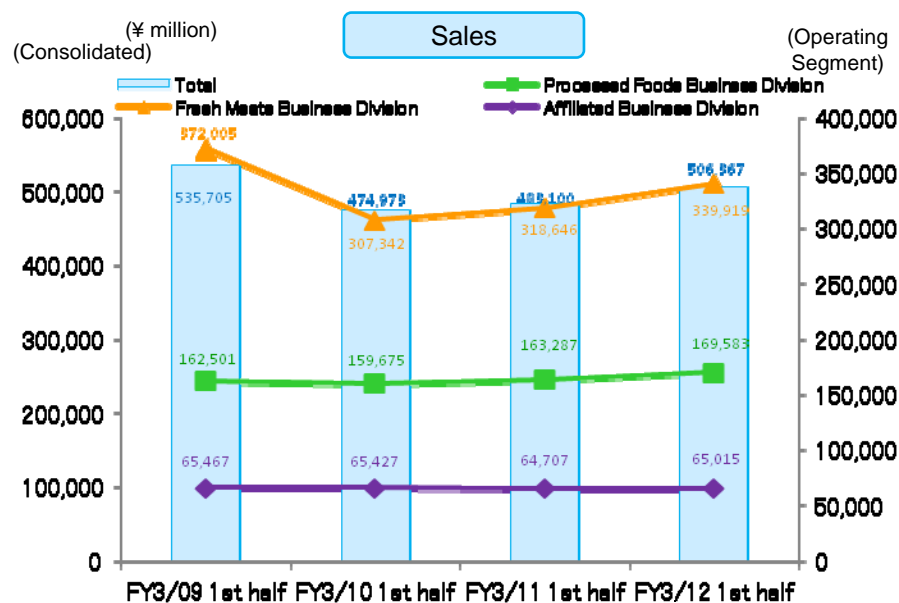
- Sales by operating segment and sales values in Page 18 of this presentation (by category) do not necessarily correspond (due to intersegment transactions).
- Sales for each segment include intersegment sales.
- Previous-year results for each segment are restated to comply with changes in segmentation at certain subsidiaries.

## 2. Business Results by Operating Segment: First Half of FY3/12

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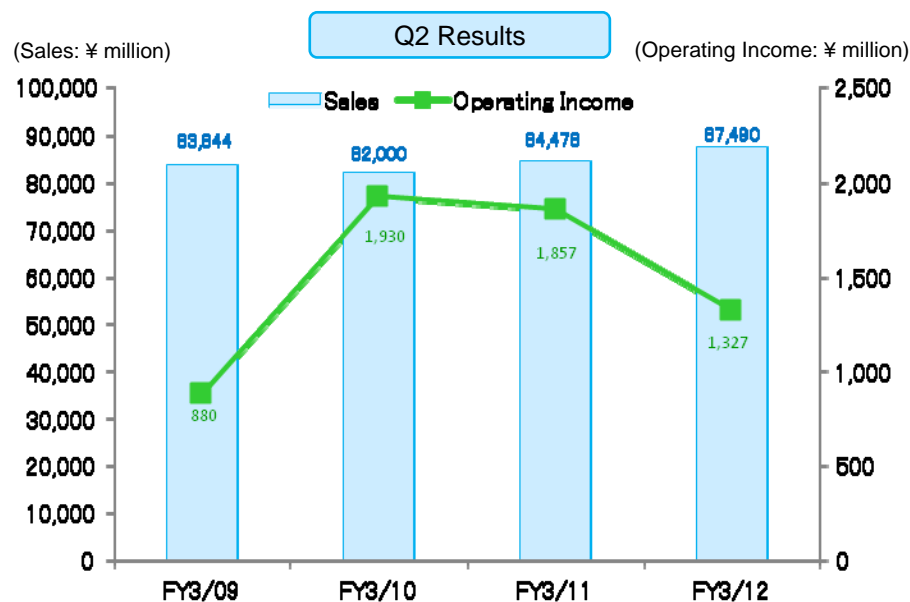
(¥ million)

|                                   |                  | FY3/09 1st half | FY3/10 1st half | FY3/11 1st half | FY3/12 1st half |
|-----------------------------------|------------------|-----------------|-----------------|-----------------|-----------------|
| Processed Foods Business Division | Sales            | 162,501         | 159,675         | 163,287         | 169,583         |
|                                   | Operating income | 1,728           | 3,561           | 3,269           | 2,434           |
| Fresh Meats Business Division     | Sales            | 372,005         | 307,342         | 318,646         | 339,919         |
|                                   | Operating income | 17,902          | 4,738           | 8,863           | 8,720           |
| Affiliated Business Division      | Sales            | 65,467          | 65,427          | 64,707          | 65,015          |
|                                   | Operating income | 308             | 96              | 825             | 1,021           |
| Elimination and other adjustments | Sales            | (64,268)        | (57,471)        | (63,540)        | (68,150)        |
|                                   | Operating income | 315             | 361             | (42)            | (173)           |
| Consolidated                      | Sales            | 535,705         | 474,973         | 483,100         | 506,367         |
|                                   | Operating income | 20,253          | 8,756           | 12,915          | 12,002          |



- Sales by operating segment and sales values in Page 18 of this presentation (by category) do not necessarily correspond (due to intersegment transactions).
- Sales for each segment include intersegment sales.
- Previous-year results for each segment are restated to comply with changes in segmentation at certain subsidiaries.

### 3. Operating Segment Data: Processed Foods Business Division 1



(¥ million)

|                        | FY3/11 Q2 | FY3/12 Q2 | Variance | Variance (%) |
|------------------------|-----------|-----------|----------|--------------|
| Sales                  | 84,478    | 87,490    | 3,012    | 3.6          |
| Operating income       | 1,857     | 1,327     | (530)    | (28.5)       |
| Operating income ratio | 2.2%      | 1.5%      | -        | -            |

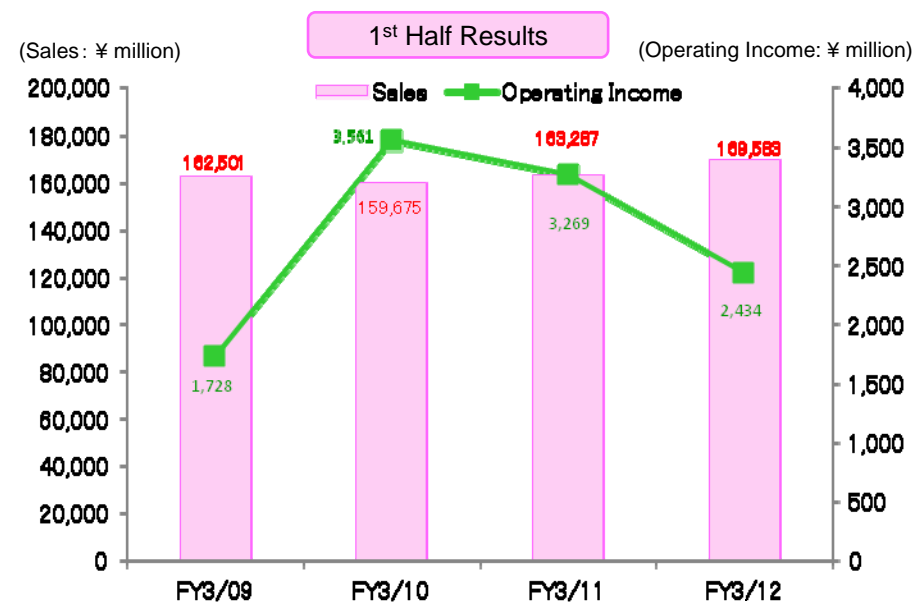
#### FY3/12 Q2

(Sales)

- Sale volumes and amounts rose on growth in sales of “SCHAU ESSEN” and other consumer-use products

(Operating Income)

- Operating income fell short of targets due to soaring raw material and fuel costs and failure to meet cost-cutting targets due to transfers of production facilities following the earthquake



(¥ million)

|                        | FY3/11 1st half | FY3/12 1st half | Variance | Variance (%) |
|------------------------|-----------------|-----------------|----------|--------------|
| Sales                  | 163,287         | 169,583         | 6,296    | 3.9          |
| Operating income       | 3,269           | 2,434           | (835)    | (25.5)       |
| Operating income ratio | 2.0%            | 1.4%            | -        | -            |

#### FY3/12 1st half

(Sales)

- Sales rose on a focus on two new product brands, “Mori-no-Kaori” coarse-ground wieners and “Irodori Kitchen”

(Operating Income)

- Operating income declined due to low growth in mainstay food categories and inability to meet earlier targets for cost-cutting

#### ● Topics (1<sup>st</sup> half)

Impact on operating income due to higher prices for raw materials and ingredients

⇒ Principal raw materials prices ... Impact of soaring pork and poultry prices

⇒ Other materials/ fuels ... Impact of soaring prices for sheep casings and frying oil

Total operating income in the Processed Foods Business Division

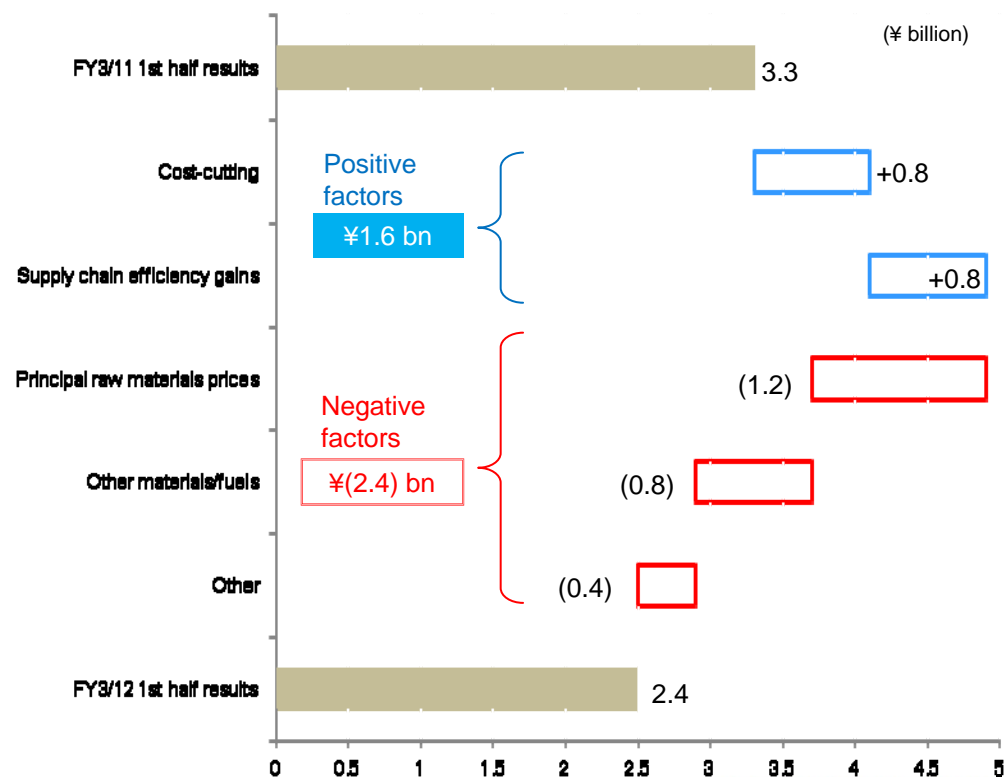
⇒ Down, because ¥800 million in savings from supply chain reforms was outweighed by failure to achieve targeted cost reductions

#### Factor Analysis: Changes in operating income

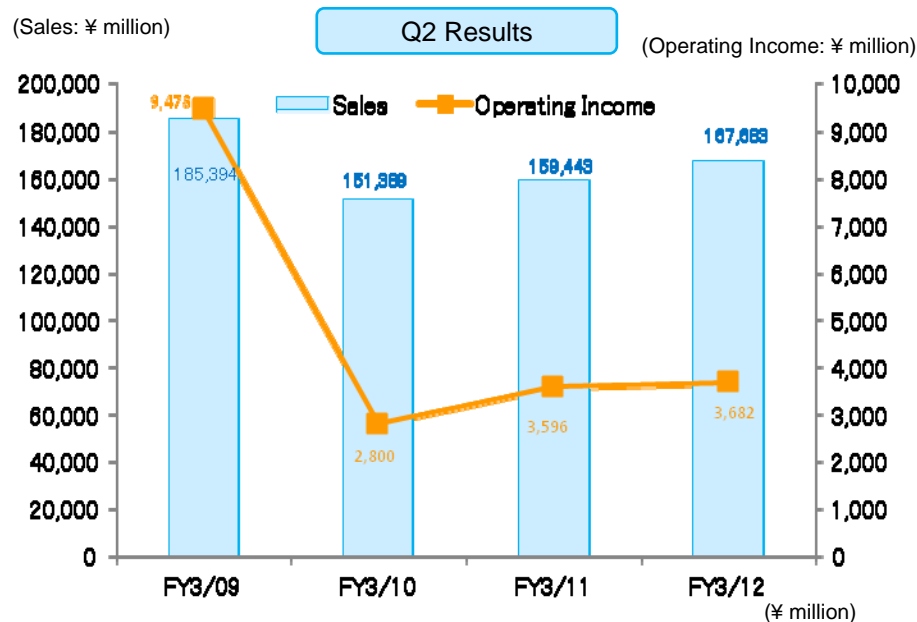
(¥ billion)

|                                      | FY3/12 1st half results |              |              |
|--------------------------------------|-------------------------|--------------|--------------|
|                                      | 1Q                      | 2Q           | 1st half     |
| Cost-cutting                         | 0.6                     | 0.2          | 0.8          |
| Supply chain efficiency gains        | 0.5                     | 0.3          | 0.8          |
| Principal raw/other materials prices |                         |              |              |
| Principal raw materials prices       | (0.7)                   | (0.5)        | (1.2)        |
| Other materials/fuels                | (0.4)                   | (0.4)        | (0.8)        |
| Other                                | (0.3)                   | (0.1)        | (0.4)        |
| <b>Total</b>                         | <b>(0.3)</b>            | <b>(0.5)</b> | <b>(0.8)</b> |

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



# 4. Operating Segment Data: Fresh Meats Business Division 1



|                        | FY3/11 Q2 | FY3/12 Q2 | Variance | Variance (%) |
|------------------------|-----------|-----------|----------|--------------|
| Sales                  | 159,443   | 167,683   | 8,240    | 5.2          |
| Operating income       | 3,596     | 3,682     | 86       | 2.4          |
| Operating income ratio | 2.3%      | 2.2%      | -        | -            |

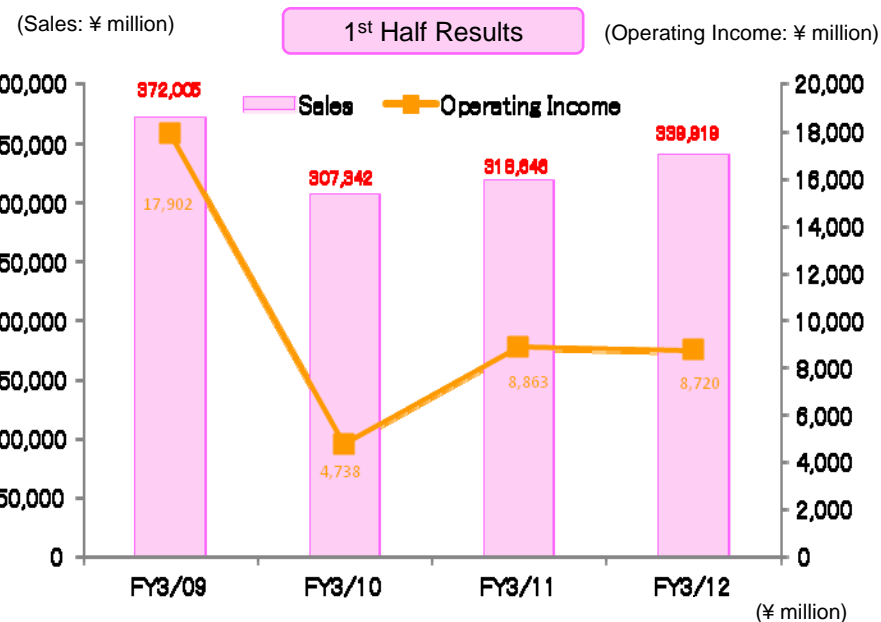
## FY3/12 Q2

(Sales)

- Sales increased on volume recovery in Japan and steady market prices; in overseas markets, sales rose on higher volumes

(Operating Income)

- Earnings grew on higher market prices for Japan-produced meat, but operations in Australia were hit by rising procurement costs (live cattle prices) and the high Australian dollar. Earnings improved in the U.S.



|                        | FY3/11 1st half | FY3/12 1st half | Variance | Variance (%) |
|------------------------|-----------------|-----------------|----------|--------------|
| Sales                  | 318,646         | 339,919         | 21,273   | 6.7          |
| Operating income       | 8,863           | 8,720           | (143)    | (1.6)        |
| Operating income ratio | 2.8%            | 2.6%            | -        | -            |

## FY3/12 1st half

(Sales)

- Sales grew as volumes held steady in Japan and on overseas markets, and market prices rose

(Operating Income)

- Earnings improved on rising market prices in Japan-produced meat, but declined in overseas markets (Australia) due to rising procurement costs (live cattle prices) and the high Australian dollar



●Topics (1<sup>st</sup> half)

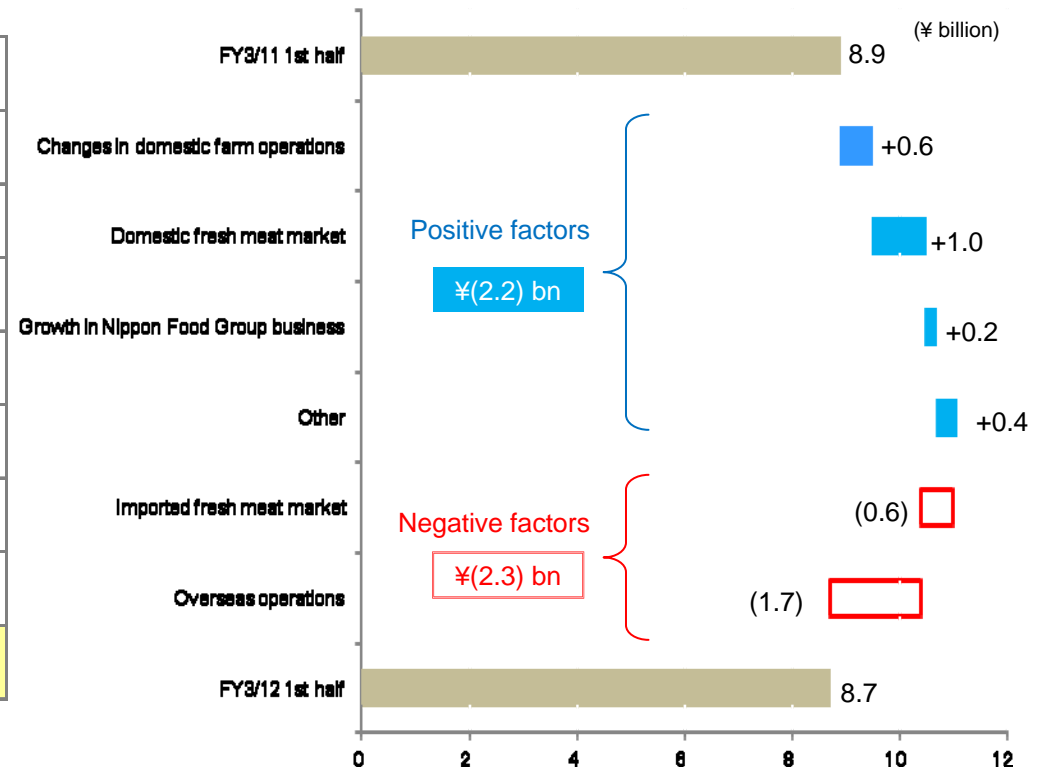
- Earnings rose as production costs declined in poultry and pig farming businesses in Japan and market prices rose. Cattle farming operations in Japan struggled due to falling market prices.
- Sales volumes of poultry and pork produced in Japan began to recover in August as the negative impact of avian influenza (last year) and the earthquake disaster faded away.
- Imported fresh-meat sales struggled with beef and poultry prices rising. Imported pork sold steadily, covering a dearth of Japanese production.
- In overseas markets, Australian businesses suffered from worsening export profitability amid rising procurement costs (live cattle prices) and a high Australian dollar. US operations saw earnings grow from the beginning of the second quarter.
- Sales volumes edged downward at Nippon Food Group companies due to reduced fresh-meat supplies in Japan in the first quarter and the Company's own self-restraint in sales promotions following the earthquake disaster. Recovery momentum set in in the second quarter.
- Overall, volumes for the first half were higher year-on-year (up 1.5%)

### Factor Analysis: Changes in operating income

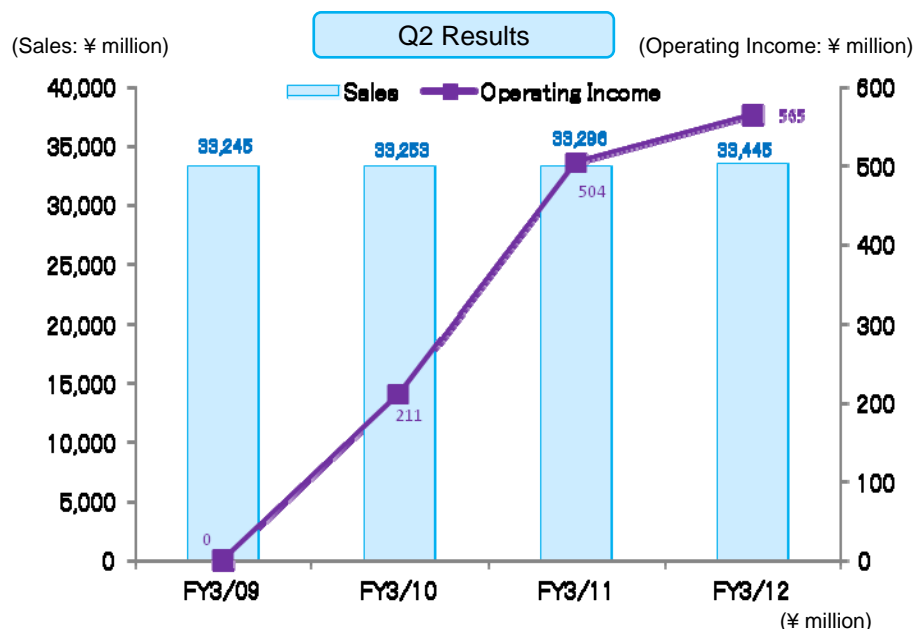
(¥ billion)

|  | FY3/12 results |            |              |
|--|----------------|------------|--------------|
|  | 1Q             | 2Q         | 1st half     |
| Changes in domestic farm operations              | 0.2            | 0.4        | 0.6          |
| Domestic fresh meat market                       | 0.4            | 0.6        | 1.0          |
| Growth in Nippon Food Group business             | 0.2            | 0.0        | 0.2          |
| Other  | 0.2            | 0.2        | 0.4          |
| Imported fresh meat market                       | (0.3)          | (0.3)      | (0.6)        |
| Changes in overseas operations (Australia, U.S.) | (0.9)          | (0.8)      | (1.7)        |
| <b>Total</b>                                     | <b>(0.2)</b>   | <b>0.1</b> | <b>(0.1)</b> |

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



# 5. Operating Segment Data: Affiliated Business Division



|                        | FY3/11 Q2 | FY3/12 Q2 | Variance | Variance (%) |
|------------------------|-----------|-----------|----------|--------------|
| Sales                  | 33,296    | 33,445    | 149      | 0.4          |
| Operating income       | 504       | 565       | 61       | 12.1         |
| Operating income ratio | 1.5%      | 1.7%      | -        | -            |

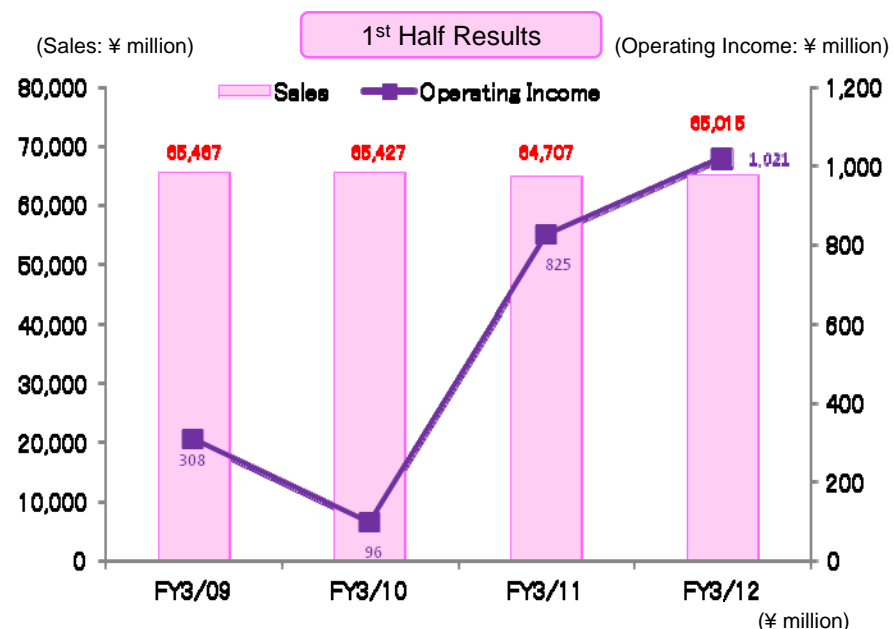
## FY3/12 Q2

### (Sales)

- In the marine products business, Marine Foods Corporation expanded its sales to volume retailers, but sushi restaurant sales did not shine
- In dairy products, cheese sales grew, but yogurt sales, which had performed well in the first quarter, had a difficult time

### (Operating Income)

- Earnings in the marine products business expanded on strengthened marketing of items produced in-house, a priority category, and prawn products
- In cheeses, earnings were down from the previous year, as the operating income ratio declined due to changes in the product mix



|                        | FY3/11 1st half | FY3/12 1st half | Variance | Variance (%) |
|------------------------|-----------------|-----------------|----------|--------------|
| Sales                  | 64,707          | 65,015          | 308      | 0.5          |
| Operating income       | 825             | 1,021           | 196      | 23.8         |
| Operating income ratio | 1.3%            | 1.6%            | -        | -            |

## FY3/12 1st half

### (Sales)

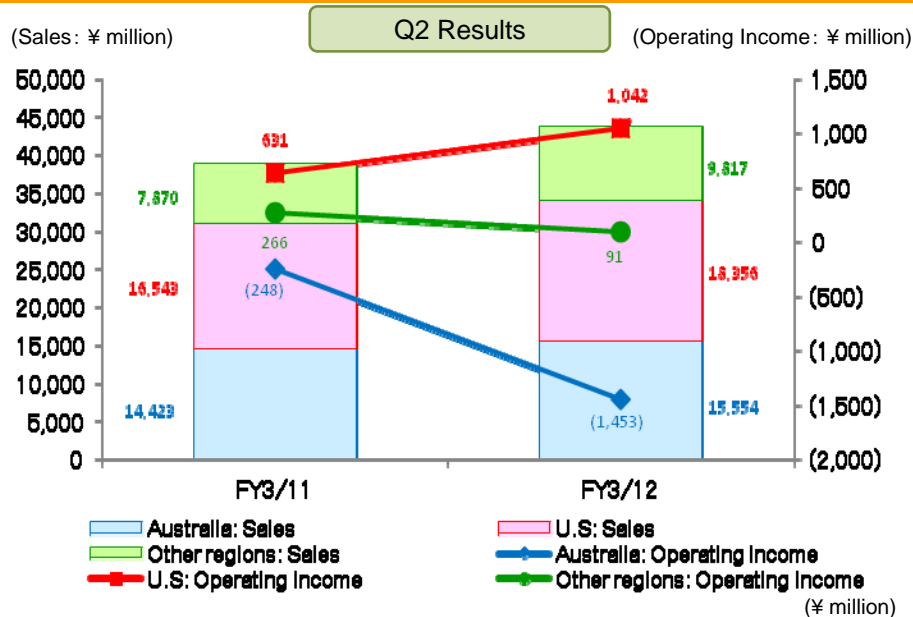
- In marine products, sales of Hoko Co., Ltd. struggled amid rising market prices, but sales rose steadily at Marine Foods Corporation chiefly on business with volume retailers
- Earnings in dairy products increased on strong sales to cheese product manufacturers and convenience stores

### (Operating Income)

- In marine produce, earnings expanded on growth in items produced in-house plant and growth in popular prawn and salmon sales
- In yogurt products, earnings improved due to revision of marketing terms with retailers and more focused product targeting

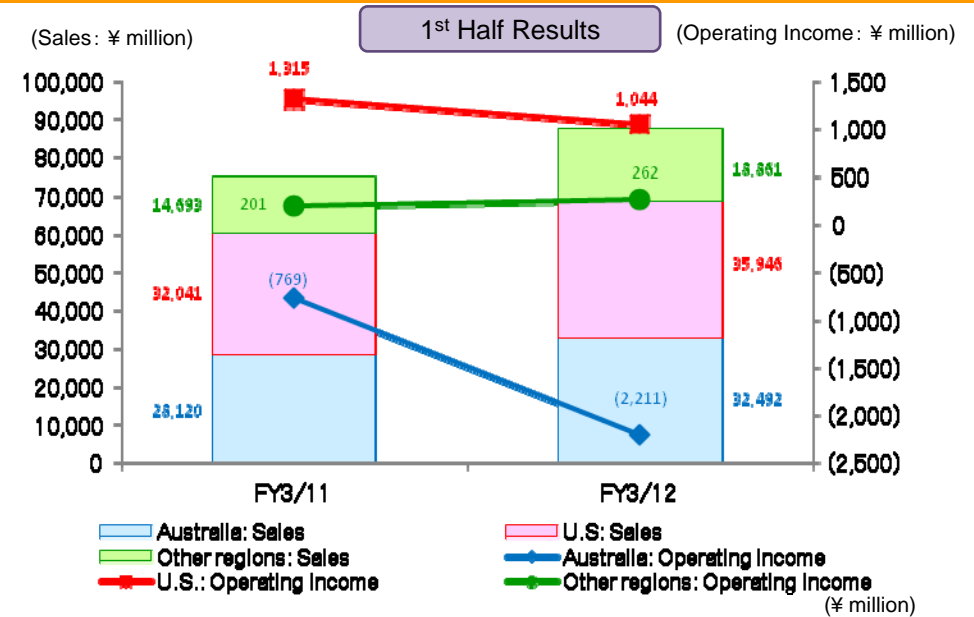
## 6. Business Results in Major Overseas Markets

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|                |                  | FY3/11 Q2 | FY3/12 Q2 | Variance | Variance (%) |
|----------------|------------------|-----------|-----------|----------|--------------|
| Overseas total | Sales            | 37,862    | 42,978    | 5,116    | 13.5         |
|                | Operating income | 630       | (305)     | (935)    | -            |
| Australia      | Sales            | 14,423    | 15,554    | 1,131    | 7.8          |
|                | Operating income | (248)     | (1,453)   | (1,205)  | -            |
| U.S.           | Sales            | 16,543    | 18,356    | 1,813    | 11.0         |
|                | Operating income | 631       | 1,042     | 411      | 65.1         |
| Other regions  | Sales            | 7,870     | 9,817     | 1,947    | 24.7         |
|                | Operating income | 266       | 91        | (175)    | (65.8)       |

(¥ million)



|                |                  | FY3/11 1st half | FY3/12 1st half | Variance | Variance (%) |
|----------------|------------------|-----------------|-----------------|----------|--------------|
| Overseas total | Sales            | 73,071          | 85,896          | 12,825   | 17.6         |
|                | Operating income | 717             | (894)           | (1,611)  | -            |
| Australia      | Sales            | 28,120          | 32,492          | 4,372    | 15.5         |
|                | Operating income | (769)           | (2,211)         | (1,442)  | -            |
| U.S.           | Sales            | 32,041          | 35,946          | 3,905    | 12.2         |
|                | Operating income | 1,315           | 1,044           | (271)    | (20.6)       |
| Other regions  | Sales            | 14,693          | 18,861          | 4,168    | 28.4         |
|                | Operating income | 201             | 262             | 61       | 30.3         |

(¥ million)

• 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.

### FY3/12 Q2

(Australia)

Earnings declined due to the strength of the Australian dollar and soaring procurement prices on local live cattle markets

(U.S.)

• The earnings position improved in pig farming operations on recovery in pork market prices from the second quarter

(Asia)

• Despite increased production in Thailand, earnings fell due to high raw materials costs

### FY3/12 1st half

(Australia)

Earnings declined due to the strength of the Australian dollar and soaring procurement prices on local live cattle markets

(U.S.)

• Earnings improved from the beginning of the second quarter, but not sufficiently to cover the shortfall in the first quarter

(Asia)

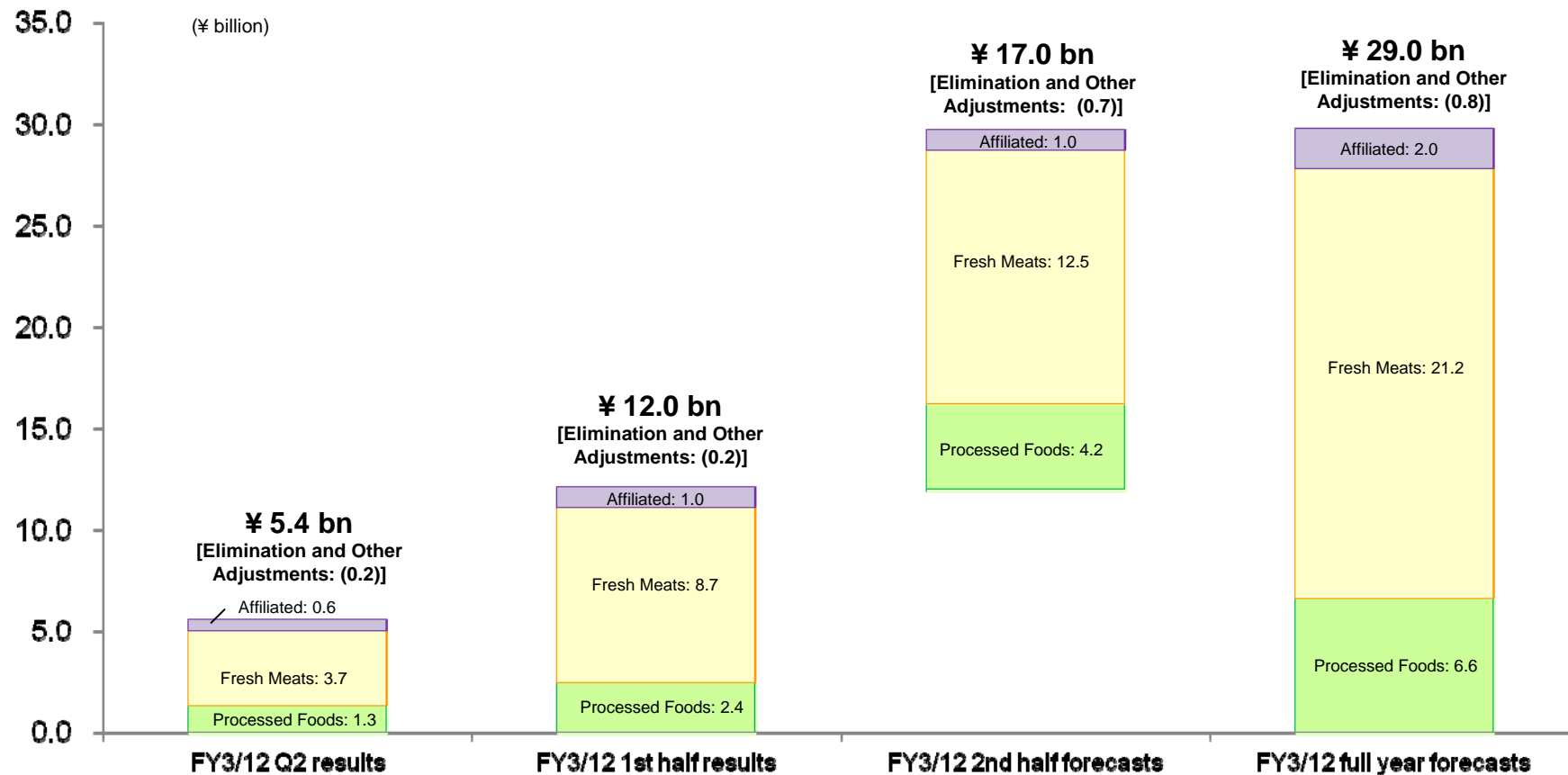
• Overall, sales in Asia were strong and earnings rose

## **Ⅱ . Outlook for Second Half of FY3/12**

- 1. Operating income in 1<sup>st</sup> half, with factor analysis and forecasts for the 2<sup>nd</sup> half and the full term**
- 2. Processed Foods Business Division (Measures to increase sales)**
- 3. Fresh Meats Business Division (Market conditions)**
- 4. Affiliated Business Division (Measures to increase sales)**

# 1. Operating income in 1<sup>st</sup> half, with factor analysis and forecasts for the 2<sup>nd</sup> half and the full term

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|                                   | FY3/12 Q2 results |       |          | FY3/12 1st half results |       |          | FY3/12 2nd half forecasts |       |          | FY3/12 full year forecasts |       |          |
|-----------------------------------|-------------------|-------|----------|-------------------------|-------|----------|---------------------------|-------|----------|----------------------------|-------|----------|
|                                   | FY3/11 Q2 results |       | Variance | FY3/11 1st half results |       | Variance | FY3/11 2nd half results   |       | Variance | FY3/11 full year results   |       | Variance |
| Processed Foods Business Division | 1.9               | 1.3   | down 0.5 | 3.3                     | 2.4   | down 0.8 | 5.3                       | 4.2   | down 1.1 | 8.6                        | 6.6   | down 2.0 |
| Fresh Meats Business Division     | 3.6               | 3.7   | up 0.1   | 8.9                     | 8.7   | down 0.1 | 15.1                      | 12.5  | down 2.6 | 24.0                       | 21.2  | down 2.8 |
| Affiliated Business Division      | 0.5               | 0.6   | up 0.1   | 0.8                     | 1.0   | up 0.2   | 0.9                       | 1.0   | up 0.1   | 1.7                        | 2.0   | up 0.3   |
| Elimination and Other Adjustments | 0.1               | (0.2) | down 0.3 | 0.0                     | (0.2) | down 0.1 | (1.0)                     | (0.7) | up 0.3   | (1.1)                      | (0.8) | up 0.3   |
| Total                             | 6.0               | 5.4   | down 0.7 | 12.9                    | 12.0  | down 0.9 | 20.3                      | 17.0  | down 3.3 | 33.2                       | 29.0  | down 4.2 |

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

### ● Measures to increase sales of gift products

- Keep sales of summer gift sets up to previous-year levels at 1.95 million packs
- Including new delicatessen items, raise total of summer gift sets sold to 2 million packs
- Boost sales of flagship brand “*Utsukushi-no-Kuni*” by 23% year-on-year
- Increase year-end gift set sales to 5 million packs (up 2% year-on-year)
- Including new delicatessen items, raise total of year-end gift sets to 5.15 million packs

Reference: Gift-giving season sales volume

(Unit: 1,000)

|                             | FY3/11 results |                 | FY3/12 results and targets |                 |
|-----------------------------|----------------|-----------------|----------------------------|-----------------|
|                             | Volume         | Variance FY3/10 | Volume                     | Variance FY3/11 |
| Summer gift-giving season   | 1,956          | 102%            | 1,956                      | 100%            |
| Year-end gift-giving season | 4,905          | 102%            | 5,000                      | 102%            |
| Total                       | 6,861          | 102%            | 6,956                      | 101%            |

### ● Measures to expand sales of major brands and new products

#### 1) Hams and sausages

- Expand sales and improve earnings for two major new products (“*Mori-no-Kaori*” coarse-ground wieners and “*Irodori Kitchen*” items) and year-end gift sets

Reference: Year-on-year growth in sales of major brand products for 1<sup>st</sup> half of FY3/12

| Hams and sausages                   | FY3/12 1st half results | Processed foods        | FY3/12 1st half results |
|-------------------------------------|-------------------------|------------------------|-------------------------|
| SCHAU ESSEN                         | 99%                     | Ishigama Kobo          | 98%                     |
| Mori-no-Kaori coarse-ground wieners | 133%                    | Chuka Meisai           | 101%                    |
| Irodori Kitchen (high-end hams)     | 139%                    | Prefried               | 100%                    |
| Hams                                | 109%                    | Hamburgers / Meatballs | 106%                    |
| Bacon                               | 108%                    | Curries                | 112%                    |

#### 2) Processed foods

- Improve earnings through focus on priority brands and product upgrades

### ● Measures to expand sales, by channel

#### 1) Consumer-use

- In hams and sausages, grow sales by focusing on expanded marketing of three brands, the “*SCHAU ESSEN*”, “*Mori-no-Kaori*” and “*Irodori Kitchen*” ranges.
- In processed foods, expand sales by focusing on leading brands

Reference: Year-on-year growth in sales by channel for 1<sup>st</sup> half of FY3/12

|                   | Consumer-use | Commercial-use | Total |
|-------------------|--------------|----------------|-------|
| Hams and sausages | 103%         | 99%            | 102%  |
| Processed foods   | 101%         | 102%           | 102%  |

#### 2) Commercial-use

- In processed foods, focus marketing efforts on large products and improve earnings by raising production line efficiency

#### ● Current status of overseas businesses

##### 1) Australia

- Earnings down due to the strong Australian dollar and soaring procurement prices on local live cattle markets

##### 2) U.S.

- Earnings were improved in pig farming operations by leveraging recovery in market prices from the second quarter



#### ● Outlook for overseas businesses

##### 1) Australia

- Improve the operating income ratio by continuing to cut the cost of sales, develop the halal market and increase sales to Russia and Asia
- ##### 2) U.S.

- Market prices for pork are expected to decline for seasonal reasons but feed prices are trending upwards. We will continue breeding improvement measures and production cost reductions

#### ● Current status of production businesses in Japan

##### 1) Feed prices

- Prices are rising year-on-year

##### 2) Farming operations in Japan

- Sales are on the rise year-on-year in poultry operations since August despite a decline in shipments due to avian influenza at the beginning of the period and the Great East Japan Earthquake
- In pig farming operations, recovery began in the second half, despite reductions in livestock numbers due in part to the very hot summer last year, and delay in recovery in the first half due to the earthquake
- Cattle farming operations are struggling due to falling market prices



#### ● Outlook for production businesses in Japan

##### 1) Feed prices

- Expected to be flat from the second half due partly to a fall in grain prices

##### 2) Farming operations in Japan

- In Japanese poultry farming, breeding hen replacement is expected to be completed within the year. The outlook is promising as production will rise ahead of year-end peak demand, and market prices are likely to hold up
- Pork market prices are likely to fall due to seasonal factors, but profitability is set to improve year-on-year on lower production costs
- Beef market prices are expected to slowly recover ahead of the year-end peak demand season, rising 5% year-on-year

#### ● Current status of 100% subsidiaries (Nippon Food Group)

- Volumes began recovering in August to targeted levels, after a difficult patch due to falling fresh-meat production in Japan and the Company's own self-restraint in sales promotions following the earthquake disaster. Performance was slightly up year-on-year in the first-half (up 1.5%).



#### ● Outlook for 100% subsidiaries (Nippon Food Group)

- Group companies will further strengthen marketing to volume retailers and expand marketing of beef produced in Japan, aiming to increase sales by at least 5% year-on-year in the second half

## ● Current status of marine products business

- Steady growth in sales to volume retailers due partly to strengthened marketing of items produced in-house at Marine Foods Corporation
- In food service operations, business conditions are tough in sushi restaurants, a key market

Reference: Marine Foods Corporation, sales growth by channel

|                            | Year-on-year comparison |  |
|----------------------------|-------------------------|--|
|                            | FY3/12 1st half results |  |
| Volume retailers           | 103%                    |  |
| Food service (restaurants) | 98%                     |  |



## ● Future policies

- Step up negotiations with volume retailers on products for the year-end season, such as crab, fish balls and other items for nabe hotpots)
- Improve operating income ratio by expanding sales of items produced in-house in Japan
- Grow share by expanding sales of prawn products, a priority category

Reference: Marine Foods Corporation, sales growth for items produced in-house

|                         | FY3/12 1st half results | FY3/12 full year targets |
|-------------------------|-------------------------|--------------------------|
| Items produced in-house | 4,690 tons              | 9,000 tons               |
| Year-on-year comparison | 107%                    | 108%                     |

## ● Current status of dairy products business

- Recovery momentum seen in sales of cheese to bakeries; sales to convenience stores and food producers are growing
- In yogurt products, yogurt beverages are selling well at convenience stores, but struggling at volume retailers

Reference: Dairy products, sales growth by product

|        | Year-on-year comparison |  |
|--------|-------------------------|--|
|        | FY3/12 1st half results |  |
| Cheese | 106%                    |  |
| Yogurt | 94%                     |  |



## ● Future policies

- Expand cheese sales by targeting bakery buyers and consumer-use products
- In yogurt products, expand production of yogurt beverages and grow sales to convenience stores. Follow strategy of targeting volume retailers and co-operative store channels using expanded lineups of mainstay vanilla yogurt products

## ● Trends in raw materials and secondary ingredients

- Prices for cheese ingredients have been rising since July, following a period of stability
- Prices of Japan-produced and imported ingredients for yogurts rising from the previous year Prices for cheese ingredients have been rising since July, following a period of stability



## ● Outlook

- Imported cheese ingredients are on the rise in price, but plateau in the coming fiscal year or even soften
- Imported yogurt ingredients will likely be flat from the second half



### **III. Consolidated Financial Results for First Half of FY3/12**

- 1. First Half of FY3/12 Business Results at a Glance**
- 2. Business Results: Growth Rate by Sales Category, and by Geographical Segment**
- 3. Selling, General and Administrative Expenses / Other Income and Expenses**
- 4. Balance Sheets / Property, Plant and Equipment / Depreciation and Amortization**
- 5. Cash Flows and Performance Indicators**

# 1. First Half of FY3/12 Business Results at a Glance

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(¥ million, %)

|  | FY3/11 results |          |          |           | FY3/12 results and forecasts |          |          |          |           |          |  |
|--|----------------|----------|----------|-----------|------------------------------|----------|----------|----------|-----------|----------|--|
|  | 1st half       | Variance | 2nd half | Full year | 1st half                     | Variance | 2nd half | Variance | Full year | Variance |  |
| Net Sales  | 483,100        | 1.7      | 506,208  | 989,308   | 506,367                      | 4.8      | 513,633  | 1.5      | 1,020,000 | 3.1      |  |
| Hams and sausages                                    | 64,654         | (3.0)    | 70,287   | 134,941   | 65,628                       | 1.5      | 72,372   | 3.0      | 138,000   | 2.3      |  |
| Processed foods                                      | 97,438         | 5.2      | 100,307  | 197,745   | 99,980                       | 2.6      | 102,020  | 1.7      | 202,000   | 2.2      |  |
| Fresh meats  | 259,688        | 3.7      | 270,466  | 530,154   | 277,107                      | 6.7      | 272,893  | 0.9      | 550,000   | 3.7      |  |
| Beef   | 93,422         | (1.9)    | 98,961   | 192,383   | 101,883                      | 9.1      | 98,117   | (0.9)    | 200,000   | 4.0      |  |
| Pork   | 97,314         | 4.6      | 98,443   | 195,757   | 101,123                      | 3.9      | 100,877  | 2.5      | 202,000   | 3.2      |  |
| Poultry  | 56,791         | 13.1     | 62,466   | 119,257   | 62,009                       | 9.2      | 62,991   | 0.8      | 125,000   | 4.8      |  |
| Other fresh meats                                    | 12,161         | 0.8      | 10,596   | 22,757    | 12,092                       | (0.6)    | 10,908   | 2.9      | 23,000    | 1.1      |  |
| Marine products                                      | 38,963         | (2.4)    | 41,472   | 80,435    | 39,135                       | 0.4      | 42,865   | 3.4      | 82,000    | 1.9      |  |
| Dairy products                                       | 10,941         | (3.6)    | 10,962   | 21,903    | 11,343                       | 3.7      | 11,657   | 6.3      | 23,000    | 5.0      |  |
| Others   | 11,416         | (18.1)   | 12,714   | 24,130    | 13,174                       | 15.4     | 11,826   | (7.0)    | 25,000    | 3.6      |  |
| Cost of goods sold                                   | 386,773        | 1.7      | 399,105  | 785,878   | 411,093                      | 6.3      |          |          |           |          |  |
| Gross profit   | 96,327         | 1.9      | 107,103  | 203,430   | 95,274                       | (1.1)    |          |          |           |          |  |
| Gross profit ratio                                   | 19.9%          | -        | 21.2%    | 20.6%     | 18.8%                        | -        |          |          |           |          |  |
| SG&A expenses  | 83,412         | (2.7)    | 86,843   | 170,255   | 83,272                       | (0.2)    |          |          |           |          |  |
| Operating income                                     | 12,915         | 47.5     | 20,260   | 33,175    | 12,002                       | (7.1)    | 16,998   | (16.1)   | 29,000    | (12.6)   |  |
| Income before income taxes                           | 11,358         | 33.3     | 18,165   | 29,523    | 9,577                        | (15.7)   | 14,423   | (20.6)   | 24,000    | (18.7)   |  |
| Net income attributable to Nippon Meat Packers, Inc. | 6,782          | 25.5     | 9,949    | 16,731    | 4,799                        | (29.2)   | 7,701    | (22.6)   | 12,500    | (25.3)   |  |

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

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

## 2. Business Results: Growth Rate by Sales Category, and by Geographical Segment

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### Growth Rate by Sales Category

(%)

| Category          | FY3/11 (Year-on-year comparison) |               |              |               | FY3/12 (Year-on-year comparison) |               |              |               |
|-------------------|----------------------------------|---------------|--------------|---------------|----------------------------------|---------------|--------------|---------------|
|                   | Q2                               |               | 1st half     |               | Q2                               |               | 1st half     |               |
|                   | Sales volume                     | Sales revenue | Sales volume | Sales revenue | Sales volume                     | Sales revenue | Sales volume | Sales revenue |
| Hams and sausages | 1.0                              | (2.1)         | 1.2          | (3.0)         | 2.3                              | 1.6           | 1.7          | 1.5           |
| Processed foods   | 9.6                              | 3.7           | 11.3         | 5.2           | 1.5                              | 2.6           | 2.4          | 2.6           |
| Fresh meats       | 2.7                              | 5.3           | 3.2          | 3.7           | 5.5                              | 6.0           | 3.0          | 6.7           |
| Beef              | (0.1)                            | 1.0           | (1.5)        | (1.9)         | 11.7                             | 4.6           | 11.8         | 9.1           |
| Pork              | (1.1)                            | 5.3           | 1.2          | 4.6           | 4.0                              | 4.3           | 2.2          | 3.9           |
| Poultry           | 11.1                             | 15.1          | 10.7         | 13.1          | 3.7                              | 13.3          | (2.5)        | 9.2           |
| Other fresh meats | (1.0)                            | 0.2           | (1.0)        | 0.8           | (5.2)                            | (3.5)         | (2.4)        | (0.6)         |

### FY3/11 Business Results at a Glance and FY3/12 Forecasts by Geographical Segment

(¥ million, %)

|                        | FY3/11 results |          |           | FY3/12 results and forecasts |          |          |          |           |          |
|------------------------|----------------|----------|-----------|------------------------------|----------|----------|----------|-----------|----------|
|                        | 1st half       | 2nd half | Full year | 1st half                     | Variance | 2nd half | Variance | Full year | Variance |
| Domestic               | 448,901        | 470,532  | 919,433   | 464,720                      | 3.5      | 474,680  | 0.9      | 939,400   | 2.2      |
| External customers     | 448,638        | 470,250  | 918,888   | 464,279                      | 3.5      | 474,121  | 0.8      | 938,400   | 2.1      |
| Intersegment           | 263            | 282      | 545       | 441                          | 67.7     | 559      | 98.2     | 1,000     | 83.5     |
| Operating income       | 11,840         | 18,045   | 29,885    | 12,746                       | 7.7      | 16,054   | (11.0)   | 28,800    | (3.6)    |
| Operating income ratio | 2.6%           | 3.8%     | 3.3%      | 2.7%                         | -        | 3.4%     | -        | 3.1%      | -        |
| Overseas               | 73,071         | 75,910   | 148,981   | 85,896                       | 17.6     | 77,704   | 2.4      | 163,600   | 9.8      |
| External customers     | 34,462         | 35,958   | 70,420    | 42,088                       | 22.1     | 39,512   | 9.9      | 81,600    | 15.9     |
| Intersegment           | 38,609         | 39,952   | 78,561    | 43,808                       | 13.5     | 38,192   | (4.4)    | 82,000    | 4.4      |
| Operating income       | 717            | 2,249    | 2,966     | (894)                        | -        | 1,094    | (51.4)   | 200       | (93.3)   |
| Operating income ratio | 1.0%           | 3.0%     | 2.0%      | -1.0%                        | -        | 1.4%     | -        | 0.1%      | -        |

\* Sales by geographic segment are before intersegment elimination.

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

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

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(¥ million, %)

| SG&A expenses                                   | FY3/11   | FY3/12   |              |          |
|---|----------|----------|--------------|----------|
|   | 1st half | 1st half | Variance (%) | Variance |
| ★① Selling, general and administrative expenses | 83,412   | 83,272   | (0.2)        | (140)    |
| ★② Personnel                                    | 33,605   | 33,078   | (1.6)        | (527)    |
| ★③ Advertising                                  | 5,484    | 5,209    | (5.0)        | (275)    |
| ★④ Logistics                                    | 18,375   | 19,127   | 4.1          | 752      |
| Other   | 25,948   | 25,858   | (0.3)        | (90)     |

Major reasons for increases/decreases

- ★① SG&A expenses: The ratio of SG&A expenses to sales decreased 0.9 percentage point from 17.3% to 16.4%
- ★② Personnel: Declined by approximately ¥500 million due to lower salaries and allowances
- ★③ Advertising: Declined by approximately ¥300 million due to lower sales promotion expenses
- ★④ Logistics: Increased by approximately ¥800 million due to higher transportation charges from increased sales volumes, despite a ¥200 million decline in cold storage costs

(¥ million, %)

|                               | FY3/11   | FY3/12   |              |          |
|-------------------------------|----------|----------|--------------|----------|
|                               | 1st half | 1st half | Variance (%) | Variance |
| Other income                  | 645      | 1,060    | 64.3         | 415      |
| Interest and dividends income | 278      | 453      | 62.9         | 175      |
| Others                        | 367      | 607      | 65.4         | 240      |

|  |       |       |        |       |
|--|-------|-------|--------|-------|
| Interest expenses                        | 1,069 | 956   | (10.6) | (113) |
| ★① Other expenses                        | 1,133 | 2,529 | 123.2  | 1,396 |
| Impairment loss on investment securities | 206   | 117   | (43.2) | (89)  |
| Impairment loss on fixed assets          | 136   | 820   | 502.9  | 684   |
| Special retirement allowances            | -     | 15    | -      | 15    |
| Foreign exchange losses                  | 539   | 1,553 | 188.1  | 1,014 |
| Others                                   | 252   | 24    | (90.5) | (228) |

Major reasons for increases/decreases

- ★① Other expenses: Increased by approximately ¥1.4 billion due to impairment loss on fixed assets and foreign exchange losses

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

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(¥ million, %)

| Consolidated balance sheets |   | FY3/11<br>year-end | FY3/12<br>End of Sep. | Variance (%) | Variance |
|-----------------------------|---|--------------------|-----------------------|--------------|----------|
| ★①                          | Total assets  | 590,688            | 584,256               | (1.1)        | (6,432)  |
|                             | Cash and cash equivalents   | 51,409             | 59,002                | 14.8         | 7,593    |
| ★②                          | Trade notes and accounts receivable                                       | 104,501            | 105,779               | 1.2          | 1,278    |
| ★③                          | Inventories   | 107,599            | 118,951               | 10.6         | 11,352   |
|                             | Property, plant and equipment - at cost, less<br>accumulated depreciation | 219,324            | 213,451               | (2.7)        | (5,873)  |
|                             | Investments and other assets  | 27,764             | 27,743                | (0.1)        | (21)     |
|                             | Deferred income taxes - non-current                                       | 15,993             | 15,382                | (3.8)        | (611)    |
|                             | Total liabilities   | 307,484            | 299,471               | (2.6)        | (8,013)  |
|                             | Trade notes and accounts payable  | 90,317             | 94,466                | 4.6          | 4,149    |
| ★④                          | Interest-bearing debt   | 155,263            | 147,314               | (5.1)        | (7,949)  |
|                             | Liability under retirement and severance program                          | 17,581             | 17,487                | (0.5)        | (94)     |
|                             | Total Nippon Meat Packers, Inc. shareholders' equity                      | 281,067            | 282,562               | 0.5          | 1,495    |
|                             | Noncontrolling interests  | 2,137              | 2,223                 | 4.0          | 86       |
|                             | Total equity  | 283,204            | 284,785               | 0.6          | 1,581    |

Major reasons for  
increases/decreases

- ★① Total assets: Declined by some ¥6.4 billion due chiefly to property, plant and equipment
- ★② Trade notes and accounts receivable: Increased by some ¥1.3 billion due to an increase in sales revenues
- ★③ Inventories: Increased by some ¥11.4 billion due chiefly to seasonal factors
- ★④ Interest-bearing debt: Declined by some ¥8.0 billion due to repayment of bank loans

(¥ million, %)

| Capital expenditures and depreciation | FY3/11<br>1st half | FY3/12   |              | Variance | FY3/12<br>Forecast |
|---------------------------------------|--------------------|----------|--------------|----------|--------------------|
|                                       |                    | 1st half | Variance (%) |          |                    |
| Property, plant and equipment         | 8,076              | 7,177    | (11.1)       | (899)    | 23,400             |
| Production facilities                 | 3,725              | 3,537    | (5.0)        | (188)    | 9,200              |
| Marketing and logistics facilities    | 948                | 1,015    | 7.1          | 67       | 4,300              |
| Farms and processing facilities       | 1,647              | 1,373    | (16.6)       | (274)    | 5,900              |
| Overseas operations facilities        | 974                | 580      | (40.5)       | (394)    | 2,000              |
| Other facilities                      | 782                | 672      | (14.1)       | (110)    | 2,000              |
| Depreciation and amortization         | 11,821             | 11,666   | (1.3)        | (155)    | 24,000             |

## 5. Cash Flows and Performance Indicators

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(¥ million)

| Consolidated statement of cashflows    | FY3/11   | FY3/12   |          |
|--|----------|----------|----------|
|  | 1st half | 1st half | Variance |
| ★① Cash flow from operating activities | 5,820    | 5,177    | (643)    |
| Cash flow from investing activities    | (1,282)  | 12,803   | 14,085   |
| Cash flow from finance activities      | (4,172)  | (9,733)  | (5,561)  |

Major reasons for  
increases/decreases

| ★① Details of cash flow from operating activities | FY3/11   | FY3/12   |
|---|----------|----------|
|   | 1st half | 1st half |
| (Increase) in trade notes and accounts receivable | (2,519)  | (1,741)  |
| (Increase) in inventories                         | (15,338) | (12,851) |

(¥ million)

| Business Performance Indicators<br>(financial position) | FY3/11   | FY3/12   |          | FY3/12 initial plan New Medium-Term<br>Management Plan Part III |
|---|----------|----------|----------|---|
|   | 1st half | 1st half | Variance |   |
| ROA (income before income taxes)                        | 1.9%     | 1.6%     | -        | 4.8%  |
| Shareholders' equity ratio                              | 44.8%    | 48.4%    | -        | 49.4%   |
| Interest-bearing debt                                   | 185,357  | 147,314  | (38,043) | 170,000   |
| D/E ratio (times)                                       | 0.68     | 0.52     | -        | 0.54  |

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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.**