

# **Business Results and Progress in the Medium-Term Management Plan Part IV**

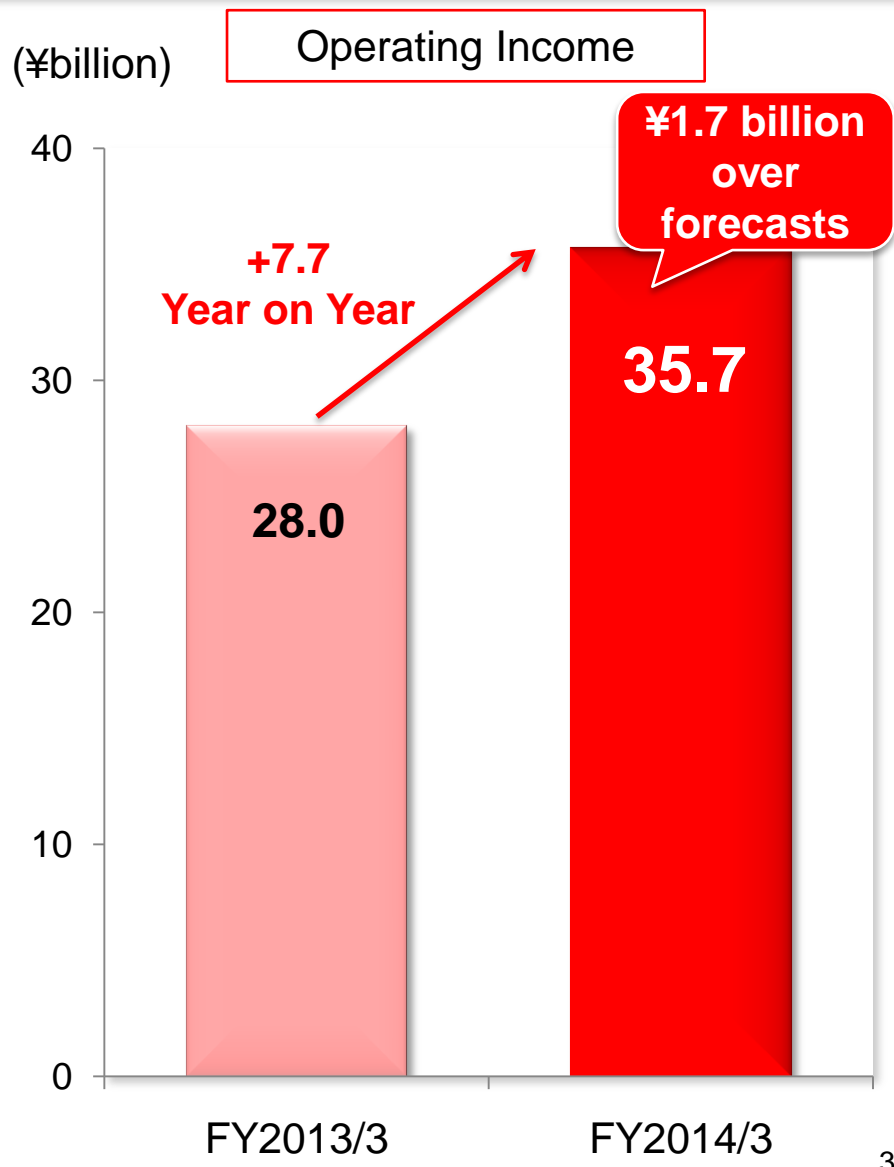
May 14, 2014

Nippon Meat Packers, Inc.  
President and Representative Director  
Noboru Takezoe

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2. Relationship between FY2015/03 and the New Medium-Term Management Plan
3. Changes in New Medium-Term Management Plan Parts I – IV
4. Measures for the Final Fiscal Year of the New Medium-Term Management Plan Part IV

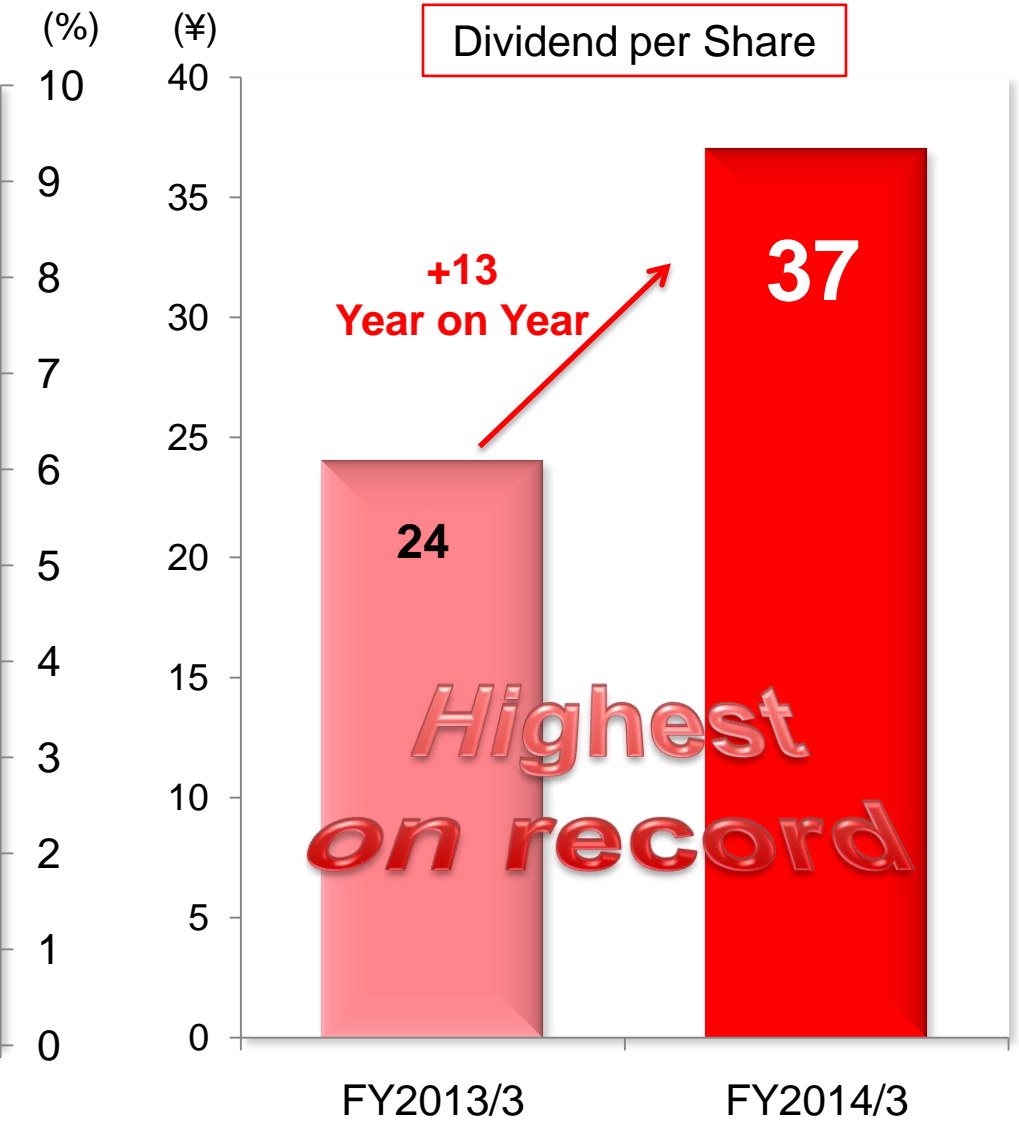
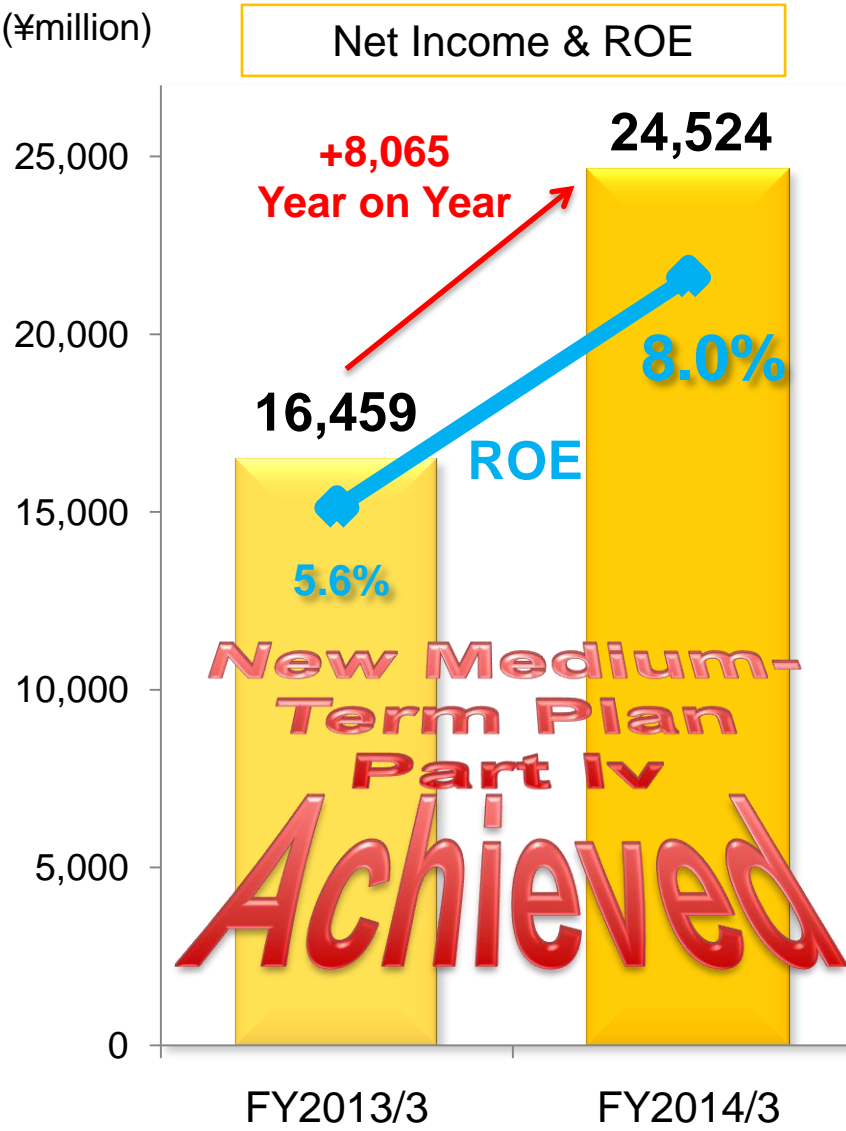
# 1. FY2014/03 Results Overview

Both sales and income forecasts achieved. Higher year-on-year earnings and revenues as well.



# 1. FY2014/03 Results Overview

Net income, ROE are up. Increased Dividend Payout Ratio to 30%.



## Operating Income Forecast and Divergence Factors of Operation Income

\* Forecasts are those that were revised as of the Third quarter.

(¥billion)

Business Division	Forecasts	Result	Difference	Reason
<b>Processed Foods Business Division</b>	7.2	6.5	(0.7)	<ul style="list-style-type: none"> <li>Reinforced marketing pushed up advertising expenses, etc.</li> <li>Did not achieve cost-cut effect through volume shortfall</li> </ul>
<b>Fresh Meats Business Division</b>	24.4	26.8	2.4	<ul style="list-style-type: none"> <li>Major improvement in North American and Australian businesses</li> <li>Domestic farming businesses remained robust</li> </ul>
<b>Affiliated Business Division</b>	1.2	1.0	(0.2)	<ul style="list-style-type: none"> <li>Delay in passing on higher raw materials prices to products</li> </ul>
<b>Eliminations, Adjustments and Others</b>	1.2	1.4	0.2	
<b>Total</b>	34.0	35.7	1.7	

## 2. Relationship between FY2015/03 and the New Medium-Term Management Plan

### Full-Year Operating Income Forecast for FY2015/3

**¥40.0 billion (+)¥4.3 billion year on year**

Down ¥3.0 billion from the New Medium-Term Management Plan due to unexpected challenges

Segment	Full year forecast	Year-on-year change	Difference from New Medium-Term Management Plan
Processed Foods Business Division	¥10.0 billion	+¥3.5 billion	(¥4.0 billion)
Fresh Meats Business Division	¥28.0 billion	+¥1.2 billion	+¥3.0 billion
Affiliated Business Division	¥2.0 billion	+¥1.0 billion	(¥2.0 billion)

**Net income: ¥24.0 billion (¥2.0 billion above New Medium-Term Management Plan)**

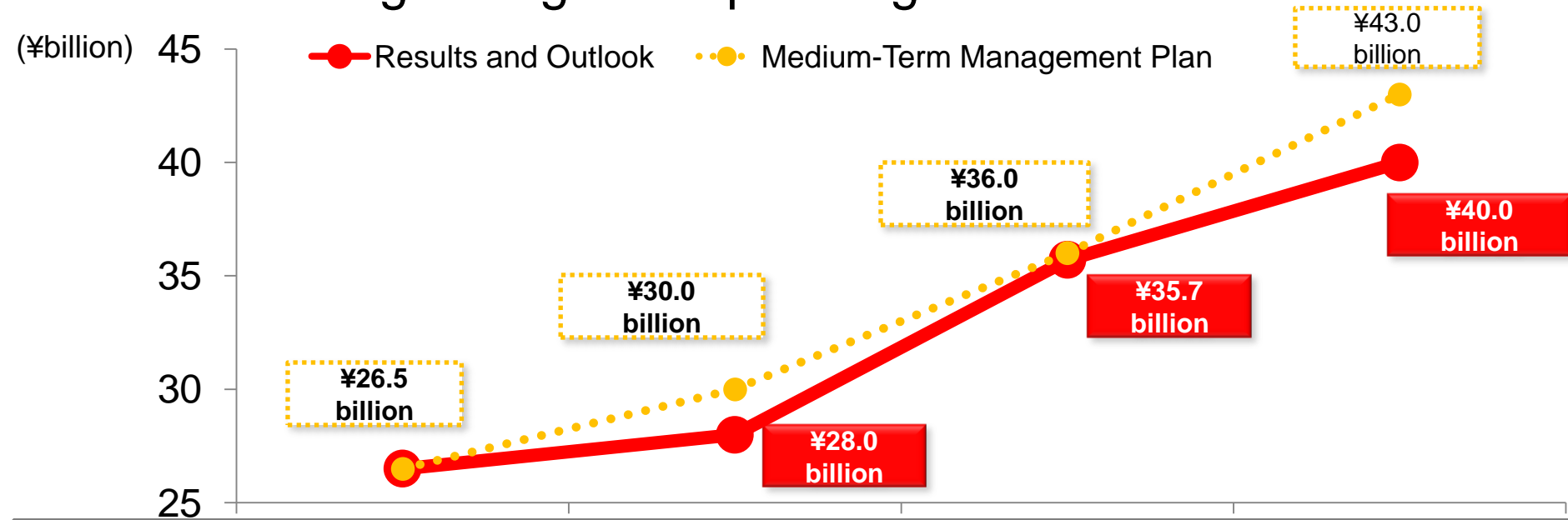
## 2. Relationship between FY2015/03 and the New Medium-Term Management Plan

Reasons for shortfall of ¥3.0 billion in FY2015/03 operating income from New Medium-Term Management Plan target

- Sudden change in external environment due to increased global demand for fresh meat and decline in supply volume
- Processed Foods Business Division (-)¥4.0 billion:  
Higher-than-expected raw materials prices
- Fresh Meats Business Division (+)¥3.0 billion:  
Robust farming businesses and improved earnings for fresh meat sales business
- Affiliated Business Division (-)¥2.0 billion:  
Shrimp  
→ Production volume at a record low due to disease, etc.  
Cheese, milk powder  
→ Higher market prices due to strengthening global demand

## 2. Relationship between FY2015/03 and the New Medium-Term Management Plan

### Chart showing changes in operating income



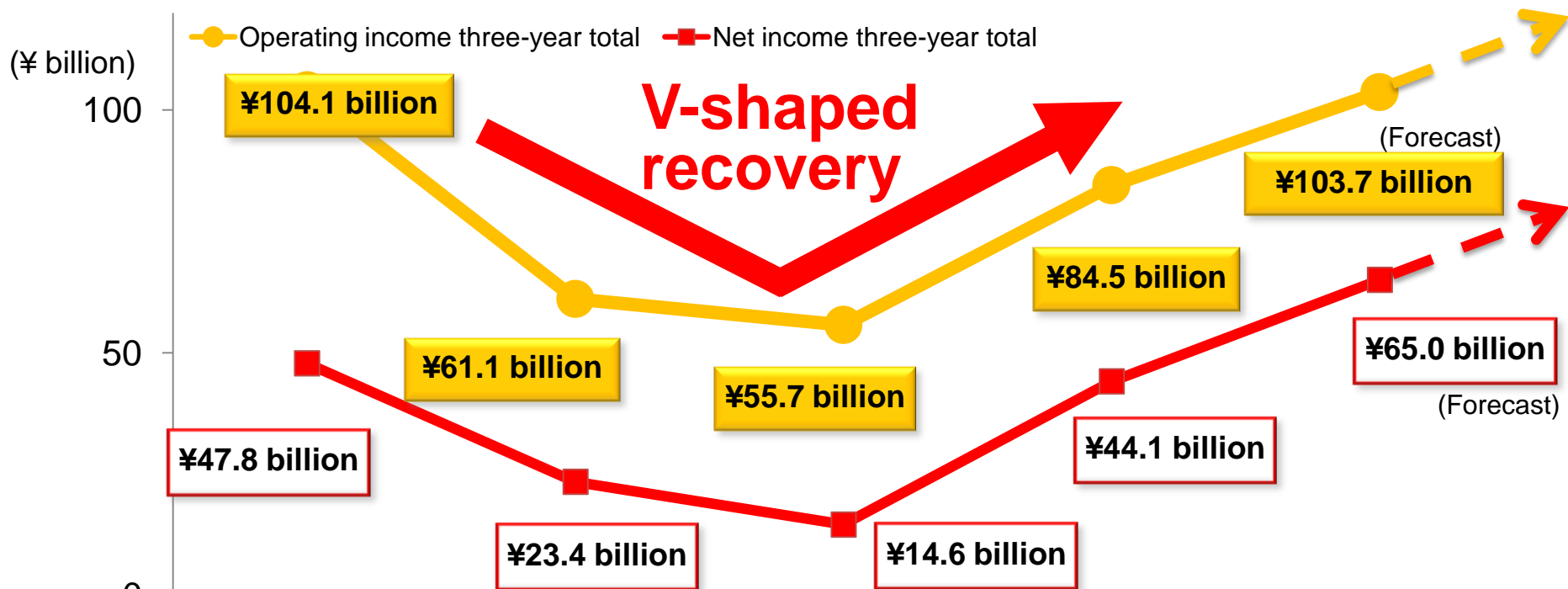
	FY2012/3	FY2013/3	FY2014/3	FY2015/3
Net Sales	¥1,017.8 billion	¥1,022.8 billion	¥1,122.1 billion	¥1,140.0 billion
Operating Income	¥26.5 billion	¥28.0 billion	¥35.7 billion	¥40.0 billion
Operating Income Ratio	2.6%	2.7%	3.2%	3.5%
Net Income	¥11.7 billion	¥16.5 billion	¥24.5 billion	¥24.0 billion
ROE(after tax)	4.1%	5.6%	8.0%	7.3%
Dividend per share	¥18	¥24	¥37	¥35



# 3. Changes in New Medium-Term Management Plan Parts I - IV

Chart showing changes in operating income in New Medium-Term Management Plan Parts I-IV

Aim to be among the top five food companies in Japan and the top three fresh meat companies globally.



	Medium-Term Management Plan Part VI (complete) FY2001/03 - FY2003/03	New Medium-Term Management Plan Part I FY2004/03 - FY2006/03	New Medium-Term Management Plan Part II FY2007/03 - FY2009/03	New Medium-Term Management Plan Part III FY2010/03 - FY2012/03	New Medium-Term Management Plan Part IV Forecasts FY2013/03 - FY2015/03
Net Sales	¥2,765.7 billion	¥2,821.9 billion	¥3,033.6	¥2,960.7	¥3,284.9 billion
Operating Income	¥104.1 billion	¥61.1 billion	¥55.7 billion	¥84.5 billion	¥103.7 billion
Net Income	¥47.8 billion	¥23.4 billion	¥14.6 billion	¥44.1 billion	¥65.0 billion

## 4. Measures for the Final Fiscal Year of the New Medium-Term Management Plan Part IV

Points regarding Reform    Announced in May 2012

- (1) Expand revenues through aggressive investment in growth and efficiency strategies**
- (2) Shareholder-focused management and promote capital strategy**
- (3) Enhance the Group brand value**

## 4. Measures for the Final Fiscal Year of the New Medium-Term Management Plan Part IV

### Measures to respond to surge in raw material prices for processed foods

- 10% price revision planned for implementation starting July 1
- Cost reduction, such as reduced cost of sales  
Adopt straight high-productivity lines at the new building at Nippon Ham Factory Co., Ltd's Ibaraki Plant, etc.
- Rationalization via SCM management
- Price revision to purchased items at overseas
- Improve processed foods businesses at overseas

## 4. Measures for the Final Fiscal Year of the New Medium-Term Management Plan Part IV

(1) Expand revenues through aggressive investment in growth and efficiency strategies

### ● **Construction** of a new building at the Ibaraki Plant (new the first plant starts operation)

[Investment: approximately ¥7.0 billion, completion in April 2014]

→ High-productivity lines adopted

(Production capability)

New line increase 6,000 tons/year

(After new building begins operation)

Overall Nippon Ham Factory Co., Ltd's  
Ibaraki Plant 42,000 tons/year



(Picture) Nippon Ham Factory's new building of Ibaraki Plant

### **Adoption of the country's first and the industry's first labor-saving production lines**

- \* Automatic continuous heating and cooling device for filling pressed ham
- \* Automatic continuous heating and cooling device for filling frankfurters and sausages

## 4. Measures for the Final Fiscal Year of the New Medium-Term Management Plan Part IV

- New business area (enter OEM business for CVS)  
[Investment: approximately ¥8.5 billion, scheduled for completion in June 2014]  
→ Production of products for convenience stores

(Kansai Plant)

Scheduled completion in June 2014

Plans to produce 40 items including sandwiches, burgers, salads and delicatessen items, sweets, etc.

(Chubu Plant)

Scheduled for completion in April 2015

Plans to produce 40 items, including boxed lunches, rice balls, sushi, etc.



Image of Premium Kitchen's completed Kansai Plant



Image of Premium Kitchen's completed Chubu Plant

## 4. Measures for the Final Fiscal Year of the New Medium-Term Management Plan Part IV

### ● Initiatives for the operating income of the fresh meats business (+)¥1.2 billion

Negative

- Reactionary decline to major improvements in the Australian business last fiscal year  
(Higher purchasing costs due to a decline in the number of cattle)  
(-)¥3.1 billion
- Domestic fresh meat market and other factors  
(-)¥0.6 billion

Positive

- Farming businesses remain robust (+)¥2.5 billion
- Improvement in the imported fresh meats market  
(+)¥1.4 billion
- Growth in the fresh meats sales businesses  
(+)¥1.0 billion

### ● Structural reform of upstream businesses

(1) No. 1 in cost competitiveness in the livestock industry (farming businesses)

(2) Raise capability of livestock processing (processing businesses)

- Nippon Food Packer, Inc.'s Aomori Plant (reinforced)

[Investment: approximately ¥1.9 billion]

- Nippon Food Packer Tsugaru, Inc. (newly built)

[Investment: approximately ¥0.3 billion]



Secure the #1 spot in cost competitiveness by further expanding scale and pushing forward with rationalization and automation

### ● Improve revenues capability of the fresh meat sales businesses

(brand strategy and sales channel strategy)

Strengthen route sales →

Build new Nippon Food Group office, transfer and integration

[Investment: approximately ¥2.3 billion]

## 4. Measures for the Final Fiscal Year of the New Medium-Term Management Plan Part IV

### ● Relocation and rebuilding of Hoko Co., Ltd.'s Yamato plant for ROLF-brand products

[Investment: approximately ¥7.0 billion, completion scheduled for summer 2015]

→ Reinforce production capacity of the cheese business

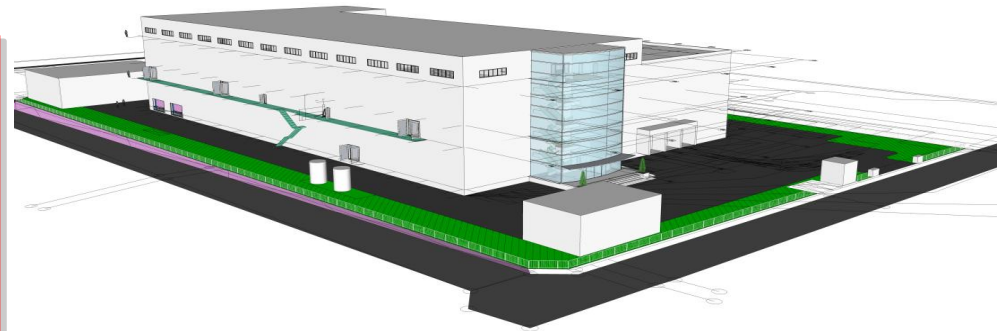
50% increase in production capacity



(After new facility comes onstream)

Overall output of new Yamato plant

Approximately 10,000 tons/year



Refurbished Hoko Co., Ltd.'s Yamato Plant for ROLF.  
Brand products (artist's impression)

### ● Kushiro Marusui Co., Ltd. (joined Group in November 2013 via M&A)

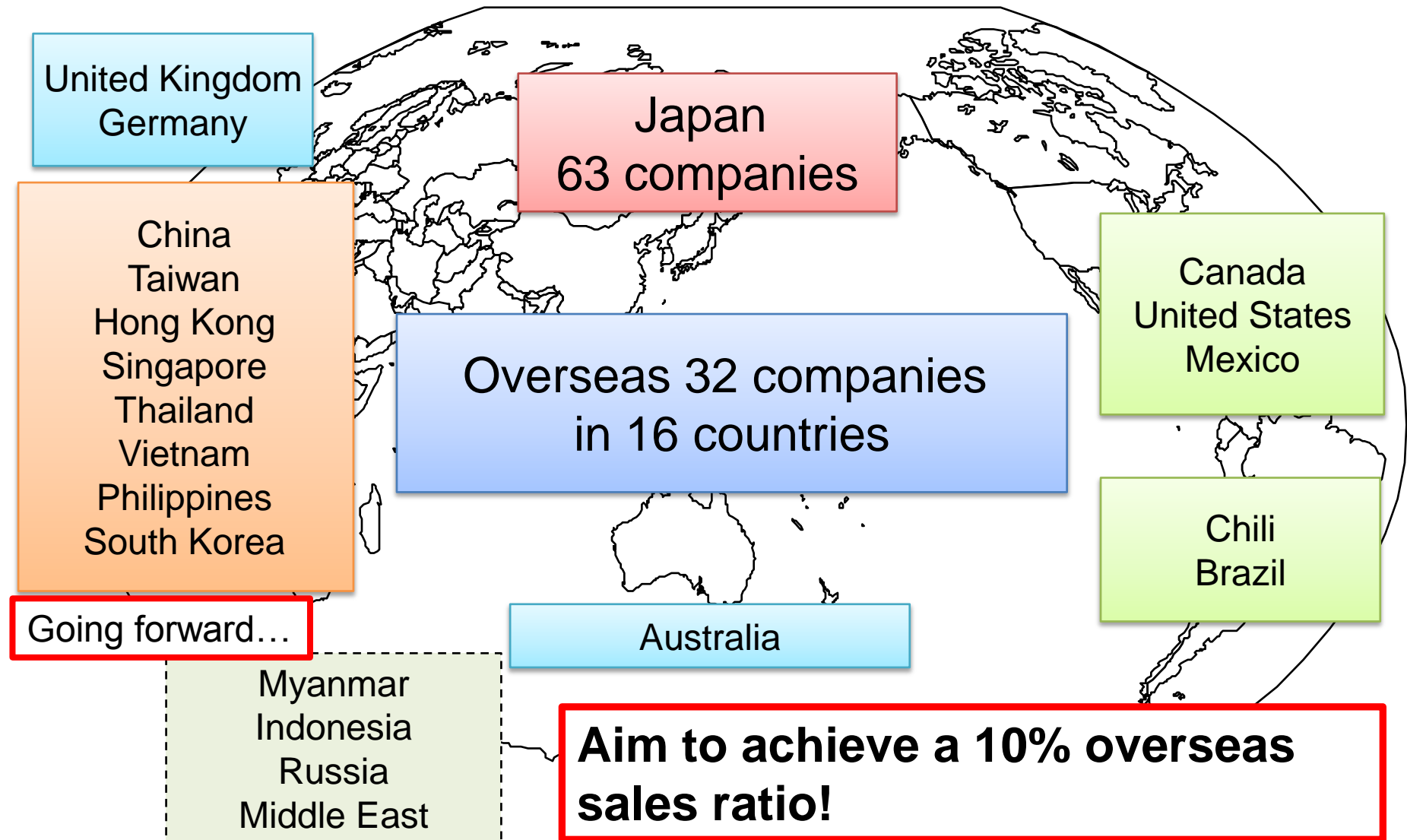
[Investment: approximately ¥0.7 billion]

→ Greater procurement capability of marine raw materials and strengthening of the Hokkaido brand



## 4. Measures for the Final Fiscal Year of the New Medium-Term Management Plan Part IV

### ● Overseas expansion of the Nippon Ham Group



### (2) Continue Shareholder-focused management and promote capital strategy

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- Shareholder returns targeting consolidated dividend payout ratio of 30%
  - Shift to shareholder returns that are linked to earnings
  
- Focus on ROE
  - Expand earnings and enhance capital efficiency
  
- Issue CBs and acquire treasury stock
  - Cancel treasury stock (scheduled for implementation at the end of May)

# 4. Measures for the Final Fiscal Year of the New Medium-Term Management Plan Part IV

## (3) Enhance the Group brand value

### ● Renovate Group brand and systemize Corporate brands

Through a renovated Group brand:

- Reach out to the world
- Expand business areas
- Reform awareness of employees and executives



A Change of  
the Nippon Ham Group










Clarify strategies by systemizing brands

Former Brand System

	Processed Foods Business Division	Fresh Meats Business Division	Affiliated Business Division	Indirect and Other Business Division
Group Brand	NH Nippon Ham Group 人様く、食の未来			
Corporate Brand	NH ニッポンハム 面飯 Carl's Jr. Raymen 日本ビュアード株式会社 日清食品 ニッポンフード HOKO シャインフーズ NH 日本ハム ニッポンハムエスポート			
Product Brand	シャウゼン 大黒			



New brand System

	Processed Foods Business Division	Fresh Meats Business Division	Affiliated Business Division	Indirect and Other Business Division
Group Brand	<div></div>			
Corporate Brand	<div></div>			
	<div></div>	<div></div>	<div></div>	<div></div>
	<div></div>	<div></div>		
Product Brand	<div></div>	<div></div>	<div></div>	

# 4. Measures for the Final Fiscal Year of the New Medium-Term Management Plan Part IV

## ● Improve Group brand exposure and recognition



Newspaper advertisement

## ● Brush up Group fairs



(scheduled for August-September again at this term as well)

Nippon Ham Group's original marketing that cannot be mimicked by other Groups



Home parties



Barbecue



Breakfast



## 4. Measures for the Final Fiscal Year of the New Medium-Term Management Plan Part IV

### ● Prioritized Sales of *SCHAU ESSEN* and crucial differentiation

Events launched to commemorate 30th anniversary

- Establish **SHAU ESSEN Travel Cafe** in Roppongi, Tokyo
- Open store in KidZania Koshien



(Picture) **SHAU ESSEN Travel Cafe**

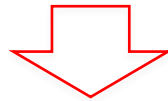


(Picture) Exhibit at **KidZania Koshien**

# 4. Measures for the Final Fiscal Year of the New Medium-Term Management Plan Part IV

## ● Promote No. 1 strategy with *SHAU ESSEN*

- Achieve ¥1 trillion in total net sales



**Aim at ¥60.0 billion (retail basis) in net sales**

\* April: 9% year-on-year increase on a volume basis, 19% year-on-year increase on a quantity basis (the number of items)



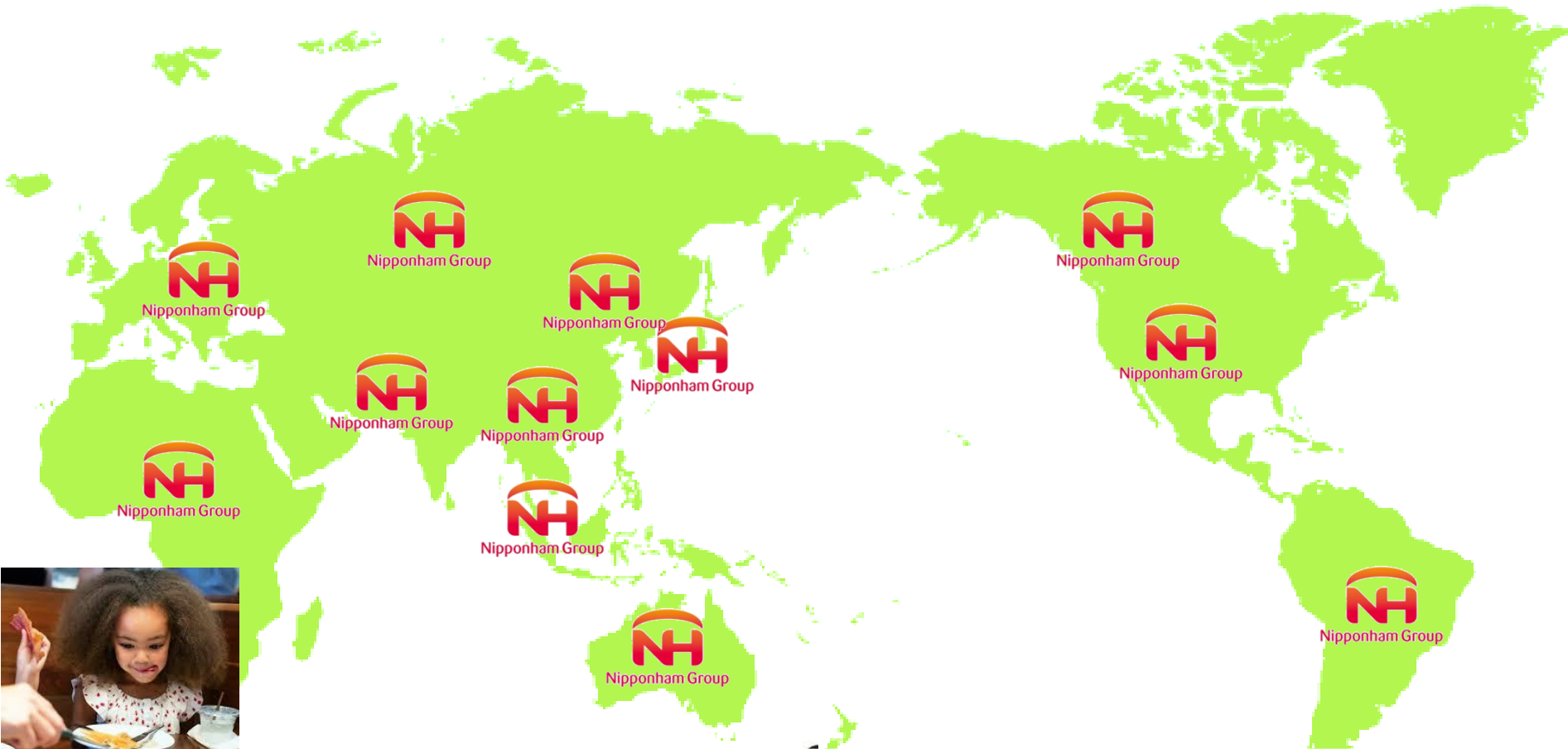


# 4. Measures for the Final Fiscal Year of the New Medium-Term Management Plan Part IV

- The Nippon Ham Group will capture **No. 1 share in all categories** by forming a brand that is chosen in all categories



# And the Nippon Ham Group is





And the Nippon Ham Group is

# The World Leader in Delivering the "Joy of Eating"





## Contact

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## Forward-looking statement

Figures in this presentation are based on information available at the current time and certain assumptions about the future which we consider reasonable. Because they are subject to numerous potential external risks and uncertainties, we cannot guarantee that these targets will be reached or earnings generally meet expectations.

Actual performance may differ significantly from the outlook and targets in this presentation, and investment decisions should not be based exclusively on them.

The Nippon Ham Group is under no limitations or obligations of any kind regarding future revisions of the plan, regardless of future information that may emerge or future events or their consequences.