

Financial Results Briefing for the Year Ended March 31, 2016

Great taste, great connections



Prima Meat Packers

May 19, 2016

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(FY2016-FY2018)**

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I. Financial Results for the Year Ended March 31, 2016

(P.2-12)

II. Medium-term Business Plan (Rolling Plan)

(FY2016-FY2018) (P.13-19)

III. Referential Materials (P. 20-29)

1-(1).Financial Results for the Year Ended March 31, 2016 1

[Consolidated statements of income]

(millions of yen)

Item	FYE March 2015		FYE March 2016		
	Results	Net sales ratio	Results	Net sales ratio	YOY
Net sales	341,183	100.0%	361,223	100.0%	105.9%
Processed Foods Business	227,398	66.6%	239,628	66.3%	105.4%
Fresh Meats Business	113,507	33.3%	121,306	33.6%	106.9%
Other	277	0.1%	288	0.1%	104.0%
Cost of Sales	293,272	86.0%	311,155	86.2%	106.1%
Gross Profit	47,911	14.0%	50,067	13.9%	104.5%
SG&A expenses	40,698	11.9%	42,104	11.6%	103.5%
Operating income	7,213	2.1%	7,963	2.2%	110.4%
Non-operating income	1,126	-	1,214	-	-
Non-operating expenses	604	-	401	-	-
Ordinary income	7,735	2.3%	8,776	2.4%	113.5%
Extraordinary income	741	-	1,703	-	-
Extraordinary loss	437	-	450	-	-
Income before income taxes	8,039	2.4%	10,029	2.8%	124.8%
Income taxes	1,848	-	3,275	-	-
Minority interests in income	-202	-	324	-	-
Net income	6,392	1.9%	6,429	1.8%	100.6%

[Key Points]

[Net sales by product category] (millions of yen)

•Ham/sausage	76,192 (YOY: 105%)
•Processed Foods	142,696 (YOY: 108%)
•Fresh Meats	142,047 (YOY: 104%)
•Other	288 (YOY: 104%)

[Cost of sales]

•Ratio of raw materials and inventory	Up 0.3%
•Production expenses ratio	Down 0.1%
Cost of sales ratio	⇒ Up 0.2%

[SG&A expenses]

•SG&A expenses (personnel expenses ratio)	Down 0.4%
•SG&A expenses (expense ratio)	Up 0.1%
SG&A expenses to net sales ratio	⇒ Down 0.3%

Ordinary income to net sales ratio ⇒ Up 0.1%

1-(2).Financial Results for the Year Ended March 31, 2016 2

[Income by business segment]

(millions of yen)

		FYE March 2015		FYE March 2016			Comparison to beginning of medium-term business	Beginning of medium-term business plan
		Results	Net sales ratio	Results	Net sales ratio	YOY		
Net Sales	Processed Foods Business	227,398	-	239,628	-	105.4%	104.2%	230,000
	Fresh Meats Business	113,507	-	121,306	-	106.9%	103.9%	116,800
	Other	277	-	288	-	104.0%	-	-
Operating income	Processed Foods Business	6,069	2.7%	9,064	3.8%	2,995	864	8,200
	Fresh Meats Business	1,091	1.0%	-1,932	-1.6%	-3,023	-3,732	1,800
	Other	52	18.8%	831	288.5%	779	-	-

[Non-consolidated Income]

(millions of yen)

	FYE March 2015		FYE March 2016		
	Results	Net sales ratio	Results	Net sales ratio	YOY
Net sales	258,122	100.0%	272,006	100.0%	105.4%
Operating income	6,416	2.5%	5,584	2.1%	-832
Ordinary income	7,234	2.8%	7,145	2.6%	-89
Income before income taxes	7,239	2.8%	7,115	2.6%	-124
Net income	6,057	2.3%	4,974	1.8%	-1,083

[Income by group company]

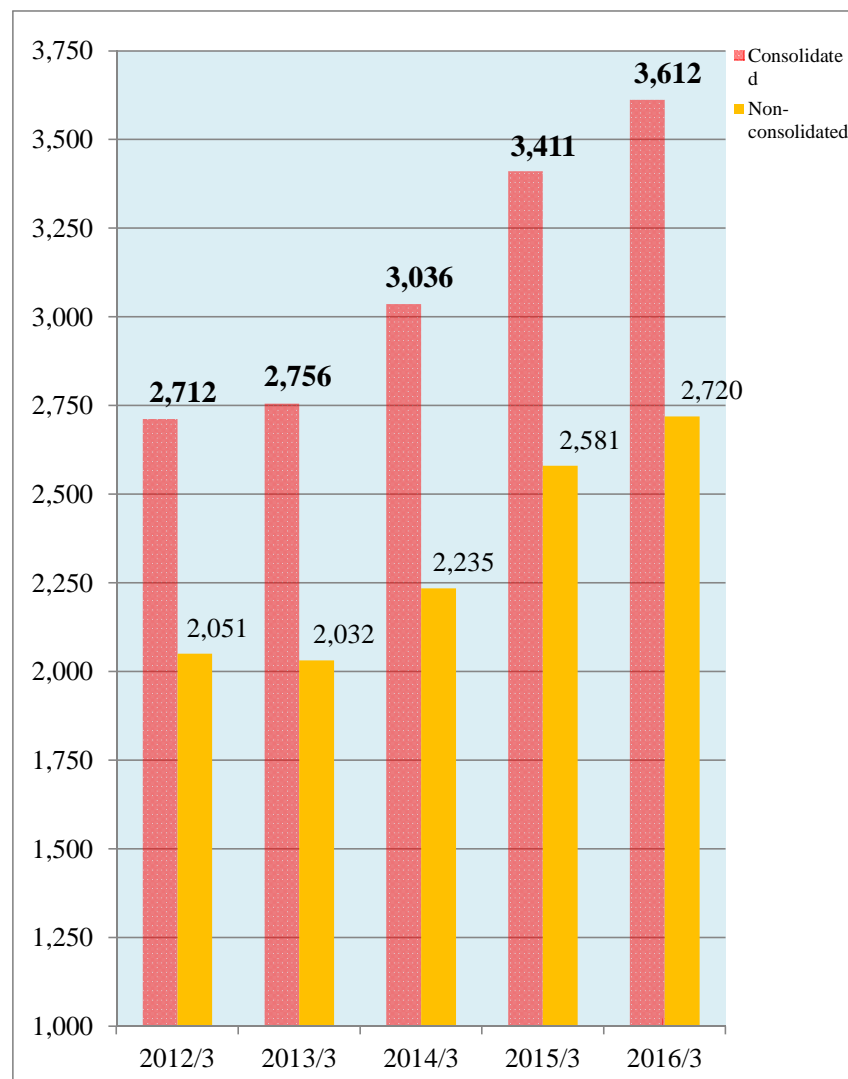
(millions of yen)

		FYE March 2015		FYE March 2016			
		Net sales	Operating income	Net sales	YOY	Operating income	YOY
Prima Meat Packers Ltd.		258,122	6,416	272,006	105.4%	5,584	-832
Group Companies	Vendor(s) (1)	75,581	-638	80,079	106.0%	125	763
	Other (including amendments for consolidation)	7,480	1,435	9,138	122.2%	2,254	819
Consolidated Total		341,183	7,213	361,223	105.9%	7,963	750

2. Changes in Net Sales and Operating Income

Net sales

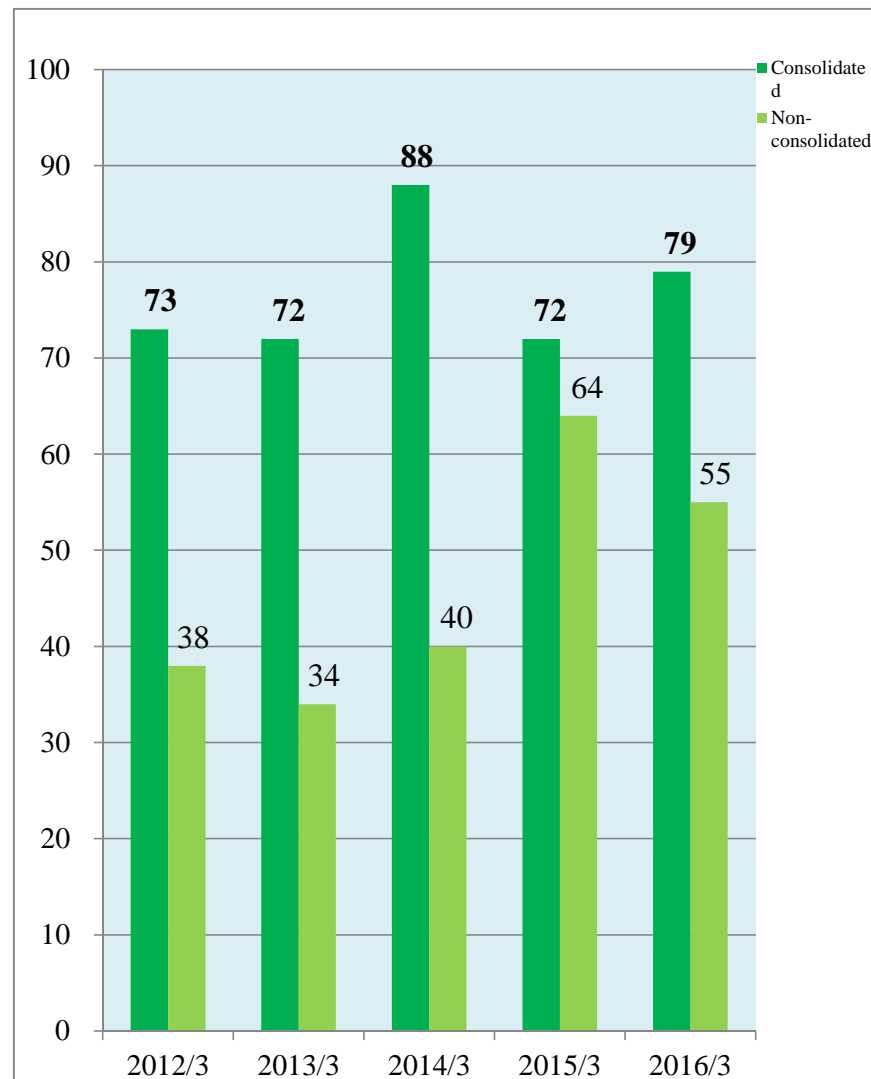
(hundred millions of yen)



(Note) rounded down to the nearest hundred million yen

Operating income

(hundred millions of yen)



(Note) rounded down to the nearest hundred million yen

3-(1). Processed Foods Business in the Year Ended March 2016

Business environment

- Personal consumption→Growth of thrifty demographic
- Cheap yen→Rise in prices of imported goods, raw materials, packaging materials, etc.
- Food prices revised to reflect increased costs
- Changes in employment environment (increase in wages, personnel shortages)
- WHO report on carcinogenicity



5.8 million friends gained

Measures

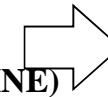
Outcomes

○ Concentrate sales efforts on core products

- Core product sales ratio: 72.9%
- Approx. 34% decline in number of product types (compared to 2011)

○ Strengthen development of sales promotion strategy

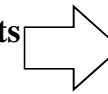
- New customers, customer base expanded (use of LINE)
- "Special present" promotional campaign
Invitation to Precious Night (October 16 booking at Tokyo DisneySea)
- Diamond Horseshoe restaurant, Tokyo DisneySea
Private promotional campaign



Sales volume of sausages and ham
YOY: 103%
 Sales volume of processed food
YOY: 100%

○ Promote personnel saving and volume growth

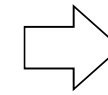
• Man-hour productivity improved in four core plants



YOY
Up 6%

○ Enhance production base and improve productivity in vendor

- 11 plants across Japan achieve growth in production
- Improvement in employment conditions, progress made in personnel saving



Sales volume
YOY: 106%

3-(2). Processed Foods Business in the Year Ended March 2016 2

Income

(millions of yen)

	FYE March 2015	FYE March 2016	YOY	Difference
Net sales	227,398	239,628	105.4%	12,230
Operating income	6,069	9,064	149.3%	2,995

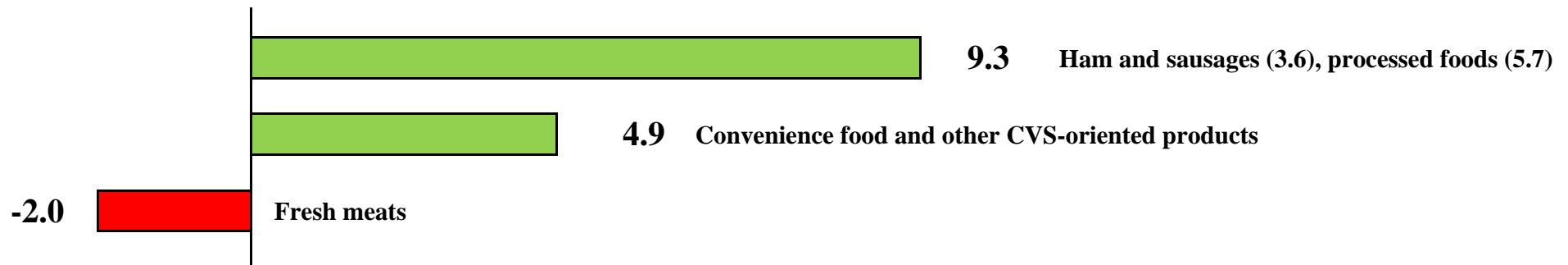
Ordinary income to net sales ratio 2.7% 3.8%



★Sales volume: YOY 113%

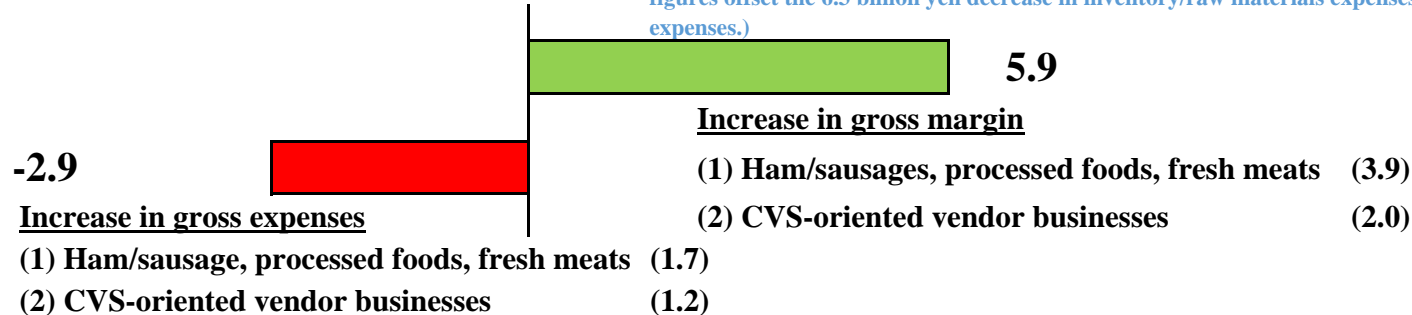
Factors behind earnings figures

★Increase in net sales 12.2 billion yen



★Increase in operating income 3.0 billion yen

(Sales volume and sales price for ham and sausages increased by 2.1 billion yen and 1.5 billion yen, respectively; sales volume and sales price for processed foods increased by 0.1 billion yen and 5.6 billion yen, respectively; sales volume for fresh meats decreased by 2 billion yen; net sales of vendor businesses increased by 4.9 billion yen; these figures offset the 6.3 billion yen decrease in inventory/raw materials expenses and 2.9 billion yen decrease in gross expenses.)



4-(1). Year Ended March, 2016: Fresh Meats Business

Business environment

- Violent fluctuations in overseas fresh meats market
- Prices remained high in Japanese-produced fresh meats market
- Decline in supply of Japanese-produced beef
- Impact of PED (Porcine Epidemic Diarrhea)
- Rise in over-the-counter meat sales prices



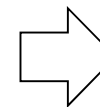
Imported original pork brands

Measures

- Promote sales of Japanese-produced pork and beef
- Promote sales of imported pork and beef

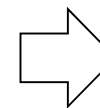
Outcomes

- Sales volume of Japanese-produced pork
- Gross margin of Japanese-produced pork
- Sales volume of Japanese-produced beef
- Gross margin of Japanese beef



YOY: 103%
YOY: 107%
YOY: 102%
YOY: 74%

- Sales volume of imported pork
- Gross margin of imported pork
- Sales volume of imported beef
- Gross margin of imported beef



YOY: 107%
YOY: 127%
YOY: 104%
YOY: 41%

• Recorded appraisal loss for imported frozen beef

4-(2). Year Ended March, 2016: Fresh Meats Business 2

Income

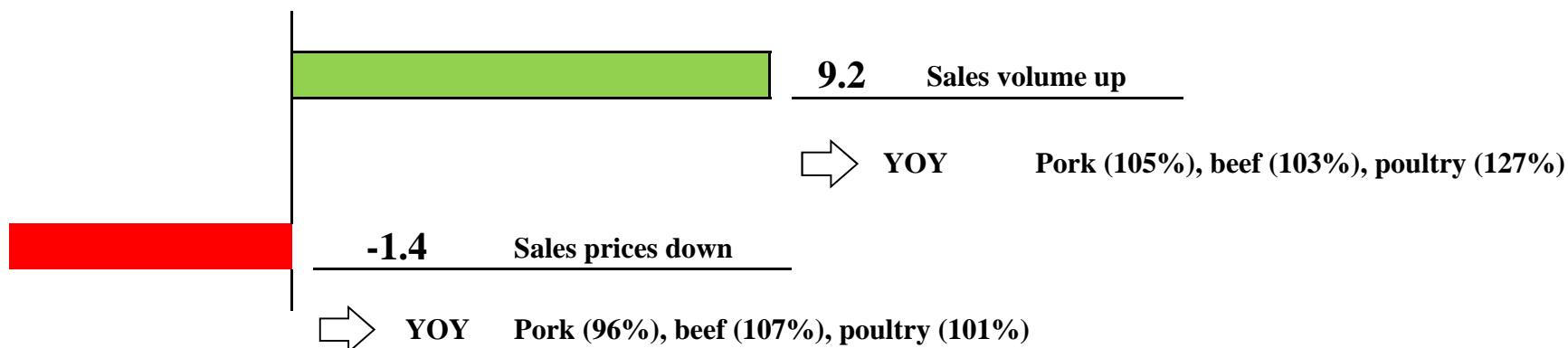
(millions of yen)

	FYE March 2015	FYE March 2016	YOY	Difference
Net Sales	113,507	121,306	106.9%	7,799
Operating incon	1,091	-1,932	-177.1%	-3,023
Ordinary income to net sales ratio	1.0%	-1.6%		

Factors behind earnings figures

★ Increase in net sales

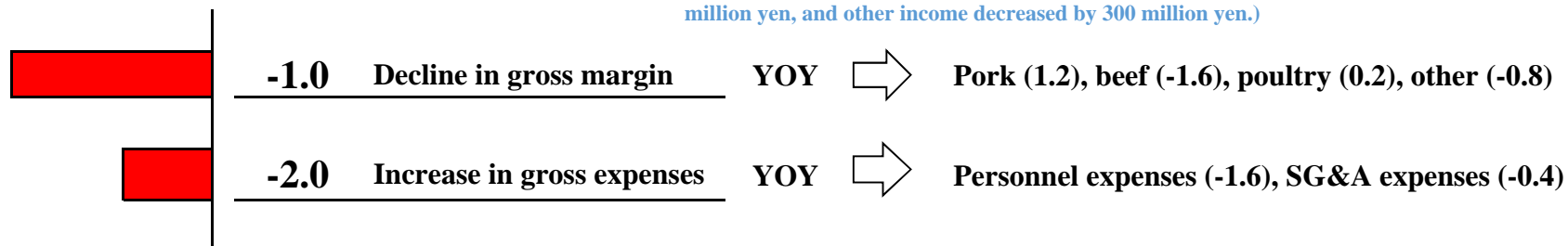
7.8 billion yen



★ Decrease in operating income

-3.0 billion yen

(Profit prices decreased by 2.1 billion yen, sales volume increased by 400 million yen, depreciation and amortization increased by 600 million yen, storage and transport expenses increased by 400 million yen, and other income decreased by 300 million yen.)



5. Consolidated Balance Sheets for the Year Ended March 2016

(millions of yen)

	FYE March 2015	FYE March 2016	Change
Current assets	61,088	69,241	8,152
Noncurrent assets	80,572	84,270	3,697
Gross assets	141,661	153,511	11,850
Current liabilities	60,350	58,669	-1,681
Noncurrent liabilities	24,783	24,806	22
Total liabilities	85,134	83,475	-1,659
Shareholders' equity	42,686	57,282	14,596
Accumulated other comprehensive income	7,261	5,881	-1,379
Minority interests	6,578	6,871	293
Total net assets	56,526	70,036	13,509
Total liabilities and net assets	141,661	153,511	11,850

[Current assets]

- Cash and deposits 1.459 billion yen
- Increase in inventory assets 4.56 billion yen

[Noncurrent assets]

- Increase in property, plant and equipment 6.489 billion yen
(1.158 billion yen in land, 7.486 billion yen in construction in progress, etc.)
- Decline in long-term loans receivable -2.593 billion yen

[Total liabilities]

- Decline in notes and accounts payable-trade -3.515 billion yen
- Increase in short-term loans payable 2.358 billion yen

[Total net assets]

- Increases in capital stock and capital surplus 9.09 billion yen
- Increase in retained earnings 5.511 billion yen

6. Cash Flow and Performance Indicators for the Year Ended March 2016

[Consolidated statements of cash flows]

(millions of yen)

	FYE March 2015	FYE March 2016	Change
Cash flows from operating activities	7,850	4,946	-2,904
Cash flows from investing activities	-10,376	-12,354	-1,978
Cash flows from financing activities	-818	9,347	10,165
Cash and cash equivalents at end of period	4,988	6,927	1,939

[Cash flows from operating activities]

- Recording of depreciation and amortization
6.467 billion yen
- Increase in inventory assets
4.393 billion yen
- Decrease in notes and accounts payable-trade
3.452 billion yen

[Cash flows from investing activities]

- Acquisitions of property, plant and equipment
12.367 billion yen
- Acquisitions of intangible assets
674 million yen

[Cash flows from financing activities]

- Proceeds from issuance of stock
9.09 billion yen
- Procurement of long-term loans payable
3 billion yen
- Repayment of long-term loans
3.265 billion yen

[Performance indicators]

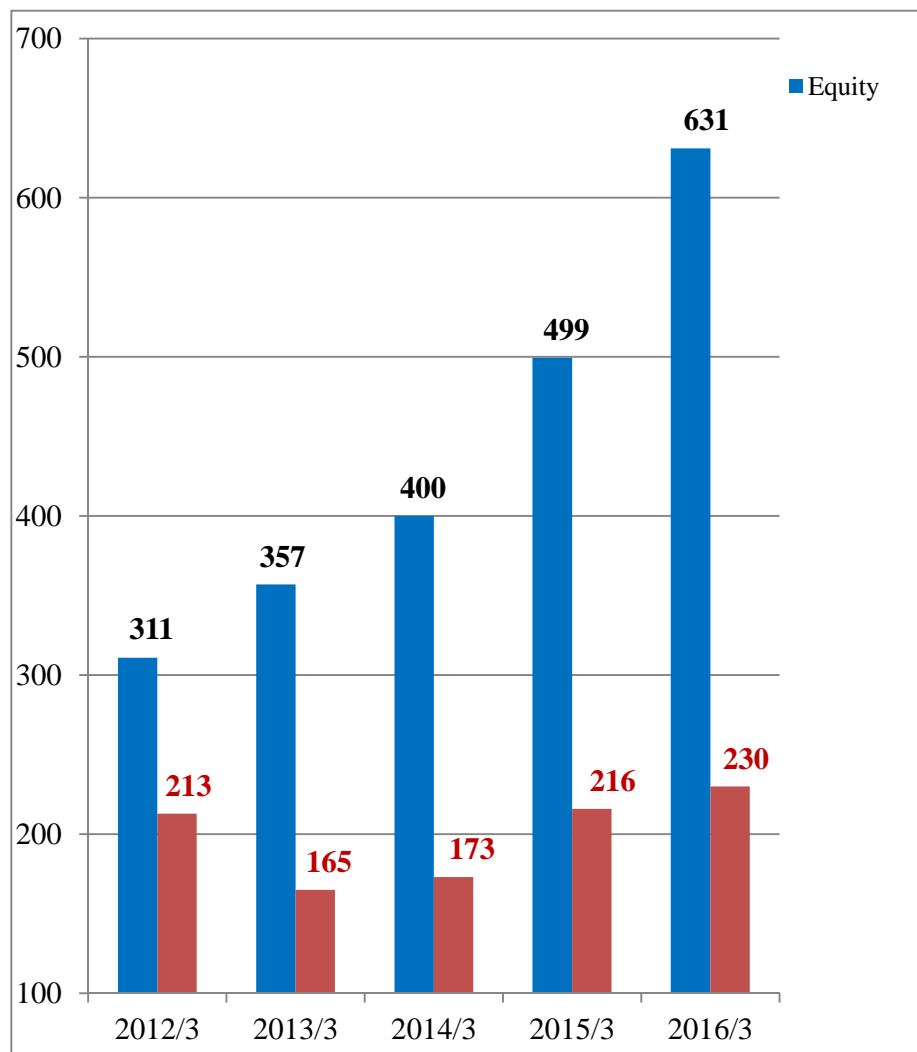
(millions of yen, %)

	FYE March 2015	FYE March 2016	Change
Equity	49,948	63,164	13,216
Equity ratio	35.3	41.1	5.8
Interest-bearing liabilities	21,660	23,025	1,365
Debt equity ratio	0.43	0.36	-0.07

*Equity is total net assets minus minority interests.

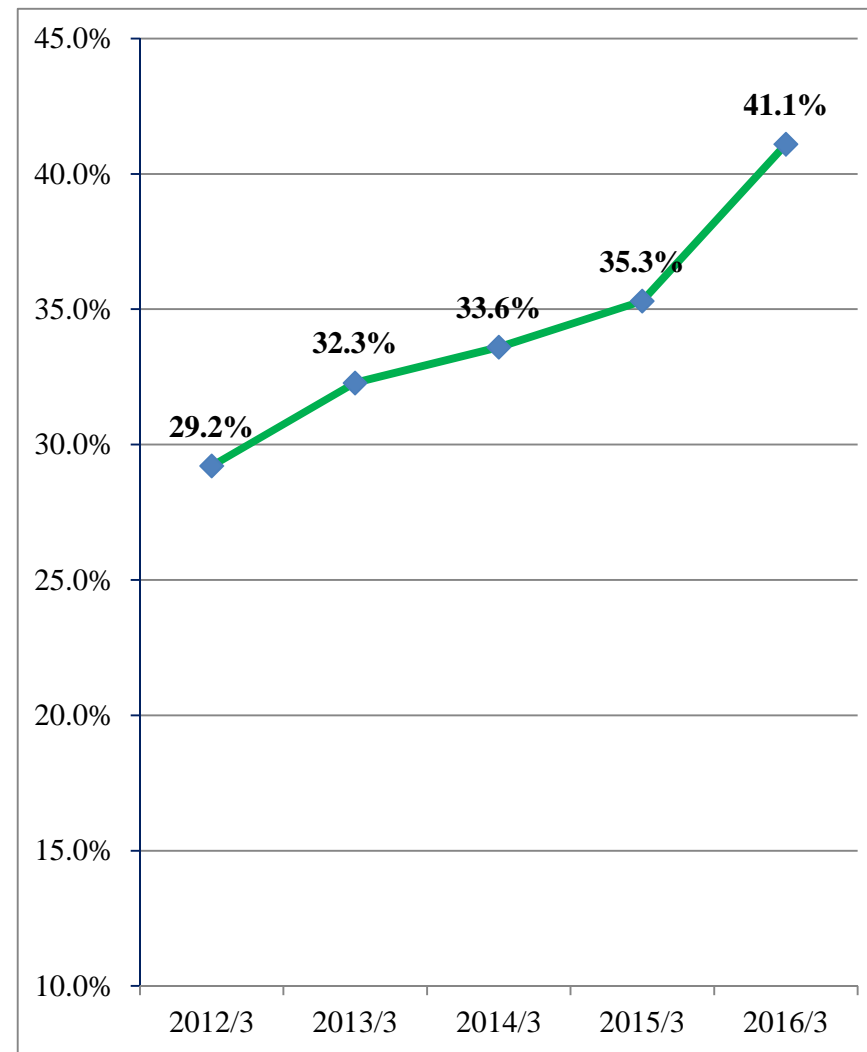
7. Changes in Equity, Interest-bearing Liabilities, and Equity Ratio

Equity and interest-bearing liabilities (hundred millions of yen)



(Note) rounded down to the nearest hundred million yen

Equity ratio



I. Financial Results for the Year Ended March 31, 201(P. 2-12)

**II. Medium-term Business Plan (Rolling Plan)
(FY2016-FY2018) (P.13-19)**

III. Referential Materials (P. 20-29)

1. Management Policy

With a view to being a **company that is indispensable** to our customers, we will comprehensively strengthen our sales and development capacities in order to achieve sales growth and thus bolster our revenue base.

In order to achieve continued growth in the future, we will construct a robust corporate structure through proactive capital investment, and achieve the objectives specified in the rolling plan.

○Basic Policy

Make continuous management innovations through strengthening corporate governance and promoting CSR

Continuous strengthening of quality assurance system

Human resources development, legal compliance, environmental conservation, internal control systems

Further expand the territory of the two existing major business segments and further strengthen their revenue bases

Reform cost structure

Strengthen sales capacity

Merchandise policy from consumers' perspective (peace of mind, safe, tasty, healthy)

Create business and develop globally in order to capture growing markets

Business development in Japan and abroad based on collaboration with ITOCHU Corporation

Develop innovative production technology

Strengthen consolidated management among group companies

2. Consolidated Income Medium-term Business Plan (Rolling Plan)

(Unit: hundred millions of yen)

	Results for FYE March 2016	Forecast for FYE March 2017	Forecast for FYE March 2018	Forecast for FYE March 2019
Consolidated net sales	3,612	3,810	4,010	4,120
Previous medium-term business plan		3,520	3,580	
Operating income	79	90	99	117
Previous medium-term business plan		85	97	
Ordinary income	87	86	97	117
Previous medium-term business plan		87	99	
Net income	64	54	60	75
Previous medium-term business plan		56	61	
Note) Net income = Net income attributable to owners of parent company				
Capital expenditures	141	239	123	78
Previous medium-term business plan	241	158	71	
Depreciation and amortization	65	79	89	86
Previous medium-term business plan	57	82	81	

3. Forecast for FYE March 2017

Results for FYE March 2016

		Q2 (accumulated)	Full year
Processed Foods Business	Net Sales	119,349	239,628
	Operating income	4,237	9,064

Forecast for FYE March 2017

		Q2 (accumulated)	Full fiscal year	(millions of yen, %)	
				YOY	
		126,000	253,000	105.6%	
		4,100	7,500	-1,564	

[Points]

- Ham/sausage and processed foods business → Greater market share will be achieved by further increasing sales volume; gross expenses will be controlled through increased productivity
Ibaraki sausage plant will be completed and commence operations on schedule
- CVS-oriented vendor businesses → Sales will grow in tandem with store expansion; profitability will improve through cost-cutting
A stable workforce will be secured and productivity will improved

		Q2 (accumulated)	Full fiscal year
Fresh meats Business	Net Sales	62,284	121,306
	Operating income	-489	-1,932

		Q2 (accumulated)	Full fiscal year	(millions of yen, %)	
				YOY	
		64,000	128,000	105.5%	
		600	1,500	3,432	

[Points]

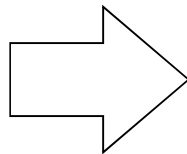
- Improved profits for fresh meats → Profit margin management for each product and rigorous group-wide management
Construction of business mechanisms from procurement to store sales in collaboration with key clients

4-(1). Business Environment and Key Measures (Processed Foods Business) for the Year Ended Mar

Business environment

- Intensification of price competition over customers who are thrifty and who look for low and good value
- Consolidation/oligopolization of distribution, diversification of stores/retail forms, quality improvements among private brands
- Intensifying the diversification of goods and services driven by the increasing number of convenience stores and competitors
- Stabilization of pork prices stemming from strengthening yen and increased pork production in the U.S.

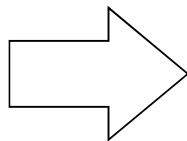
Sales growth, greater market share



Strengthen sales capacity through selectivity and concentration

- Continue to concentrate sales efforts on core products
- Strengthen relationship with key customers through regular promotional campaigns (Utilize Tokyo Disney Resort; book events at Tokyo Disneyland)
- Develop products by making use of innovative production technology
- Strengthen development capacity and productivity among vendor businesses
- Deal with private brands selectively
- Improve brand image by strengthening sales promotion measures

Reduce costs



Continue innovative manufacturing and promote low-cost operation

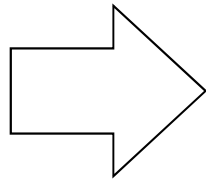
- Develop new technology and reform production processes
- Continue rationalization and personnel-saving investments
- Promote increased efficiency by reducing number of products
- Improve sales-cost ratio among vendor businesses
- Expand capacities of existing plants

4-(2). Business Environment and Key Measures (Fresh Meats Business) for the Year End

Business environment

- Prices remained high in Japanese-produced fresh meats market
- Fluctuations in cost balance because of intensifying global procurement competition
- Changes in supply/demand balance and distribution of meats at a global level
- Consolidation/oligopolization of distribution, diversification of stores/retail forms

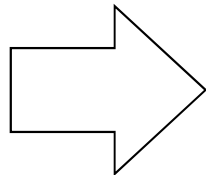
Strengthen sales capacity



Construct sales structure that reflects client changes

- Effectively utilize original brands
- Construct business mechanisms from procurement to store sales
- Construct precise framework that reflects changes and diversification of consumption
- Develop sales activities in collaboration with ITOCHU Corporation

Strengthen procurement/development capacities

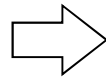


Procurement and product development capable of responding to changes in the business environment

- Further expand business by strengthening upstream businesses that handle the Japanese pork products
- Expand supply sources (Japanese beef) to enable steady supply
- Develop new original brands and uncooked meat products
- Enhance capacity (e.g., packing local fresh meat) of fresh meats plants (Hokkaido)
- Forge relationships with supply sources to correspond with tariff systems such as

5. Initiatives for FY2016 (ending March 2017)

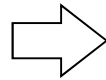
Improve production bases for processing fresh meats



Strategically utilize fresh meats processing centers in Hokkaido and Kagoshima

- Start local cutting/packing operations
- Develop the company's Japanese-produced pork business
- Pork business in Japan to be further integrated

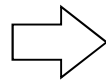
Improve productivity of ham/sausage plant



Stable operation at Ibaraki sausage plant

- Smooth launch and thorough management of schedule leading up to full transfer
- Highlight the new plant's features by organizing plant tours

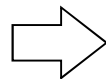
Develop vendor businesses



Launch second plant in Sagamihara

- Manage construction operations leading up to completion date (February 2017)
- Make thorough preparations for transfer from Atsugi plant
- Expand sales territory in Kanto region

Expand sales overseas



Expand sales business in Thailand and China

I. Financial Results for the Year Ended March 31, 2016 (P. 2-12)

II. Medium-term Business Plan (Rolling Plan) (P.13-19)
(FY2016-FY2018)

III. Referential Materials (P. 20-29)

Changes in Consolidated Income

[Consolidated statements of income]

(millions of yen)

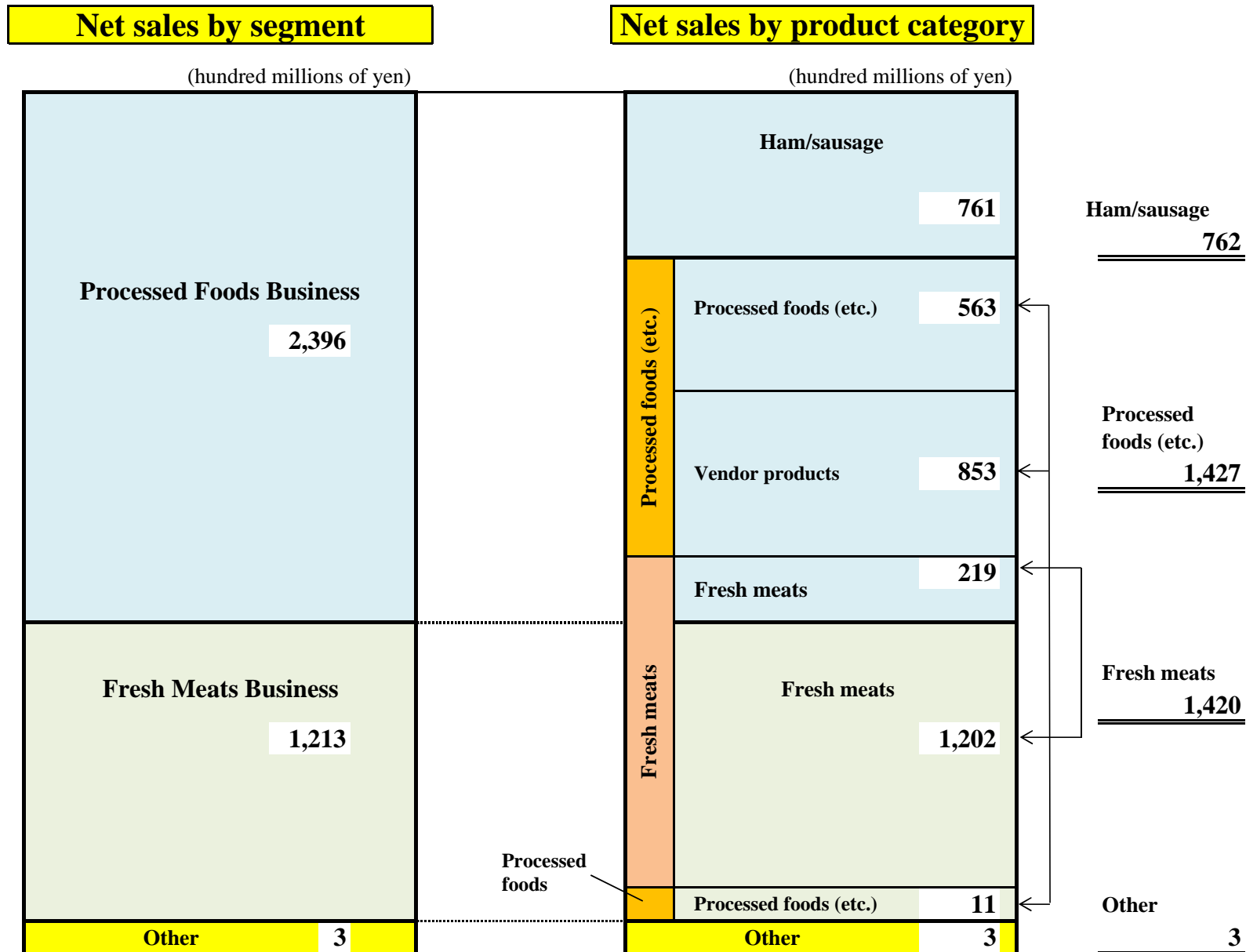
	Segment	FYE March 2014			FYE March 2015			FYE March 2016		
		First half	Second half	Full year	First half	Second half	Full year	First half	Second half	Full year
Net sales	Processed foods	97,891	103,700	201,591	109,872	117,526	227,398	119,349	120,279	239,628
	Fresh meats	49,493	52,184	101,677	53,548	59,959	113,507	62,284	59,022	121,306
	Other business	151	181	332	128	149	277	129	159	288
	Total	147,536	156,064	303,600	163,549	177,634	341,183	181,763	179,460	361,223
Cost of Sales		124,437	131,732	256,169	139,724	153,548	293,272	156,659	154,496	311,155
Gross Profit		23,099	24,332	47,431	23,824	24,087	47,911	25,103	24,964	50,067
Selling, general and adminis		19,051	19,567	38,618	3,676	37,022	40,698	20,955	21,149	42,104
Operating income		4,047	4,766	8,813	3,676	3,537	7,213	4,148	3,815	7,963
Non-operating loss		420	65	485	388	134	522	553	260	813
Ordinary income		4,467	4,831	9,298	4,064	3,671	7,735	4,701	4,078	8,779
Extraordinary income		▲ 667	163	▲ 504	▲ 20	324	304	306	947	1,253
Income before income taxes		3,799	4,995	8,794	4,044	3,995	8,039	5,007	5,022	10,029
Net income		1,488	2,704	4,192	2,188	4,204	6,392	2,847	3,582	6,429

(Reference) Net sales by product category

(millions of yen)

	Product category	FYE March 2014			FYE March 2015			FYE March 2016		
		First half	Second half	Full year	First half	Second half	Full year	First half	Second half	Full year
Net sales	Ham/sausage	32,264	33,146	65,410	35,996	36,542	72,538	39,763	36,429	76,192
	Processed foods (59,409	65,127	124,536	64,881	67,331	132,212	70,169	72,527	142,696
	Fresh meats	55,712	57,610	113,322	62,544	73,611	136,155	71,703	70,344	142,047
	Other	151	181	332	128	149	277	129	159	288
	Total	147,536	156,064	303,600	163,549	177,634	341,183	181,763	179,460	361,223

5. Net Sales Comparison (by segment and by product category) for the Year Ended Mar



Changes in Consolidated Balance Sheets

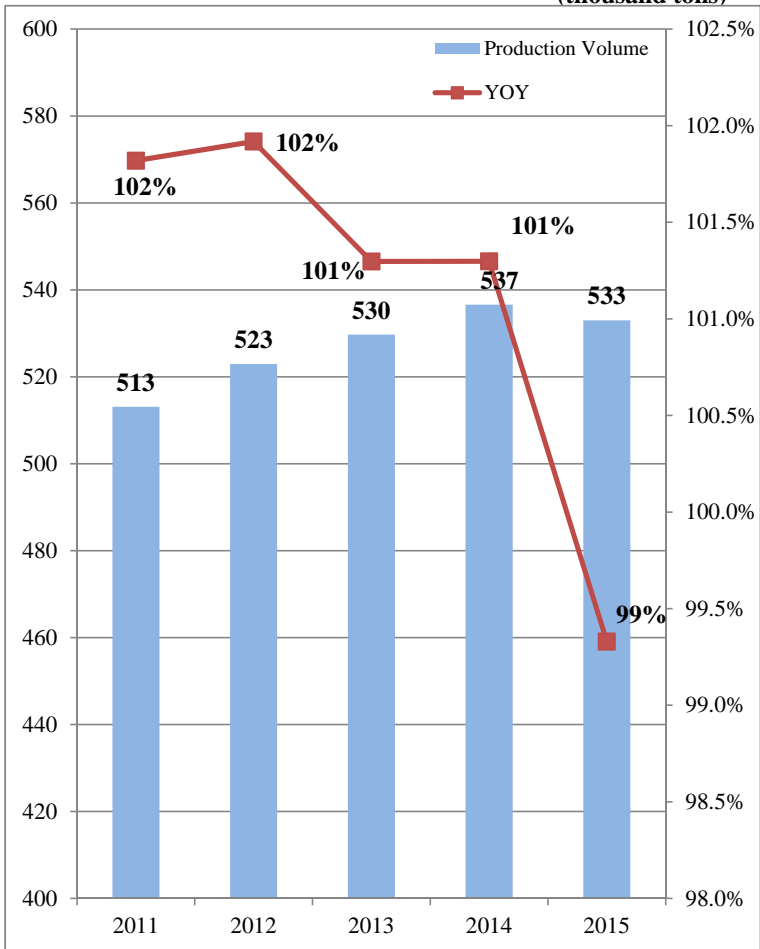
[Consolidated Balance Sheets]

(millions of yen)

	FYE March 2014		FYE March 2015		FYE March 2016	
	End of first half	End of year	End of first half	End of year	End of first half	End of year
Current assets	51,832	51,814	57,728	61,088	57,728	69,241
Noncurrent assets	60,033	67,447	75,682	80,572	75,682	84,270
Gross assets	111,865	119,261	133,411	141,661	133,411	153,511
Current liabilities	49,511	50,275	58,744	60,350	58,744	58,669
Noncurrent liabilities	18,336	21,678	24,619	24,783	24,619	24,806
Total liabilities	67,848	71,953	83,363	85,134	83,363	83,475
Shareholders' equity	33,375	36,178	38,349	42,686	38,349	57,282
Accumulated other	3,523	3,908	4,507	7,261	4,507	5,881
Minority interests	7,118	7,220	7,190	6,578	7,190	6,871
Total net assets	44,017	47,307	50,047	56,526	50,047	70,036
Total liabilities and ne	111,865	119,261	133,411	141,661	133,411	153,511

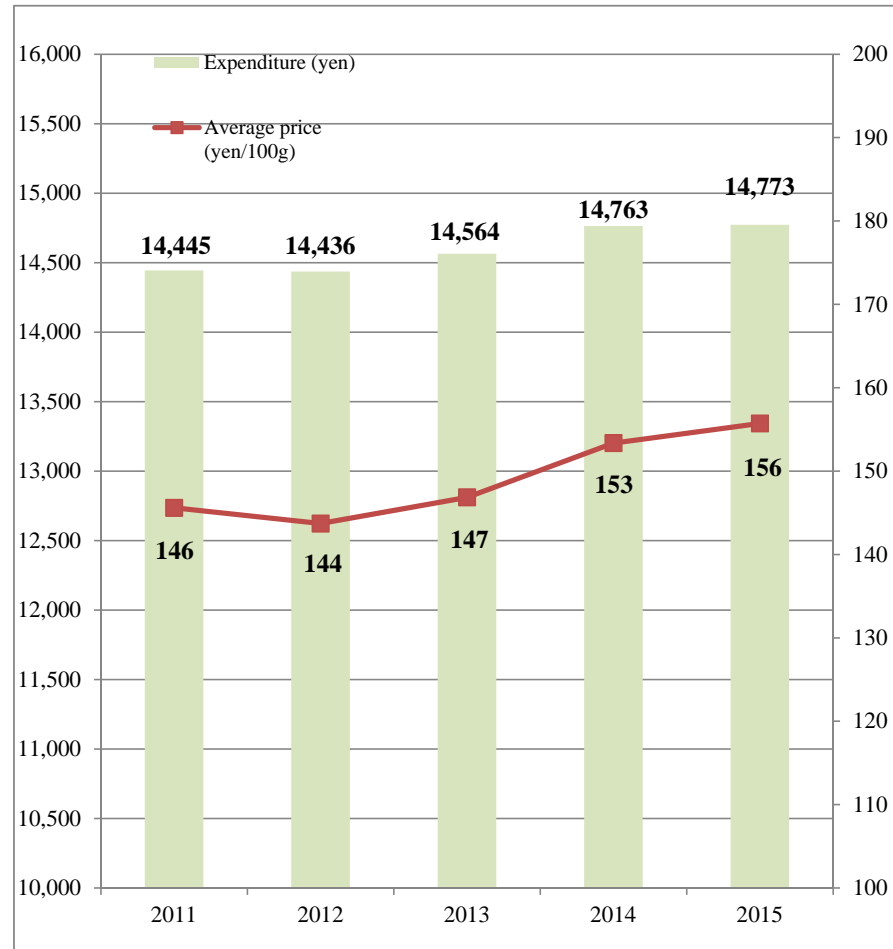
Data on Industry Trends

(1) Change in Production Volume of ham/sausages (Japan)
(thousand tons)



(Note) Data from Japan Ham & Sausage Processors Cooperative Association

(2) Household Expenditure on Ham/sausages (annual figures, taxes excluded)

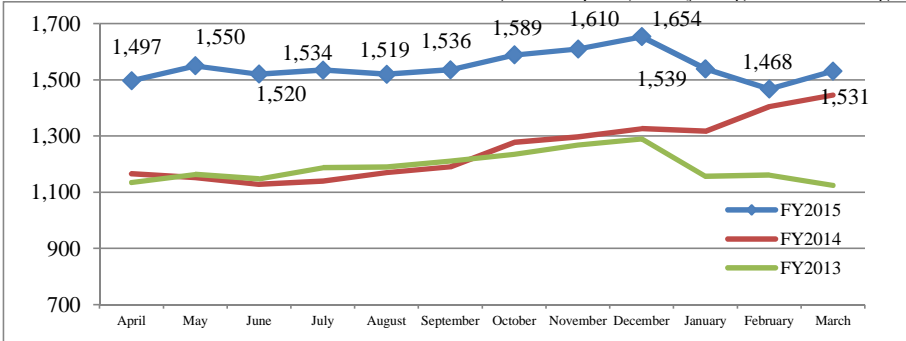


Report on the Family Income and Expenditure Survey, Bureau of Statistics (a nationwide survey of households with two or more members)

Data on Industry Trends 2

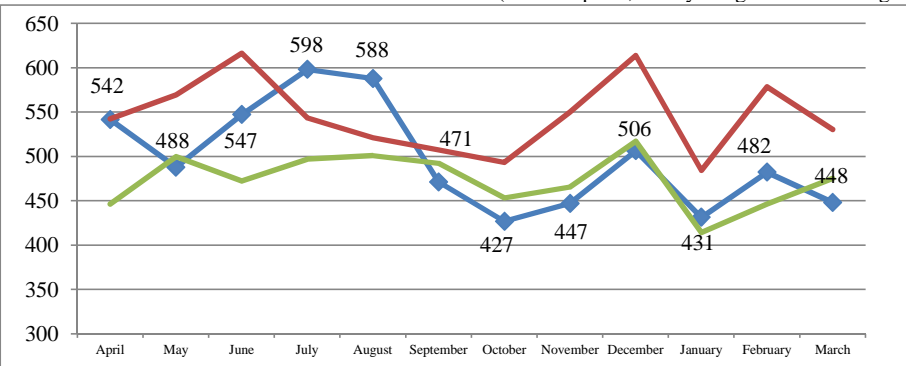
(1) Tax-excluded wholesale price (Tokyo) of B-3 crossbred steers

(Dressed price; unit: yen/kg of carcass weight)



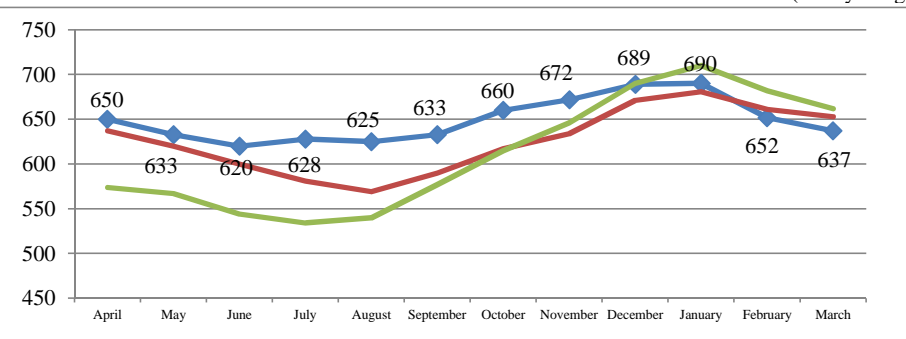
(2) Tax-excluded wholesale price of pork (Tokyo, ministerial ordinance)

(Dressed price; unit: yen/kg of carcass weight)



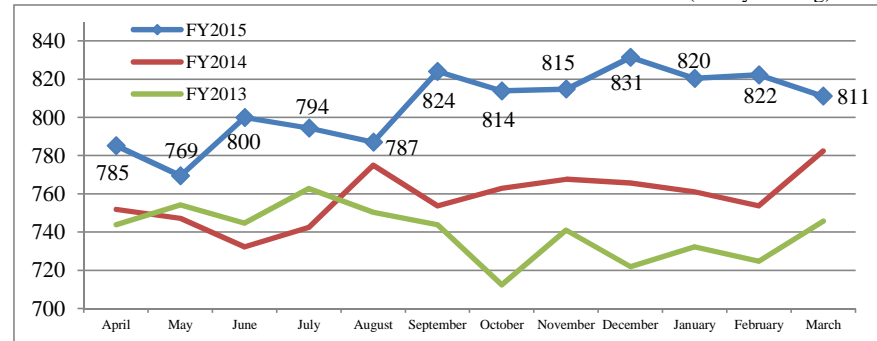
(3) Tax-excluded wholesale price (Tokyo) of chicken (leg)

(unit: yen/kg)



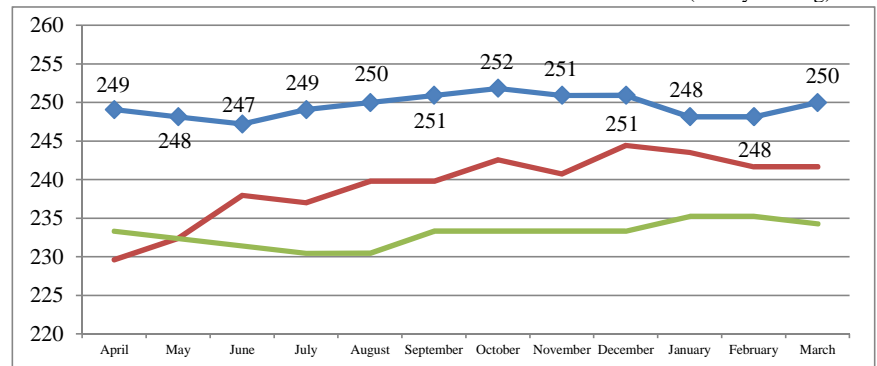
(4) Tax-excluded retail price of Japanese-produced beef loin (Tokyo)

(unit: yen/100g)



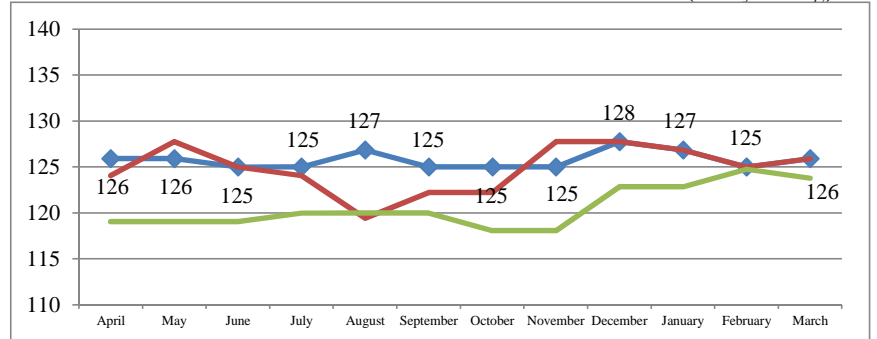
(5) Tax-excluded retail price of Japanese-produced pork loin (Tokyo)

(unit: yen/100g)



(6) Tax-excluded wholesale price (Tokyo) of Japanese-produced chicken (leg)

(unit: yen/100g)



Ministry of Agriculture, Forestry and Fisheries (Survey on Meat Distribution)

Ministry of Internal Affairs and Communications (Report on the Retail Price Survey)

Profile

(As of March 31, 2016)

■ Corporate data

Head office	Shinagawa Seaside West Tower, 4-12-2 Higashi-Shinagawa, Shinagawa-ku, Tokyo		
Representative	Tetsuya Matsui, President and Representative Director		
Detail of business	Manufacture and sale of hams and sausages, fresh meats, processed foods, and other products		
Established	July 9, 1948		
Capital	7,908 million yen		
Fiscal year-end	March 31		
Number of employees	2017 (declined by 52)		
Business sites	(note) Sales bases	6 branch offices	25 sales offices (declined by 1)
	Production bases	4 plants	
Number of group companies (note)	36 (increased by 2)		
	Consolidated subsidiaries	29	
	Companies accounted for using the equity method	7 (increased by 2)	
Number of employees across corporate group	13634 (increase of 215)		
Group bases	Production bases	25 plants (in Japan) 6 bases (overseas)	

(Note)

1. Increase/decrease is in comparison to the end of the previous fiscal year (as of March 31, 2015)

■ Company history

September 1931	Takegishi Ham Company founded in Kanazawa
July 1948	Takegishi Livestock Co., Ltd. founded in Takaoka
August 1962	Listed on the first sections of the Tokyo Stock Exchange and Osaka Securities Exchange
May 1965	Name of company changed to Prima Meat Packers, Ltd.
March 1984	Becomes official sponsor of Tokyo Disneyland
April 2004	Mie plant gains ISO14001 certification
March 2005	Becomes official silver sponsor of professional baseball team Tohoku Rakuten Golden Eagles
April 2005	Head office and other production plants gain ISO14001 certificatio
May 2007	Four plants across Japan (ham/sausage) gain ISO22000 certificatio
July 2008	Processed foods plants and distribution centers gain ISO22000 certification (total of 26 business centers)
April 2010	Becomes official gold sponsor of professional baseball team Tohoku Rakuten Golden Eagles
September 2011	80th anniversary of company's foundation
November 2014	Official sponsorship agreement with LAGUNA TEN BOSCH

Corporate Group Data

(as of March 31, 2016)

