
Itoham Group

New Medium-term Management Plan

Fiscal 2008 ~ 2010

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Corporate Philosophy

Management Vision

I-1 Corporate Philosophy

Mission

The Itoham Group will communicate the joy, excitement and importance of “food” as the foundation of a healthy lifestyle through the provision of products and services imbuing value.

Management Stance

- We practice rigorous compliance (adherence to corporate ethics) and highly transparent management, aiming to be a company trusted by society.
- We will deliver safe and reliable products to customers.
- We will conduct corporate activities in an environmentally responsible manner.
- We believe that employees are an important asset of a company and therefore aim to create a lively and challenging workplace that emphasizes ability and results.

Code of Conduct

- We conduct activities in observance with all laws and ordinances and corporate regulations, and with a social conscience.
- We conduct free and vigorous discussions and implement decisions immediately, seeing them through to the end.
- We act voluntarily and constantly embrace new ideas without being constrained by convention.
- We practice the principle of individual responsibility based on an enduring spirit of being strong, ethical and reliable.

I-2 Management Vision

We aim to be a company known for its high-quality management.

- We will strive to remain a permanent part of the business landscape with compliance (adherence to corporate ethics) as our management touchstone.
- We will manage the company in a highly transparent way by properly practicing corporate governance.
- We will promote activities that contribute to society and with consideration for the environment.

We aim to maximize corporate value through continuous earnings growth.

- We will strengthen our fresh meat business and processed foods business, centered on meat products, as well as step up efforts in growth fields where we can expect to capture synergies in order to continually raise earnings.
- We will promote low-cost management to build an earnings structure that is less susceptible to the external operating environment.
- We will develop business in overseas markets in pursuit of new growth.

We aim to create a lively corporate culture elevated by a spirit of challenge.

- We will emphasize speed and the elimination of wasteful practices in managing the company via an organization that is flexible and efficient.
- We will promote the development and upskilling of our people and foster a lively corporate culture by moving people around the organization.

I-3 Business Domains

Core Domains

Ham and sausages
Meat products
Processed foods, centered on meat

Satellite Domains

Direct-sales business in department stores, etc.
Dairy products
Noodles

Supporting Domains

Import agent services
Distribution
Temp services
Insurance agency

Social Domain

Ito Cultural Foundation
(culture and regional development)
Ito Memorial Foundation
(academic development)

Revitalization Plan

Ended March 2008

II-1 Revitalization Plan Overview

Management Environment

External factors

- Surging raw material costs
- Falling sales prices

Internal factors

- Lower operating income
- Inadequate measures to reform unprofitable operations
- Lack of focus on cash flow management

Results for Year Ended March 2006 (¥ billions)

	Consolidated	Non-consolidated
Operating income	-3.9	-5.6
Ordinary income	-2.5	-4.0
Net income	-8.3	-11.8

Goal

Rapidly pull the Company out of a critical management situation and make management more robust so that it recovers its former strength.

Minimum Targets for March 2008 Fiscal Year

(¥ billion)

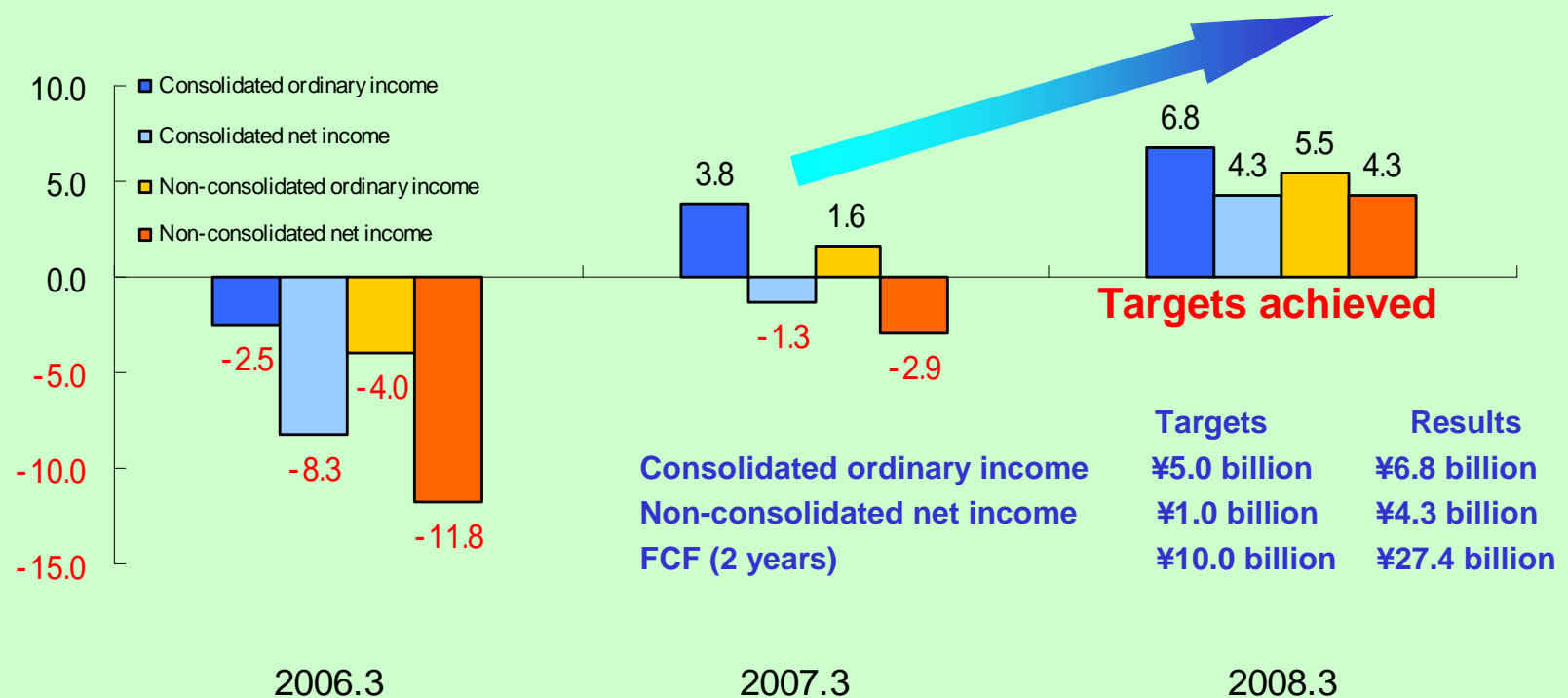
	Consolidated	Non-consolidated
Operating income	3.5	1.0
Ordinary income	5.0	2.5
Net income	2.5	1.0
Free cash flow	10.0	

II-2 Revitalization Plan Results

Strategy and Priority Policies Improvements

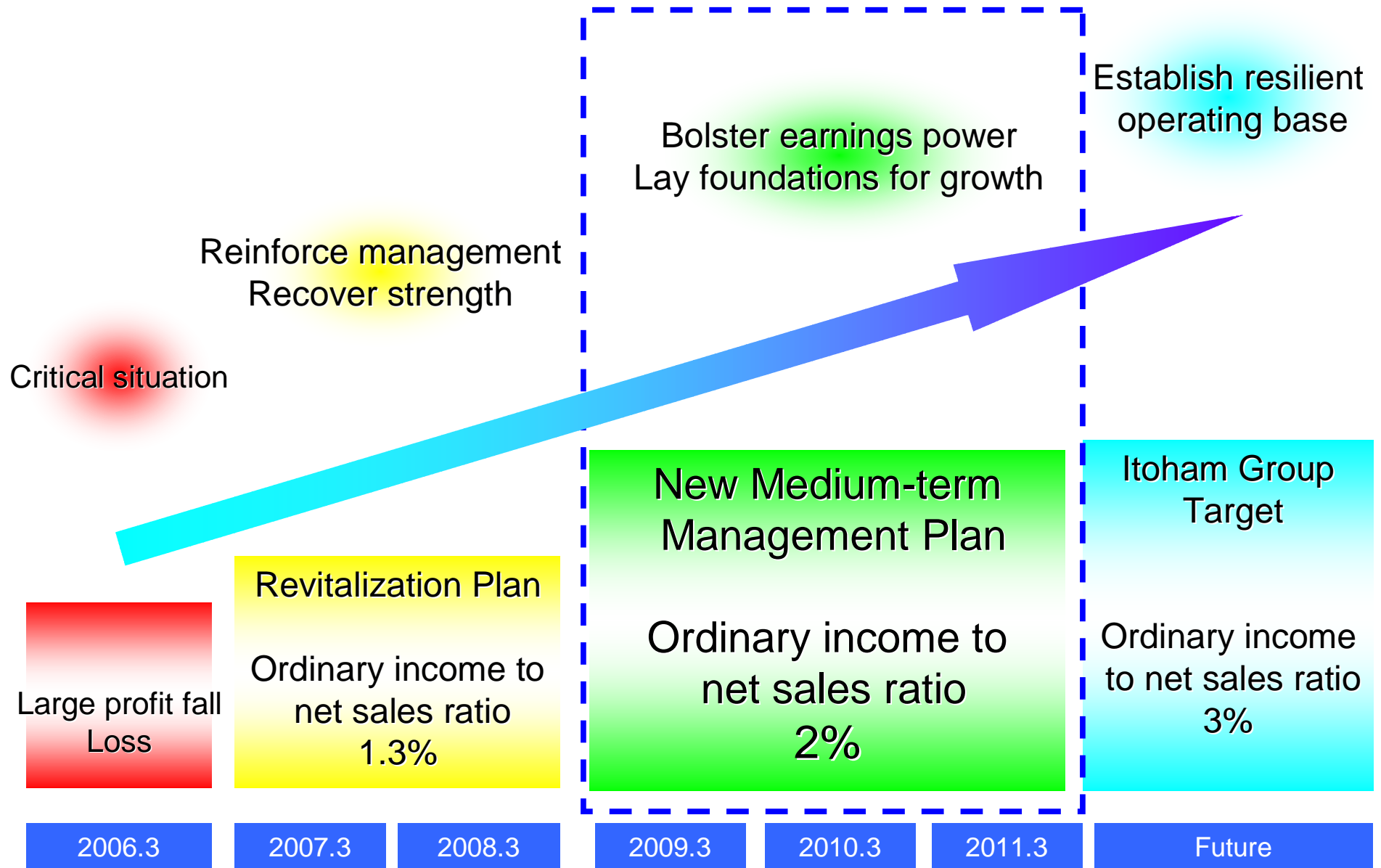
- Reduce costs ¥6.8 billion
- Improve profitability of processed foods business ¥1.9 billion
- Concentrate on core businesses ¥0.7 billion

Earnings Trends



New Medium-term Management Plan

III-1 Positioning



III-2 Analysis and Response to Operating Environment

Macro Environment

- Declining population and ageing society
- Increasing risk of cost increases due to soaring raw materials prices
(In year ending March 2009, expecting increases of ¥1.0 billion and ¥2.0 billion in main raw materials and secondary materials, respectively)
- Increasing corporate responsibility for the environment
- Increasing globalization propelled by WTO and FTA negotiations, etc.

Market Environment

- Changing consumer mix and diversifying consumer needs
- Rising consumer interest in food safety, reliability and quality, and greater corporate accountability for illegal acts
- Changing structure of market and distribution due to retailer reorganization

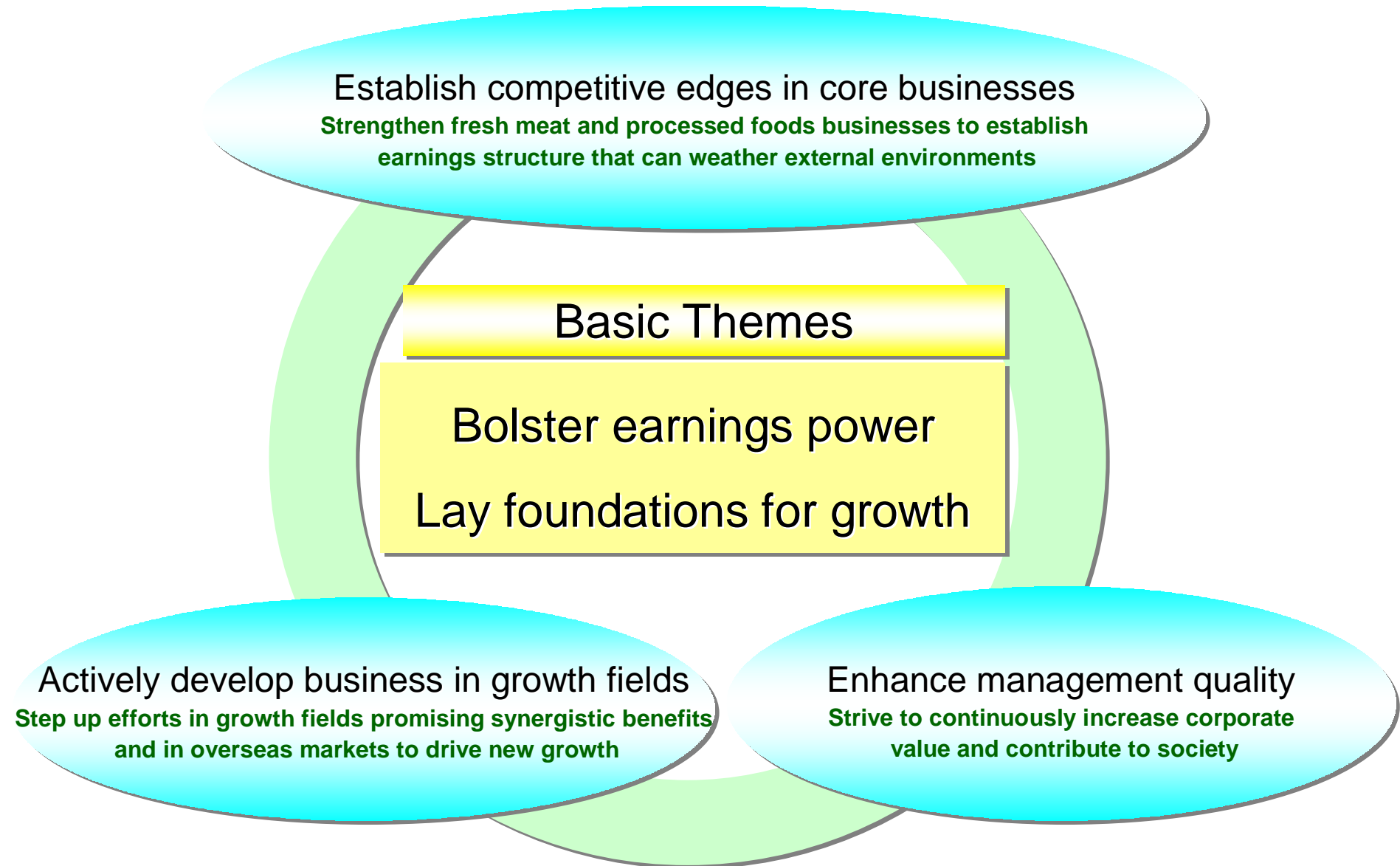
Competitive Environment

- Expanding imports of foreign products
- Saturation of meat market, intensifying competition

Responses

- Rigorously enforce compliance
- Pursue higher levels of quality and safety
- Develop high-value-added products
- Aggressively develop business in overseas markets
- Invest business resources in growth businesses
- Cut fixed costs to lower expenses

III-3 Basic Strategies



III-4 Business Strategies

Ham and Sausage Business

Strengthen product development and brand power

- Bolster R&D capabilities (Strengthen functions and cooperation at Itoham Central Research Institute in core businesses)
- Upgrade marketing capabilities (Strengthen market research)

Raise cost competitiveness

- Restructure production bases (Build an optimal production base network)
- Lower costs (Raise productivity and reduce number of product items)

Strengthen sales capabilities

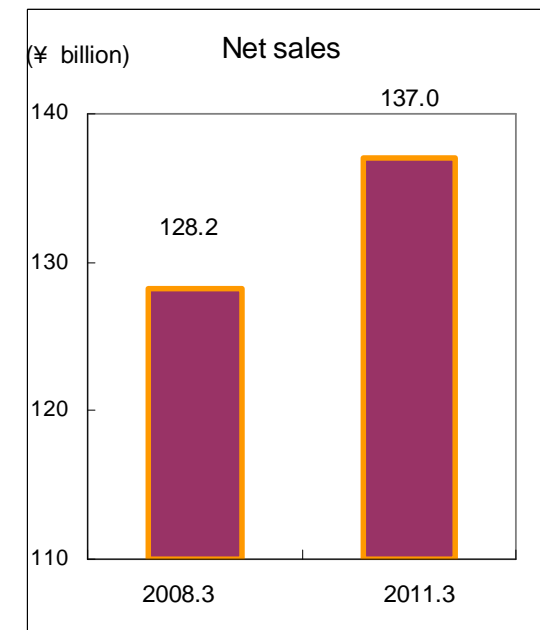
- Develop a sales base system that doesn't carry stock (Reduce inventories, strategically position bases)
- Build a sales system for each sales channel (Respond to market needs)

Strengthen system for procuring raw materials for processing

- Build a global procurement framework in view of WTO, FTA and other system reforms.

	2008.3	2011.3
Net sales	¥128.2 billion	¥137.0 billion

*Average growth over 3 years of 2.2%



III-4 Business Strategies

Processed Foods Business

Strengthen efforts in the ready-to-eat meal and restaurant markets

- Offer high-quality, reasonably priced products (Expand overseas procurement bases)
- Build a nationwide organization (Strengthen ability to respond to nationwide companies)

Bolster product development and proposal capabilities

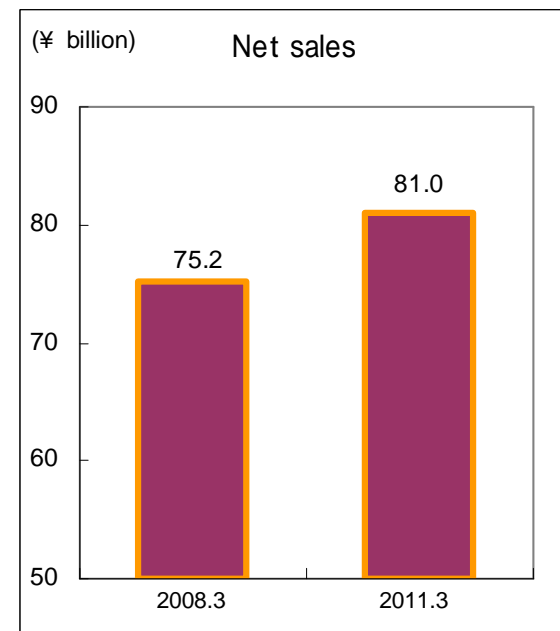
- Develop products in a timely fashion (Develop alliances with other types of business)
- Strengthen proposal-based sales (Increase specialization via sales systems for each sales channel)

Raise cost competitiveness

- Narrow focus onto own products (Streamline product lineup)
- Establish optimal supply system (Utilize partner factories)

	2008.3	2011.3
Net sales	¥75.2 billion	¥81.0 billion

*Average growth over 3 years of 2.5%



III-4 Business Strategies

Fresh Meat Business

Improve earnings structure via brand strategy

- Strengthen integration of operations in Japan by expanding alliances with cooperating farms (Respond to recovery in demand for home-grown produce, differentiate business via brand strategy rooted in quality)
- Reform business model for producing Itoham brand beef overseas (Rebuild production and sales strategies emphasizing earnings)

Increase cost competitiveness

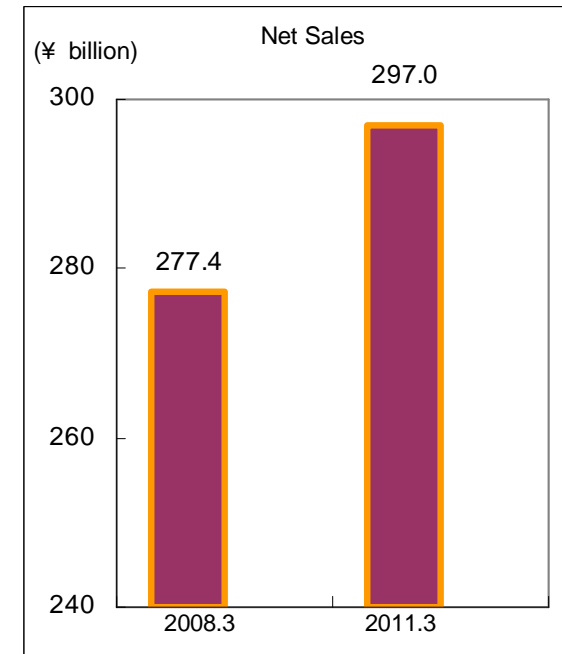
- Restructure production bases (Review unprofitable factories)
- Rebuild sales system (Integrate sales bases, promote PS)
- Lower ratio of sales and general expenses (Streamline back-office operations)

Upgrade risk management

- Enhance response to food traceability (Obtain further ISO 22000 certifications)
- Optimize inventories (Enforce “Safety Allowance Procurement”)

	2008.3	2011.3
Net sales	¥277.4 billion	¥297.0 billion

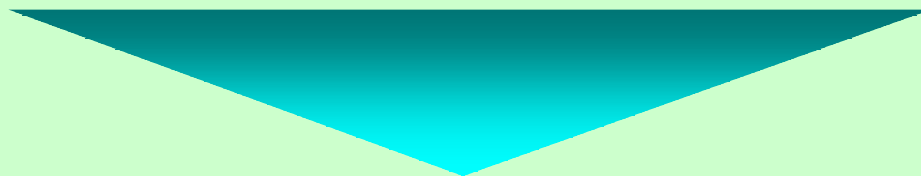
*Average growth over 3 years of 2.3%



Other Products

Continuing on from the Revitalization

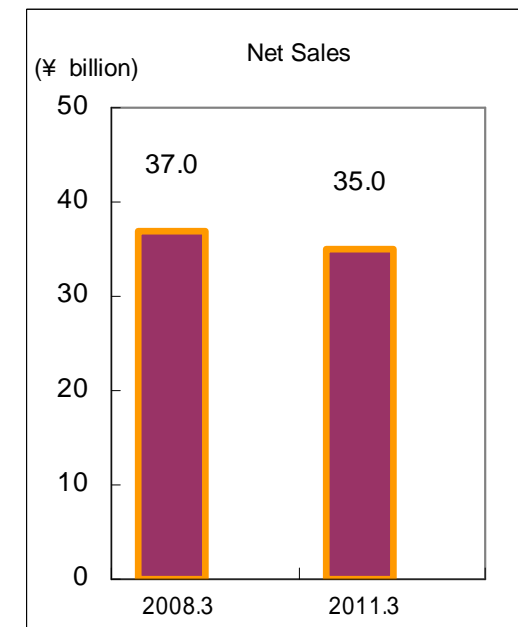
Plan, exit or downsize non-core and unprofitable businesses



Step up efforts to enter business fields promising synergistic benefits

	2008.3	2011.3
Net sales	¥37.0 billion	¥35.0 billion

*Average growth over 3 years of -1.9%



III-5 Management Initiatives

Restructure Production Bases

Build an optimal production base network for processed foods

Purpose

To develop a production system to efficiently provide customers with high-quality, safe and reassuring products .

1st step

Restructure production bases in Eastern Japan with construction of **New Kanto Factory (tentative)**

Start of construction fiscal 2011  Planned start of operations fiscal 2013

Future

Have core plants in Eastern and Western Japan, with satellite plants complementing the two main sites to meet needs across the length and breadth of Japan.

- * Ham and sausages . . . Produce at every base
- * Processed foods . . . Produce at 2 bases in Eastern and Western Japan

III-5 Management Initiatives

Restructure organization

Build a resilient operating base by growing two core businesses

Restructuring details

Integrate production and sales in processed foods business as in fresh meat business

Goals

Strengthen earnings power

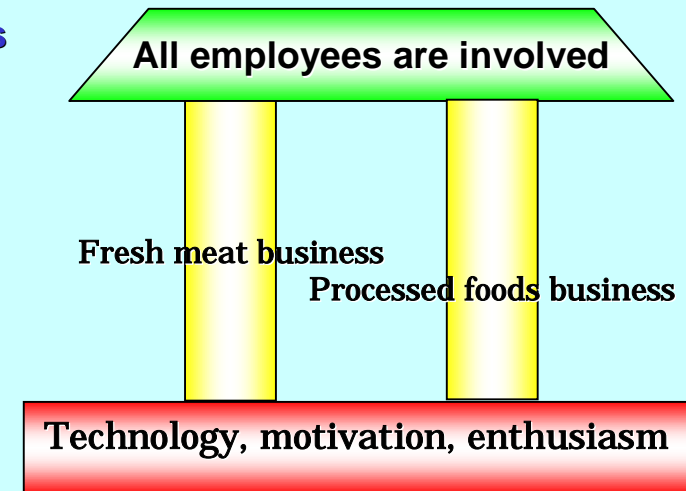
Maximize earnings via comprehensive management of earnings in production and sales businesses

Strengthen product development capabilities

Plan and develop products in a timely fashion from the consumers' viewpoint

Strengthen overseas business

Actively develop production and sales businesses overseas



III-5 Management Initiatives

Overseas Strategy

Bolster overseas sales of processed foods

- Expand Itoham brand in China and ASEAN region

China ➡ Expand sales channels beyond Beijing and Shanghai
ASEAN ➡ Sell in department stores and supermarkets, mainly in Thailand (Bangkok)

- Promote local production and sales under business alliances



Strengthen overseas sales of fresh meat

- Expand sales network for Itoham brand beef overseas

Expand sales further in Australia

Expand sales channel outside Australia

➡ South Korea, U.S., China, Thailand, Russia, etc.

- Expand Japanese beef (wagyu) exports

Japan ➡ U.S., Canada, Hong Kong, etc.



III-5 Management Initiatives

Raising Management Quality

Fulfill corporate responsibilities (Step up CSR-oriented management)

- Rigorously ensure compliance
- Relentlessly pursue higher quality and safety
- Contribute to society through food, e.g. environment, food education

Ensure management transparency (Strengthen corporate governance)

- Clarify responsibilities for management and execution
- Operate reliable internal controls, and further improve them
- Disclose information to stakeholders as appropriate in a timely manner

Foster a lively corporate culture (Personnel development and stimulation)

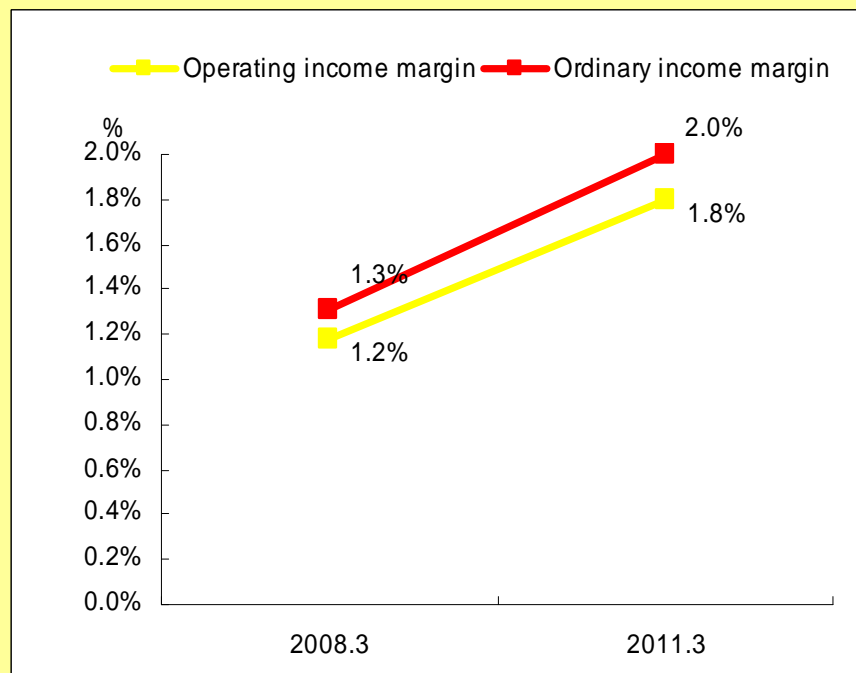
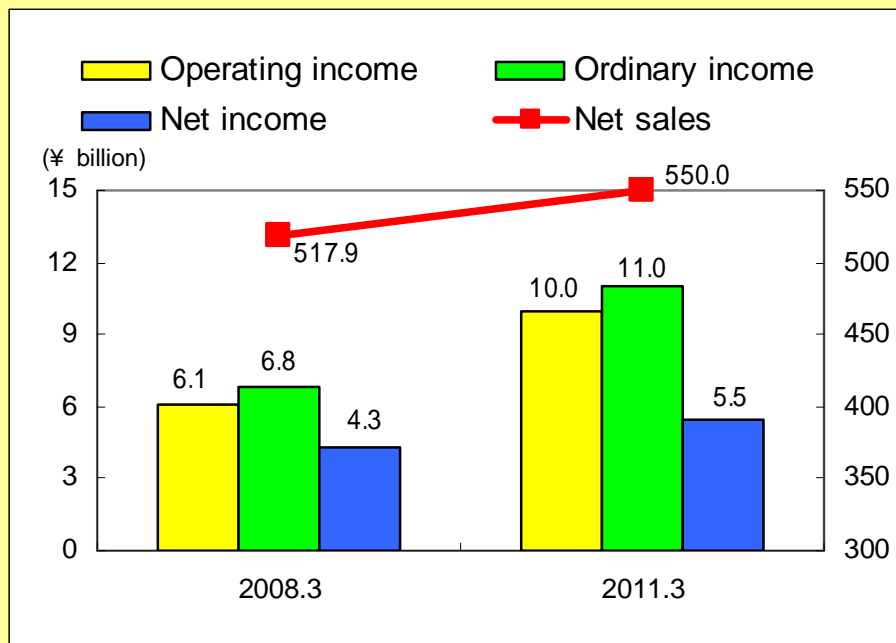
- Instill a performance mindset by creating fair personnel systems based on roles and contribution
- Develop individuals' skills and future leaders via an enhanced personnel development program
- Stimulate employees' motivation and enthusiasm through systems and initiatives that foster a culture of praise

III-6 ① Targets

Consolidated Targets

	2008.3	2011.3
Net sales	¥517.9 billion	¥550.0 billion
Operating income	¥6.1 billion	¥10.0 billion
Ordinary income	¥6.8 billion	¥11.0 billion
Net income	¥4.3 billion	¥5.5 billion

	2008.3	2011.3
Operating income margin	1.2%	1.8%
Ordinary income margin	1.3%	2.0%



III-6 ② Targets

Targets by Business

	2008.3	2011.3
Net sales	¥517.9 billions	¥550.0 billions
Ham and sausages	¥128.2 billions	¥137.0 billions
Processed foods	¥75.2 billions	¥81.0 billions
Fresh meat	¥277.4 billions	¥297.0 billions
Other products	¥37.0 billions	¥35.0 billions

