

(Translation)

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### **Preparation of Share Transfer Plan for Establishment of Joint Holding Company (Joint Share Transfer) by Itoham Foods Inc. and Yonekyu Corporation**

Based on the “Basic Agreement on Management Integration” concluded on September 15, 2015, Itoham Foods Inc. (hereafter Itoham) and Yonekyu Corporation (hereafter Yonekyu) have, with resolution by respective Board of Directors Meeting, jointly prepared a Share Transfer Plan on establishing of “Itoham Yonekyu Holdings Inc.” as the wholly owning parent company through share transfer (hereafter Share Transfer) to be incorporated on April 1, 2016 (hereafter Incorporation Date).

#### **1. Background and Objective of the Integration**

With the economic stimulus of Abenomics, personal spending as a whole has shown steady growth and there is brightness within big-ticket items. On the other hand, there is still strong demand for low prices for food and daily living articles. Along with the restructuring of the retail sector and the general agreement of the TPP negotiations, there will continue to be fierce competitions among companies as well as changes in the market situations, which leaves less room for optimism. Our industry faces tough situation where increased global demand for meat and a weaker yen are causing high meat prices, increasing raw material costs. The domestic market is showing an expansion in the ready-made sector with more women in the work force and increases in single person household. The overseas market is showing increased demand in meat related products, especially in Asia, as the number of middle-income class expands. It is necessary to explore markets that show growth potentials.

Under these circumstances, Itoham Group, now in its final year of “CNV 2015” mid-term management plan, has endeavored to adopt to changes in the market, strengthen its corporate and product brand images, increase its cost competitiveness and increase its standing as a national brand manufacturer to accelerate its growth strategy. In March this year, Itoham affiliated ANZCO Foods by increasing its share holding. With the affiliation, sales into the global market, especially in Asia, have increase dramatically. Along with increased sales and profits, it has become a huge step in Itoham’s management vision of “to become the most trusted manufacturer of processed meat in Asia.” Itoham will build on this base and continue to increase its overseas sales. In the domestic front, Itoham will supply products with value as a national brand manufacturer and strive to realize a continuous growth as a group. Itoham had recognized that the challenge lies in the need for high mobility in making proposals to the dine-out/ready-made sectors, increased cost competitiveness and stronger value chain in the meat division to ensure steady growth in the future.

On the other hand, Yonekyu, now in its 5<sup>th</sup> mid-term management plan, is taking on, as a group, the task of sorting out its business operations and restructuring / strengthening.

Yonekyu has expanded its business by increasing manufacturing lines, expanding meat production business and strengthening sales structures. It has also improved its profitability by reorganizing its operations, improving productivity, improving logistics efficiency and tight profit and loss management. These efforts have cumulated in record profits last fiscal year. This year, being the 50<sup>th</sup> year of operation, Yonekyu is actively executing its operations based on its management philosophy of “creating enjoyable dining experience for every consumer and furthermore enriching their lives through such experiences” to realize continuous growth. Yonekyu had recognized that the challenge lies in the necessity to increase production capacity and sales foothold without jeopardizing cost competitiveness in order to realize the above themes.

Through the recognition of the respective challenges, Itoham and Yonekyu have been discussing under the common recognition for the need to establish a “Further Aggressive Management Strategy.” Itoham and Yonekyu have concluded that it was necessary to increase business size, and at the same time, bring together the strength of both companies to create a synergy effect, and have agreed upon the Integration.

The following synergy effect is foreseen.

Firstly, Itoham’s strength is in its consumer products for the processed food division and beef and pork in the meat division. Itoham has production, logistics and sales bases throughout Japan. Yonekyu’s strength is in its products for establishment use for the processed food division and pork and poultry for the meat division. Yonekyu’s production bases are located in Kanto, Tokai area. By strengthening and complementing the distinguished characteristics, production and sales volume would increase. And by improving capacity utilization of the supply chain beginning from production to sales and securing cost competitiveness, a further aggressive business development would be possible.

Secondly, by utilizing the scale merit created by the Integration, it may be possible to secure outside materials including raw materials for production efficiently and at a lower cost thus improving profitability.

Thirdly, cost reductions by means of reorganizing and maximizing the efficiency of the logistics and back-office operations as well as product development and creation of new values that may have had limits when done individually would be possible allowing for further cost reductions and stronger product presentations.

Under these principles, Itoham and Yonekyu will take on various measures to with challenging spirit through these tough environments to ensure continuous growth and increase corporate value by continuing to supply products with value.

## 2. Outline of the Integration

### (1) Procedure of Share Transfer

Joint share transfer where Itoham and Yonekyu become wholly owned subsidiaries and the Incorporated Joint Holding Company becomes the wholly owning parent company.

### (2) Schedule of Share Transfer

Board resolution on conclusion of Basic Agreement on Management Integration (both companies)	September 15, 2015
Conclusion of Basic Agreement on Management Integration (both companies)	September 15, 2015
Board resolution on Share Transfer Plan (both companies)	November 6, 2015
Record Date regarding the extraordinary shareholders meeting (both companies)	November 21, 2015 (Scheduled)
Extraordinary shareholders meeting to approve share transfer plan (both companies)	January 26, 2016 (Scheduled)
Delisting of stocks (both companies)	March 29, 2016 (Scheduled)
Incorporation of Joint Holding Company	April 1, 2016 (Scheduled)
Listing of Joint Holding Company	April 1, 2016 (Scheduled)

Schedule may change as necessary.

(3) Share allocation related to Share Transfer

	Itoham	Yonekyu
Share Transfer Ratio	1	3.67

(note 1) Details of share allocation related to Share Transfer

1 share of common stock of the Joint Holding Company for 1 share of Itoham common stock, 3.67 shares of common stock of the Joint Holding Company for 1 share of Yonekyu common stock will be allocated. Should there be a situation where the share of the Joint Holding Company allocated to current Itoham and Yonekyu shareholders has a fraction of a share, The Joint Holding Company will, pursuant to Article 234 of the Companies Act of Japan and other relevant laws and regulations, pay the relevant shareholder a cash amount corresponding to the fractional shares attributed to such fraction.

The Share Transfer Ratio as stated above may change through discussions between the companies should there be major changes in conditions where the calculation is based.

One unit of the shares of the Joint Holding Company shall consist of 100 shares.

(note 2) Number of newly issued Joint Holding Company Shares to be delivered through the Share Transfer (Scheduled)

297,277,894 shares of common stock

The number of newly issued Joint Holding Company shares to be delivered through the Share Transfer has been calculated based on the total number of issued and outstanding shares of Itoham (247,482,533 shares as of March 31, 2015) and those of Yonekyu (28,809,701 shares as of February 28, 2015), provided however, that Itoham and Yonekyu plan to cancel all of their treasury shares, to the extent practicable, as of the day immediately preceding the effective date of the Share Transfer. Accordingly, the treasury shares Itoham held as of March 31, 2015 (43,306,802 shares) and Yonekyu held as of February 28, 2015 (3,441,264 shares) have not been included in calculating the above number.

Because Itoham and Yonekyu plans to cancel treasury shares repurchased by them by the day preceding the date of Share Transfer, to the extent practicable, the number of newly issued Joint Holding Company shares to be delivered through the Share Transfer may change.

(note 3) Notes regarding to shares less than one unit

Should the shareholders of Itoham or Yonekyu be allocated less than one unit shares of the Joint Holding Company, the shareholder will not be able to sell the said share at the Tokyo Stock Exchange or other financial instruments exchanges. In such case, the shareholder may request the Joint Holding Company to purchase those shares less than one unit.

Shareholder may elect to purchase from the Joint Holding Company shares necessary to comprise one unit.

(note 4) Calculation of Share Transfer Ratio

The reasoning behind the calculation, relationship with the appraisers, basis of valuation, de-listing of Itoham and Yonekyu shares, measures to ensure fairness and measures to prevent conflict of interests has not changed from "the Announcement of Basic Agreement on Management Integration through Establishment of Joint Holding Company (Joint Share Transfer) by Itoham Foods Inc. and Yonekyu Corporation" of September 15, 2015 and its amendment announced the same day. Both companies have decided not to change the share transfer ratio agreed in the Basic Agreement after taking into consideration the factors including financial conditions, asset conditions, business outlook and share price

movements since September 15, 2015.

(4) Handling of share warrants and bonds with subscription to shares

In regards to share warrants issued by Itoham, share warrants of the Joint Holding Company will be allocated based on the contents and the share transfer ratio. Yonekyu has not issued share warrants. Both Itoham and Yonekyu have not issued bonds with subscription to shares.

(5) Payout of dividend

Payout of dividend for Itoham for the year ending March, 2017 is expected to be 10 yen per share at the end of the financial year as stated in the second quarter financial results. Payout of dividend for Yonekyu for the year ending March, 2017 is expected to be 18 yen per year at the end of the financial year as stated in the second quarter financial results.

3. Profile of Relevant Parties to Share Transfer

(1) Company Name	Itoham Foods Inc.	Yonekyu Corporation
(2) Location of Registered Head Office	3-2-1, Bingo-cho, Nada-ku, Kobe, Hyogo	1259 Okanomiya Terabayashi, Numazu, Shizuoka
(3) Name and Title of Representative	Mamoru Horio, President	Isao Miyashita, President and Chief Executive Officer
(4) Principal Business	-Manufacture and sale of processed meat products -Processing and sale of meat -Manufacture and sale of processed/precooked food products	- Production and sale of meat (beef, pork, poultry) and meat processed foods (ham, sausages and delicatessen food, etc.)
(5) Paid-in Capital	28,427million yen (as of September 30, 2015)	8,634million yen (as of August 31, 2015)
(6) Date of Incorporation	June 29, 1948	February 26, 1969
(7) Total Number of Issued and Outstanding Shares	247,482,533 shares (as of September 30, 2015)	28,809,701 shares (as of August 31, 2015)
(8) Fiscal Year End	March 31	March 31
(9) Number of Employees	(non-consolidated) 1,768 (consolidated) 5,663 (as of September 30, 2015)	(non-consolidated) 838 (consolidated) 1,653 (as of August 31, 2015)
(10) Major Customers	Major retailers and food wholesalers, etc.	Major retailers and food wholesalers, etc.
(11) Major Banks	Mizuho Bank, Ltd. Sumitomo Mitsui Banking Corporation The Bank of Tokyo-Mitsubishi UFJ, Ltd.	Sumitomo Mitsui Trust Bank, Limited The Bank of Tokyo-Mitsubishi UFJ, Ltd. Mizuho Bank, Ltd. SURUGA bank, Ltd.

(12) Major Shareholders and Shareholding Ratio	Mitsubishi Corporation	20.06%	Mitsubishi Corporation	62.54%
	Japan Trustee Services Bank, Ltd	5.14%	Mitsui Sumitomo Trust Bank, Ltd	1.39%
	The Master Trust Bank of Japan Ltd	4.96%	Sumitomo Mitsui Banking Corporation	1.34%
	The Ito Foundation	4.85%	Yonekyu Employee Shareholding Association	1.25%
	S Planning Ltd.	3.32%	The Master Trust Bank of Japan Ltd	1.03%
	Mizuho Bank, Ltd.	2.55%	Japan Trustee Services Bank, Ltd. (trust account 4)	1.02%
	Sumitomo Mitsui Banking Corporation	2.55%	CBNY-Government of Norway	0.54%
	The Bank of Tokyo-Mitsubishi UFJ, Ltd.	2.55%	Osamu Saito	0.29%
	Ito Culture Foundation	2.51%	Chase Manhattan Bank GTS Clients	0.29%
	Marubeni Corporation	1.43%	Kazuhiro Noaki	0.29%
		(as of September 30, 2015)		(as of August 31, 2015)

(13) Relationship between the Relevant Parties

Capital relationship	There is no capital relationship between the Relevant Parties that is worthy of special mention
Personnel relationship	There is no personnel relationship between the Relevant Parties that is worthy of special mention
Transactional relationship	Itoham and Yonekyu transact with each other relating to sales and purchase of raw materials
Status of relationship with related parties	Yonekyu is a subsidiary of Mitsubishi Corporation which is other affiliated company of Itoham, and therefore a Related Party of Itoham.

(14) Operating Results and Financial Condition for the Latest Three Fiscal Period

Fiscal Year End	Itoham (Consolidated)			Yonekyu (Consolidated)		
	March 2013	March 2014	March 2015	February 2013	February 2014	February 2015

Net Assets	116,841	119,904	134,294	36,050	37,349	41,443
Total Assets	205,350	202,931	260,000	61,146	62,834	71,839
Net Assets per share (yen)	530.32	556.64	618.38	1,418.86	1,470.02	1,631.49
Net Sales	438,827	463,395	481,130	142,372	144,154	155,082
Operating Income	5,659	4,900	3,764	484	1,989	5,240
Ordinary Income	5,631	5,888	6,571	322	1,837	5,878
Net Income	4,145	4,810	11,522	△221	896	4,010
Net Income per share (yen)	18.09	22.35	54.37	△8.64	35.33	158.10
Annual Dividend per share (yen)	5.00	7.00	8.00	18.0	18.0	18.0

(Million yen, except as otherwise specified)

#### 4. Profile of the Joint Holding Company to be established through Share Transfer

(1) Company Name	Itoham Yonekyu Holdings Inc.		
(2) Location of Registered Head Office	1-6-21 Mita, Meguro-ku, Tokyo		
(3) Name, Title of Representative and Directors	New Post (scheduled)	Name	Current Post
	Director Chairman	Mamoru Horio	Itoham: President/ Representative Director
	Representative Director President	Isao Miyashita	Yonekyu: President and Chief Executive Officer
	Representative Director Vice-President <also> President/ Representative Director of Itoham	Ikurou Shibayama	Itoham: Director Managing Executive Officer (Senior General Manager, Processed Foods Division /Purchasing Department/ Central Research Institute)
Director Managing Executive Officer <also> President and Chief Executive Officer of Yonekyu Director Executive Officer (Corporate Administration)	Kazuhiko Misonou	Itoham: Director Managing Executive Officer (Senior General Manager, Meat Division)	
	Takashi Ishii	Itoham: Director Senior Managing Executive Officer (General Manager, Corporate Administration Division)	

	Director Executive Officer (Corporate Strategy)	Kenichi Ichida	Itoham Director Executive Officer (Corporate Strategy/ Corporate Social Responsibility)
	Director Executive Officer (Corporate Social Responsibility)	Hideto Okuda	Yonekyu: Director and Executive Operating Officer General Manager of Corporate Strategy Planning Office
	Director (Outside)	Nobuhiko Munakata	Itoham Director (Outside)
	Director (Outside)	Yuko Tanemoto	Yonekyu: Independent Director
	Standing Auditor	Yoshihito Fujiwara	Itoham Standing Auditor
	Auditor (Outside)	Akifumi Imamura	Itoham Auditor (Outside)
	Auditor (Outside)	Yasuo Shito	Yonekyu: Independent Audit & Supervisory Board Member
(4) Principal Business	Operation Management of group companies and related businesses		
(5) Paid-in Capital	30,000 Million Yen		
(6) Fiscal Year End	March 31		
(7) Net Assets (Consolidated)	Undetermined		
(8) Total Assets (Consolidated)	Undetermined		

Boards of directors for both companies have resolved regarding the directors of the Joint Holding Company and the Representative Director for both companies. Changes to the directors other than the Representative Director for Itoham and Yonekyu have not been decided at this stage.

#### 5. Overview of Accounting Practice

Accounting practice to be applied to the Share Transfer is expected to be the purchase method as the Share Transfer falls under “purchase” as stipulated in the Accounting Standard for Business Combination. It is expected that goodwill will arise for the consolidated account of the Joint Holding Company. The amount of goodwill cannot be estimated at this time. It will be announced when the amount becomes available.

#### 6. Forecast

The management policy, business plan and outlook of the Joint Holding Company are still under discussion by both companies. Details will be announced as they become available.