Full of Smiles

ITOHAM FOODS INC.

Annual Report 2010

Itoham's Management Policy

The Itoham Group is aiming to increase corporate value over the long term.
To this end, our basic policy is to engage in Company-wide efforts to be a lively and attractive company, one that also contributes to society.

Company Policy

"Service to Society Through Business"

Mission

The Itoham Group will communicate the joy, fun 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.

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Cautionary Note: Forward-Looking Statements

The forecasts in this annual report are based on management's assumptions and beliefs in light of information currently available and contain a number of risks and uncertainties. Readers are therefore cautioned that actual results could differ materially from forecasts due to a number of factors outside the control of the Itoham Group that include, but are not limited to, economic conditions in the Group's operating environment, market trends, exchange rate fluctuations and outbreaks of animal infection.

Five-Year Consolidated Financial Highlights

ITOHAM FOODS INC. and Consolidated Subsidiaries

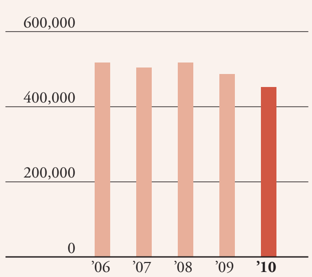
	Millions of yen					Thousands of U.S. dollars (Note 1)
Years ended or as of March 31	2006	2007	2008	2009	**2010**	**2010**
Net sales	¥517,275	¥504,349	¥517,951	¥487,128	**¥452,454**	**$4,863,005**
Cost of sales	420,571	404,803	415,427	397,263	**358,851**	**3,856,954**
Selling, general and administrative expenses	100,641	96,602	96,417	92,330	**91,513**	**983,588**
Operating income (loss)	(3,937)	2,944	6,107	(2,465)	**2,090**	**22,463**
Other income (expenses)	(371)	(1,995)	(695)	(2,119)	**172**	**1,849**
Income (loss) before income taxes and minority interests	(4,308)	949	5,412	(4,584)	**2,262**	**24,312**
Provision for income taxes						
Current	1,151	1,274	2,340	1,401	**1,403**	**15,080**
Deferred	2,859	1,028	(1,388)	261	**(512)**	**(5,503)**
Minority interests	(53)	(33)	(64)	(49)	**(78)**	**(838)**
Net income (loss)	(8,371)	(1,386)	4,396	(6,295)	**1,293**	**13,897**
Net income (loss) per share (in yen and U.S. dollars)	(40.17)	(6.65)	21.10	(30.01)	**5.27**	**0.057**
Total assets	243,050	244,804	233,667	209,885	**217,457**	**2,337,242**
Net assets (Note 3)	121,148	118,575	118,556	117,437	**119,856**	**1,288,220**
Ratio of equity to total assets (Note 3)	49.84%	48.16%	50.51%	55.66%	**54.81%**	
Net assets per share (in yen and U.S. dollars, Note 3)	581.45	565.87	566.59	476.25	**485.85**	**5.22**
Return on assets (Note 2)	(1.1)%	1.6%	2.9%	(0.4)%	**1.5%**	
Return on equity (Note 3)	(6.8)%	(1.2)%	3.7%	(5.4)%	**1.1%**	
Cash dividends	834	834	1,042	736	**736**	**7,911**
Payout ratio	–	–	23.7%	–	**56.9%**	
Cash flows from operating activities	(2,821)	17,746	13,221	(7,728)	**21,000**	**225,709**
Cash flows from investing activities	(12,833)	(2,271)	(1,264)	(3,478)	**(3,865)**	**(41,541)**
Cash flows from financing activities	5,670	(2,619)	(7,357)	5,616	**(3,061)**	**(32,900)**
Cash and cash equivalents at end of year	14,342	27,288	31,962	25,705	**39,990**	**429,815**

Notes 1: Dollar amounts represent translation of Japanese yen, for convenience only, at the rate of ¥93.04=US$1.00, the rate prevailing on March 31, 2010.

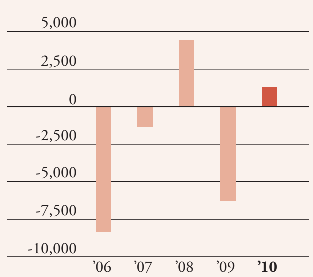
2: Return on assets is calculated by dividing ordinary income (loss), as recorded in the Japanese-language Consolidated Statements of Operations, by the average of total assets at the start and end of the fiscal year.

3: Effective for the year ended March 31, 2007, the Company and its domestic consolidated subsidiaries adopted new accounting standards, "Accounting Standard for Presentation of Net Assets in the Balance Sheet" ("Statement No. 5" issued by the Accounting Standards Board of Japan on December 9, 2005), and "the Implementation Guidance for the Accounting Standard for Presentation of Net Assets in the Balance Sheet" ("the Financial Accounting Standard Implementation Guidance No. 8" issued by the Accounting Standards Board of Japan on December 9, 2005).

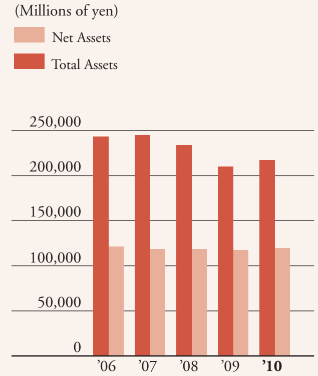
Net Sales
(Millions of yen)



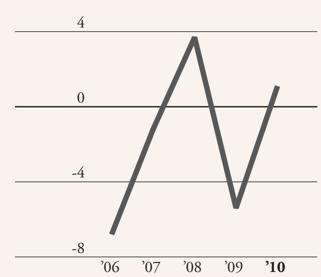
Net Income (Loss)
(Millions of yen)



Net Assets and Total Assets
(Millions of yen)



Return on Equity
(%)



Message from the President

Mamoru Horio
President

I would like to express my gratitude to everyone for their support, and present an overview of Itoham's business situation during the fiscal year under review.

During fiscal 2010, the fiscal year ended March 31, 2010, the Japanese economy benefited from renewed growth in emerging countries and improving exports and production as inventories were pared back. However, corporate earnings remained low, and strong underlying sentiment about over-capacity translated into weak capital investment. Personnel consumption was underpinned by economic policies that fueled sales of durable goods, but it remained lackluster, depressed by poor employment and wage conditions. An economic recovery failed to materialize overall, and the outlook ahead stayed murky.

The business climate in our industry remained harsh. As commodity prices continued falling and deflation took stronger hold, consumers hoping to keep costs in check turned increasingly to low-priced goods amid concerns about the outlook ahead for employment and wages. Also, intensifying competition squeezed selling prices and sparked protracted sluggishness in the meat market.

Under these conditions, the Itoham Group established the new Processed Foods Division, which combined all food production and sales operations into a single unit beginning in the year under review. This harnesses our strengths in core meat businesses for bolstering product development that is geared toward satisfying market needs, and for enhancing our ability to propose ways for meeting these needs as we refocus efforts on rebuilding our profit structure. Across business segment lines, we worked to further increase productivity by improving operating methods. We made exhaustive efforts to manage and reduce costs as we revamped our earnings structure. Moreover, we redoubled Group-wide efforts to further improve quality in our operations. For example, we stepped up training and instruction for creating a climate in the workplace that puts priority on compliance as a basic policy, and formed a new system in which compliance leaders in each workplace ensure that our policies strictly adhere to good compliance practices.

In fiscal 2010, our income improved considerably year on year. Sales rebounded steadily after dropping sharply in the second half of fiscal 2009 because of a problem with contaminated ground water, while stabilizing raw material prices and cost reductions helped bolster income. Regularly scheduled consumer sales campaigns and “more volume for the same price” sales triggered a recovery for Ham and Sausage operations, and winter gift and other year-end sales kept revenues firm. On the other hand, fiercer competition and prolonged sluggishness in the meat market, which helped push down prices, created severe conditions. As a result, Ham and Sausage sales increased 3.8% year on year, Fresh Meat sales declined 11.9%, and sales of Processed Foods and Other Products fell 7.4%, leading a ¥34,674 million decline in consolidated net sales to ¥452,454 million (down 7.1%). Gross profit increased 4.2%, or ¥3,738 million, to ¥93,603 million, as sales of Processed Foods and Other Products declined, but profit margins improved substantially from Ham and Sausage and Fresh Meat. Operating income increased by ¥4,555 million from the previous year to ¥2,090 million (from an operating loss of ¥2,465 million in fiscal 2009) thanks to initiatives to reduce costs across the board and a ¥817 million reduction in selling, general and administrative (SG&A) expenses. Net income rose by ¥7,588 million to ¥1,293 million from a net loss of ¥6,295 million in fiscal 2009, when we recorded extraordinary losses from costs related to a voluntary recall of products and suspension of plant operations.

Mamoru Horio
President

堀尾 守

Interview with the President

Mamoru Horio
President

What are your aspirations as newly appointed president?

Assuming the office of president on April 1, 2010, I am now at the helm of a company with a long heritage and strong traditions. I feel a great sense of duty to fulfill my responsibilities with the utmost care and diligence.

Operating conditions are extremely severe in our industry, but we aim to continue generating growth as a national brand maker. Toward this end, both quality appeal and price appeal will be crucial. We will focus squarely on strengthening our product and brand appeal while also bolstering our cost-competitiveness.

What are Itoham's management policies?

One of our principal goals is to become the most trusted manufacturer of processed meat in Asia. This requires that we make more rigorous our compliance system for enhancing management quality.

We will further upgrade our marketing skills to take full advantage of our product lines developed from the customer's viewpoint and offer products and services steeped in quality, flavor, easier preparation, and health awareness.

In addition, we will restructure production bases in Japan and abroad to keep them fully attuned with changing trends and conditions and pursue additional reforms in each of our divisions for swiftly becoming even more cost-competitive.

What are your key initiatives going forward?

Looking ahead, we anticipate a faster decline in the birthrate and aging of the population of Japan and fiercer competition in human resources, goods, finance, and information in Asia, particular China. In short, we expect the borderless economy to gather momentum and for the domestic Japanese market to steadily decline. Under these conditions, in the core Japanese market, we intend to further upgrade brand appeal and maintain the support and patronage of our customers even as the market itself contracts. Meanwhile, there is still considerable scope for growth, and we plan additional expansion in meat businesses through our partnership with Mitsubishi Corporation.

Overseas, China and countries in Southeast Asia are experiencing robust economic growth, and we have already established joint ventures in China and Thailand. We are positioning our new plant in Thailand as a product exporter in the Southeast Asian market. We want the Itoham brand name to be revered in countries across the region and are making steadfast efforts to raise brand awareness.

We contribute to communities in many ways through ongoing initiatives to maintain their trust as a reliable and safe food producer and supplier. One of our citizenship activities through which we contribute is the Tanzania support project, which has been highly acclaimed by our customers and is administered in conjunction with the UNICEF. Turning to food awareness activities, we believe that taking pleasure in eating and understanding the importance of nutrition is the blueprint for a healthy life. We are also working actively through environmental activities to reduce energy consumption and the use of resources, to recycle, and to reduce the burden we place on the global environment.

Itoham Foods Beijing Co., Ltd.

Itoham Betagro Foods Co., Ltd.

Outlook for Fiscal 2011

For fiscal 2011, the final year of our current third medium-term management plan, our initial consolidated targets were for net sales of ¥550 billion and ordinary income of ¥11 billion. These targets would be difficult to obtain. Our current revised targets are for sales of ¥460 billion, up 1.7% year on year, operating income of ¥4.6 billion, up 120%, ordinary income of ¥5.0 billion, up 51.9%, and net income of ¥3.8 billion, up 193.9%. Nonetheless, we expect to quickly achieve many of our qualitative goals, including enhancing management quality, restructuring production bases, reorganizing our business structure and enacting overseas strategies. We also plan to devise a new medium-term management plan for enactment after fiscal 2011.

We are striving together as a team to meet the challenges before us and your expectations. We thank you for your continuing support and assistance.

The Itoham Group's Medium-term Management Strategies

Our three-year medium-term management plan for the Group started in April 2008 focuses our efforts on two basic themes: bolstering earnings power and laying the foundations for growth. Specifically, we are taking steps to establish competitive edges in core businesses, actively develop business in growth fields and enhance management quality.

Basic Strategy

Establish competitive edges in core businesses

Strengthen the fresh meat business and the ham and sausage and processed foods business to develop robust profitability regardless of external influences

Basic Themes

Bolster earnings power

Lay the foundations for growth

Actively develop business in growth fields

Aim for new growth by promoting development in overseas markets and promising markets likely to offer synergies

Enhance management quality

Continuously enhance corporate value and aim to be a company that can contribute to society

Management Policy

To achieve our aim of growth as a national brand maker:

Looking at future operating conditions in our industry, we anticipate a growing polarization between value-seeking and low-price-seeking customers, together with a tendency for the domestic market to contract due to the current ongoing deflation and the acceleration of the dwindling birthrate and increasingly aged population. To survive as a national brand maker in Japan, we will strengthen both brand power and cost competitiveness.

(1) Enhance management quality by further upgrading compliance framework
- Set the priority item of enhancing management quality by upgrading compliance framework.

(2) Strengthen marketing capabilities through product development from the customer's viewpoint
- Provide products and services steeped in quality, flavor, easier preparation, and health awareness, to strengthen power of creating demand among customers seeking good value.

(3) Advance structural reforms including reviews of the distribution of production bases in Japan and overseas
- With Japan's demand structure continuing to change significantly and structural changes expected to occur throughout Asia in the future, we are examining what production bases we should have in 10–15 years time.
- At the same time, we are strengthening cost competitiveness through business reforms in Production, Sales, Fresh Meat and all other operations, and establishing a system to respond to foodservice use and private-brand products, and to customers seeking low prices.

To achieve our aim of becoming the most trusted manufacturer of processed meat in Asia:

To continue our growth, we must advance our businesses in the significantly growing Chinese and Southeast Asian markets. One of our principal goals is to become the most trusted manufacturer of processed meat in Asia. To this end, we are establishing joint ventures and steadily making business preparations in China and Thailand, expanding our businesses at appropriate speeds, and disseminating the Itoham brand throughout the Asian countries.

Business Strategies

Ham and Sausage and Processed Foods business

Increase earnings by uniting manufacturing, distribution and sales in Ham and Sausage and Processed Foods business

(1) Strengthen product development capabilities and brand power
- Rebuild product development system
- Strengthen marketing capabilities

(2) Strengthen cost competitiveness
- Rigorously control costs at each stage of manufacturing, distribution and sales

(3) Advance Ham and Sausage and Processed Foods business overseas
- Respond to increasing demand for processed meat products in Asian countries

Fresh Meat business

Accelerate implementation of structural and business reforms to quickly establish a business model to raise profitability in a stable manner

(1) Advance tie-ups with Mitsubishi Corporation and YONEKYU CORPORATION
- Strengthen integration in Japan and overseas
- Consolidate primary processing functions for fresh meat

(2) Increase efficiency of livestock processing business
- Improve operation rates of existing facilities
- Expand livestock processing business
- Review existing businesses

(3) Strengthen sales business
- Strengthen marketing capabilities
- Review bases, business scale and functionality
- Cooperate with Ham and Sausage and Processed Foods Business

Ham and Sausage Division

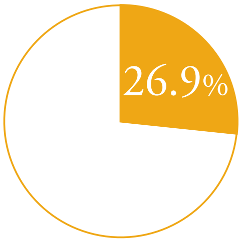
The Ham and Sausage Division produces and sells ham, sausage and bacon products. We leverage Itoham's proven technology and proprietary development capabilities to develop and market products focused on customers' needs. In production, we employ a quality control system based on rigorous hygiene control standards. Our marketing objective is to capture the leading share in each of our product categories through marketing focused on our core products. In the gift products category, we have a product lineup that has won the trust of our customers.

Business Results for the Fiscal Year Ended March 2010

Efforts in our Ham and Sausage Division focused on reviving and expanding sales of our flagship products, centering on *Alt Bayern* and the *Morning Fresh* series. We conducted regular spring and autumn sales campaigns offering more volume for the same price, and aggressively employed advertising using new television commercial spots to promote sales campaigns and winter gift products. As a result of these efforts, flagship products enjoyed brisk sales, notably *Alt Bayern*, *Morning Fresh* series, and *Royal Pole wiener*. In addition, although sales of summer gifts were lower year on year, end-of-year gifts recovered from a heavy decline in the previous year, helping overall sales increase significantly year on year, despite a drop in sales prices.

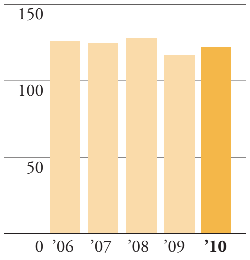
As a result sales in the Ham and Sausage Division increased 3.8% year on year to ¥121,885 million.

Sales Composition



Net Sales

(Billions of yen)



MORNING FRESH SERIES OF LOIN HAM

POLE WIENER

DENSHO

Strong lineup centered on *Alt Bayern* and *Morning Fresh*

Itoham's flagship *Alt Bayern* wieners, certified to Specific Japanese Agricultural Standard (JAS) regulations, are made from top-quality pork cured for over 72 hours using traditional techniques. The result is juicy and aromatic wieners that preserve the full flavor of the original pork. They are complemented by a range of other sausage products including *Pork Bits*, popular for children's lunchboxes as they take only one minute to heat through, *Cheese-In*, which was awarded the 42nd Minister of Education, Culture, Sports, Science and Technology Prize in 2001, and *Pole Wiener*, which was awarded the 22nd Long Seller Prize in 2003 by the Japan Food Journal.

Our popular sliced pack products include the *Sawayaka Thin-Slice Pack* series, which can be used in a wide variety of dishes, and the *Morning Fresh* series that contribute to a good breakfast on busy mornings.

In our gift products category, core brands such as *Densho, Kobe* and *Roast Beef* have also performed well.

Highlights — Launch of renewed *Alt Bayern* with full original flavor!

On March 1, 2010, Itoham launched a renewed version of *Alt Bayern*, which had been favored by customers since its original launch, in order to enhance the product and strengthen brand loyalty.

The main target of the renewal was to use Itoham's "art" of curing the pork for 72 hours using Itoham's traditional techniques to achieve a full-flavor pork with a coarsely minced texture and flavor that spreads in the mouth the more it is chewed.

In line with this renewal, and to convey the deliciousness of *Alt Bayern* to customers, we changed the product's advertising slogan to "With full original flavor!" and made some new TV commercials with the popular actor Hiroshi Abe as the product's image. In this manner, we worked to strengthen the brand by re-emphasizing the product's full pork flavor.

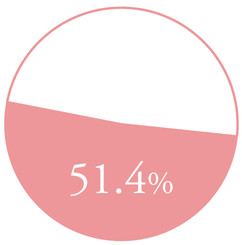
Fresh Meat Division

Itoham has its own nationwide meat supply network that extends from livestock farming and processing through sales and meat processing to supply that meets customers' needs.

In the domestic fresh meat business, we not only raise livestock at our own farms, but we are expanding cooperation with other farms to strengthen production operations as we use our existing facilities and actively work to bolster supply. Our livestock processing facilities have received ISO 22000 and ISO 14000 certification for further enhancing food safety and enforcing strict environmental standards. We are further upgrading our meat processing plants by working to enhance traceability, a key concern among customers.

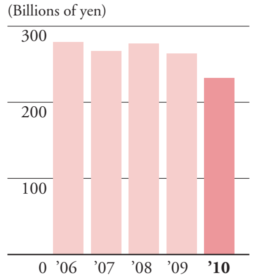
In the overseas fresh meat business, we supply customers with beef, pork, and chicken imported from the U.S, Australia, Brazil and other countries through our own sales network built along the same lines as for our domestic fresh meats. We are developing our own livestock farming and processing businesses in the U.S. and New Zealand and creating a system that satisfies customer needs for safe and reliable meat supply.

Sales Composition



Net Sales

(Billions of yen)



Business Results for the Fiscal Year Ended March 2010

The business environment for this division grew even tougher this year as price competition in the industry intensified amid further belt-tightening by consumers and an ongoing shift in demand toward low priced products. Sales of domestic beef did not change by volume but fell in monetary terms as demand shifted to lower grade products amid ongoing consumer frugality. In imported beef, we narrowed down imports to Japan of our Australian produced brands as costs increased due to the appreciation of the Australian dollar against the yen. This led to a decline in both volume and monetary amount of sales for imported beef. Domestic pork saw a surge in sales by volume as demand picked up on low market prices; however sales declined in monetary terms due to a significant drop in sales prices. Sales of imported pork declined both in volume and in monetary terms as consumers shied away following the outbreak of swine flu in Mexico in late April, and following a shift in demand towards low-priced domestic products. In chicken, there was a strong increase in sales volumes for domestic products; however, overall sales of chicken, both domestic and imported, declined in monetary terms on lower sales prices.

Overall, sales in our Fresh Meat Division fell 11.9% year on year to ¥232,434 million.

Mission of the Fresh Meat Division

Itoham supplies safe, reliable, and delicious meat products taking into account its customers' viewpoints, while meeting its societal expectations by promoting sustainable agriculture and helping to build local communities and a recycling society attuned to environmental needs through its practices in the livestock industry.

In turn, our mission in the Fresh Meat Division is to create and robustly foster a value chain for fresh meat that extends from livestock production to sales that meet the customers' demands, thereby contributing to society.

Toward this end, we plan to further strengthen production and increase production volume while realigning the scope and capabilities of our sales branches for fresh meat to increase sales to customers.

ARIAKE PLANT (Sankyo Meat Co., Ltd.)

ISO 22000 CERTIFICATE

Processed Foods and Other Products Division

Japan is witnessing increasingly rapid societal changes such as a growing percentage of working women, an increasing elderly population, and ever more diverse household schedules. These changes have radically transformed the markets for restaurant dining, ready-to-eat meals, and meals made at home. The Processed Foods division strives to meet a more varied range of customer preferences, with an emphasis on healthy and safe food, easier preparation, smaller portions, and an insistence on more authentic taste among emerging preference trends. We are also expanding our dairy products and noodles businesses in our Other Products division.

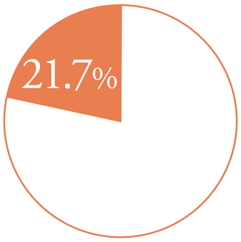
Business Results for the Fiscal Year Ended March 2010

In the Processed Foods division, sales of our flagship chilled pizza product, *La Pizza* recovered steadily spurred by new product launches and sales campaigns. Chicken products such as *Chicken Nuggets* and *Ganso Aburiyaki Chicken* (slow-roasted chicken) also enjoyed brisk sales. Regrettably however, hamburgers and snacks for convenience stores declined significantly, along with sales of food for the restaurant industry; while direct sales of prepared dishes at department stores also saw a sharp decrease. Consequently sales of processed food products declined 9.2% year on year to ¥65,443 million.

In the Other Products division, sales of dairy products and noodles were strong. Since we sold our pharmaceutical product subsidiary and exited the pharmaceuticals business in fiscal 2009, the absence of sales from this business resulted in lower overall sales year on year for this division, with results falling 3.7% to ¥32,690 million.

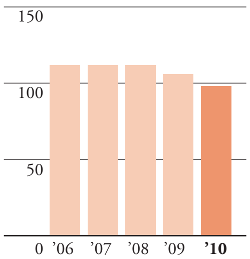
Overall sales for the Processed Foods and Other Products Division fell 7.4% year on year to ¥98,133 million.

Sales Composition



Net Sales

(Billions of yen)



LA PIZZA (Margherita)

BINCHOTANYAKI SHIAGE HAMBURGERS

YASAI WO OISHIKU SERIES

A product lineup that satisfies a wide range of customers' needs

Itoham sells a range of consumer products that emphasize preserving the natural flavor of the ingredients and being easy-to-use. The *Chicken Filet* series offers deliciously crispy and juicy domestically raised chicken fried in batter. The *Binchotanyaki Shiage Hamburgers* series has been reintroduced in packets of four with various easy-to-cook suggestions.

Since its launch in the fall of 2003, the *La Pizza* series of chilled pizzas has gained significant popularity with our customers, who appreciate their delicious flavor and the texture of the authentic pizza crust achieved by our attention to making the crust and to the pizza materials. We have also developed and launched three additional *La Pizza* crusts: the Napolitan crust, the crispy crust and the cheese crust.

This division also sells the *Kyosho no Sai* series of ready-prepared meals developed by top chefs and food experts that make it easy to recreate authentic restaurant dishes at home. We also further developed the items in the *Yasai wo Oishiku* series in which the attraction of using seasonal vegetables is highlighted.

Highlights

Our popular *Chicken Filet* series has been relaunched using domestic raw materials!

Itoham has revived and relaunched its *Chicken Filet* product series whose sales had been halted in response to the outbreak of avian flu in 2004.

In recent years, major confectionery manufacturers have launched products presented in classic "retro" packaging that became popular. Moreover, major Japanese hamburger restaurant chains have gained popularity with their nostalgia-laden old-fashioned hamburgers. Against this backdrop, our revival of two *Chicken Filet* products, *Chicken Filet Fukkoku Original* and soy sauce-flavored fried *Chicken Filet*, which use domestic raw materials, is expected to delight customers with these products that are delicious and filling in only the way chicken can be.

Amid the trend for people to be increasingly economy-minded and so less frequently eating out at restaurants and increasingly preparing their own food to eat at home, we strongly anticipate that our outstanding *Chicken Filet* products will be welcomed by people who will eat them at home together with the bread buns normally used for hamburgers.

CSR Promoting Activities

Itoham Tanzania Support Project

Since its foundation, Itoham has followed its company policy of "Service to Society Through Business" by making safe, high-quality processed meat products more widely available. This has promoted the intake of quality animal protein among the people of Japan, which in turn has enriched their diets and contributed to longer lifespans.

While healthy diets are the norm in Japan, however, malnutrition remains a global concern. Around 8.8 million children around the world each year do not live to see their fifth birthday, and malnutrition is linked to approximately half of these cases. In particular, in Zanzibar, Tanzania the problem is serious, with both a high level of acute malnutrition of 6.1% and also poverty.

As part of its activities to contribute to society, Itoham wholeheartedly supports UNICEF in its mission to help children in developing countries.

From fiscal 2009 we have been donating ¥1 per pack of certain products sold to support a nutrition project implemented by UNICEF for malnourished children of Zanzibar, Tanzania.

In fiscal 2010, through this program we donated ¥20,389,535 to UNICEF from sales of relevant products, significantly higher than the year before. Together with the ¥15,667,958 we donated in the previous year, this means we were able to donate a total of ¥36,057,493 to UNICEF. We would like to thank our customers for their valuable support in this endeavor. The total donation is supporting UNICEF's activities to help acutely malnourished children in Zanzibar, Tanzania.

The program will continue until fiscal 2011 too.

伊藤ハム We Support unicef
伊藤ハムはユニセフを支援します

Food Awareness Activities

Itoham communicates the importance and enjoyment of food through a range of food awareness activities that include making shapes with wiener sausages to bring out the fun of boxed lunches, and the Smile Caravan project.

Itoham works to convey the enjoyment of food, and its importance as the basis of a healthy lifestyle. We emphasize the need for families to eat together as a way of sharing conversation and nurturing family relationships. In short, our main message is, "Spreading the word about food enjoyment."

Details of our food awareness activities, such as how to make shapes with wiener sausages and how to prepare a boxed lunch with a food-picture on top are available at stores and on our website and mobile phone site. These easy-to-understand presentations really bring home the enjoyableness of food.

With our Smile Caravan project, we visit kindergartens and demonstrate the importance of food and the fun of preparing it. Through various entertaining activities, including a craft workshop and a lunch-cooking session, we teach the children about the importance of having breakfast and well-balanced meals as well as the enjoyment of families cooking meals together.

Going forward, Itoham will continue to convey the importance and enjoyment of food through a wide variety of activities.

Corporate Governance

Basic Approach to and Implementation Status of Corporate Governance

Itoham aims to establish reliable corporate governance and highly transparent management. To wholly fulfill its corporate social responsibility (CSR) and to secure the trust of all its stakeholders, Itoham has enhanced its management structure by strengthening internal control functions, including oversight and supervision, as part of an overall effort to ensure that management carries out accurate decision-making and speedy business policy execution. Additionally, Itoham is dedicated to the continual enhancement of its comprehensive corporate governance framework. As part of these efforts, the Company works to upgrade its training and employee education programs to foster greater awareness of compliance. It also endeavors to increase management transparency through the proactive disclosure of corporate information.

I. Board of Directors

The Board of Directors consists of 10 members as of June 24, 2010. In addition to its regular monthly meeting, the Board of Directors convenes special meetings on a timely basis when necessary. The Board of Directors makes decisions on important matters pertaining to management of the Company. It also determines business policy and monitors the execution of the business.

II. Executive Officer Committee

Itoham has 17 executive officers as of June 24, 2010, including 8 that serve concurrently as directors. In addition to its regular monthly meeting, the Executive Officer Committee convenes special meetings on a timely basis when necessary. The committee assesses the status of the execution of the business and affairs of the company and carries out decision-making.

III. Corporate Auditors and the Board of Auditors

Itoham has four auditors as of June 24, 2010, comprising two outside auditors and two standing auditors. In addition to attending meetings of the Board of Directors and other important internal meetings, the auditors conduct rigorous audits of the Company, including direct discussions with board members, executive officers, and other key personnel regarding the execution of the business and affairs of the company. Furthermore, the accounting auditors also contribute to audits based on close cooperation with the audit plan and results, including receiving appropriate reports and exchanging opinions.

The standing auditor Ryo Matsuoka has been in charge of Itoham's financial and accounting matters for many years and possesses a considerable degree of wisdom concerning finance and accounting. The auditor Shinobu Okamoto is a certified tax accountant.

IV. Internal Auditing

Itoham has established an Internal Auditing Section, a Quality Assurance Department and a Environmental Safety Promotion Section within the CSR Division. The Internal Auditing Section conducts internal audits with a broad scope that includes Group companies based on the audit plan. The Section also conducts internal audits separate from the plan as necessary. The Internal Auditing Section deliberates with the auditors about the outline of the audit plan and makes reports about the status of the internal control system and the results of the audits. The Quality Assurance Department and Environmental Safety Promotion Section provide guidance on and monitor quality control, hygiene management, and environmental management systems, including those at Group companies, and check for compliance with all relevant laws and regulations.

V. Relationship with Outside Auditors

Itoham does not appoint outside directors. The Company strengthens oversight of management by having two outside auditors among the four corporate auditors, for the Board of Directors which oversees the decision-making of management and the business execution of executive officers. This current system of having oversight conducted by two outside auditors has been put in place from the understanding that corporate governance requires objective and neutral management oversight from the outside.

There are no personal, capital or business relationships, or other conflicts of interest, between these outside auditors and Itoham that should be noted.

VI. Accounting Audits

Itoham has concluded an auditing contract with the accounting auditor KPMG AZSA & Co. to ensure that impartial and appropriate audits are conducted with respect to compliance with the Japanese Corporate Law and the Japanese Financial Instruments and Exchange Law.

Certified public accountants who conducted the accounting audit

Name of certified public accountant	Audit corporation to which they belong	No. of continuous years conducting audits
Designated Engagement Partner: Teruo Watanuma	KPMG AZSA & Co.	5
Designated Engagement Partner: Mikio Maki	KPMG AZSA & Co.	4
Designated Engagement Partner: Yasuhito Kondo	KPMG AZSA & Co.	1

Assistants for conducting accounting audits comprise 8 certified public accountants and 7 others.

VII. Compliance System

Itoham carries out activities, led by the Compliance Promotion Section in the CSR Division, aimed at further increasing compliance awareness among all directors and regular employees of the Group, ensuring that related practices become firmly entrenched in its corporate culture, and strengthening and developing the internal audit system. Information on these activities is posted on the Itoham corporate website. The CSR Committee, chaired by an expert from outside the company, conducts checks of Itoham's CSR system from a third-party perspective, and makes recommendations to the Board of Directors based on the results. Additionally, the Compliance Officers Committee, which comprises the managers of all corporate divisions, operates horizontally across the company allowing the sharing of challenges and issues relating to compliance in each department. Compliance leaders work closely with workplace managers in their assigned areas to promote and establish compliance in every operating division. Furthermore, Itoham has formulated Corporate Ethics, a manual which it distributes to all employees as a compliance handbook, and conducts training with regard to compliance with all relevant laws and regulations. Itoham has also taken other steps to enhance its compliance framework, including the establishment of internal contacts for the Compliance Promotion Section and Human Resources Department, as well as external legal counsel for compliance-related advice and consultation.

VIII. Disclosure

Itoham fundamentally believes in heightening the overall transparency of management through the proactive disclosure of information to shareholders and all other investors. As such, the Company pursues timely and impartial disclosure through investor relations (IR) activities and publications. Specific steps include posting information on the corporate website, holding briefings, and issuing press releases related to its business activities and business results.

IX. Internal Control System: Basic Philosophy and Implementation Status

1. System to ensure that directors' performance of duties is in accordance with laws and regulations and the Company's Articles of Incorporation

(1) The directors work to establish, maintain and enhance an internal control system led by two committees. The main entities administering this system are the CSR Committee (centered on the general manager of the CSR Division, and chaired by an experienced expert from outside the Company) and the Compliance Officers Committee (chaired by the president of the Company). As part of the internal control system, the directors have established a system for ensuring compliance, formulating a corporate philosophy and compliance promotion regulations.

(2) The directors work to improve mutual supervision between themselves, and establish a framework to monitor legal compliance in the course of their performance of duties.

(3) In the event that a director becomes aware of any suspected violation within the Company of laws and regulations or the Articles of Incorporation, the director will immediately report the matter to the Board of Directors through the general manager of the CSR Division, based on the judgment of the Crisis Management Committee Chairman.

2. System to store and manage information regarding directors' performance of duties

Information regarding the directors' performance of duties will be stored and managed in accordance with the regulations related to handling documents. This will be done in an appropriate and reliable manner according to the means used to record the information. The Company will ensure that for at least 10 years the information can be searched as required.

3. Internal regulations regarding management of risk of loss and other systems

(1) Itoham acknowledges the following types of risk in relation to the conduct of its business. The Company will assess and manage these risks and establish a management system for each individual risk, to include appointing an officer responsible for such management.

a) Risks related to market and foreign exchange rate fluctuations
b) Risks related to investment in, and continuance of, our businesses
c) Risks related to disasters and disease
d) Risks related to the assurance of product quality

(2) Itoham's risk management system will be founded on the Company's own crisis management policies, and the appointment of officers responsible for the management of individual risks.

Itoham will also put in place a system enabling prompt response to mitigate and/or minimize damage in the event of a major crisis. To this end, the Company will establish a crisis management committee chaired by the company president, also forming a liaison team and an external advisory team comprising lawyers as necessary.

4. System to ensure that directors perform their duties efficiently

(1) Itoham's system to ensure that directors perform their duties efficiently is founded on regular monthly meetings of the Board

of Directors, supplemented by appropriate extraordinary meetings as necessary. Important issues relating to the Company's management policies and strategies will be approved for execution following deliberation by the Board of Directors.

(2) The execution of business according to decisions of the Board of Directors will be based on the division of duties, as prescribed according to the persons in charge, their responsibilities and the details of procedures for execution.

5. System to ensure that employees' performance of duties are in accordance with laws and regulations and the Articles of Incorporation of the Company

(1) The directors are working to establish, maintain and enhance an internal control system led by two committees. The main entities administering this system are the CSR Committee (centered on the general manager of the CSR Division, and chaired by an expert from outside the Company) and the Compliance Officers Committee (chaired by the president of the Company).

(2) To establish and maintain a system for ensuring compliance, Itoham put in place a CSR Division independent of the divisions responsible for business execution, and established an audit department including the Internal Auditing Section under the CSR Division. Individual departments will formulate their own internal regulations and guidelines, conducting training as necessary.

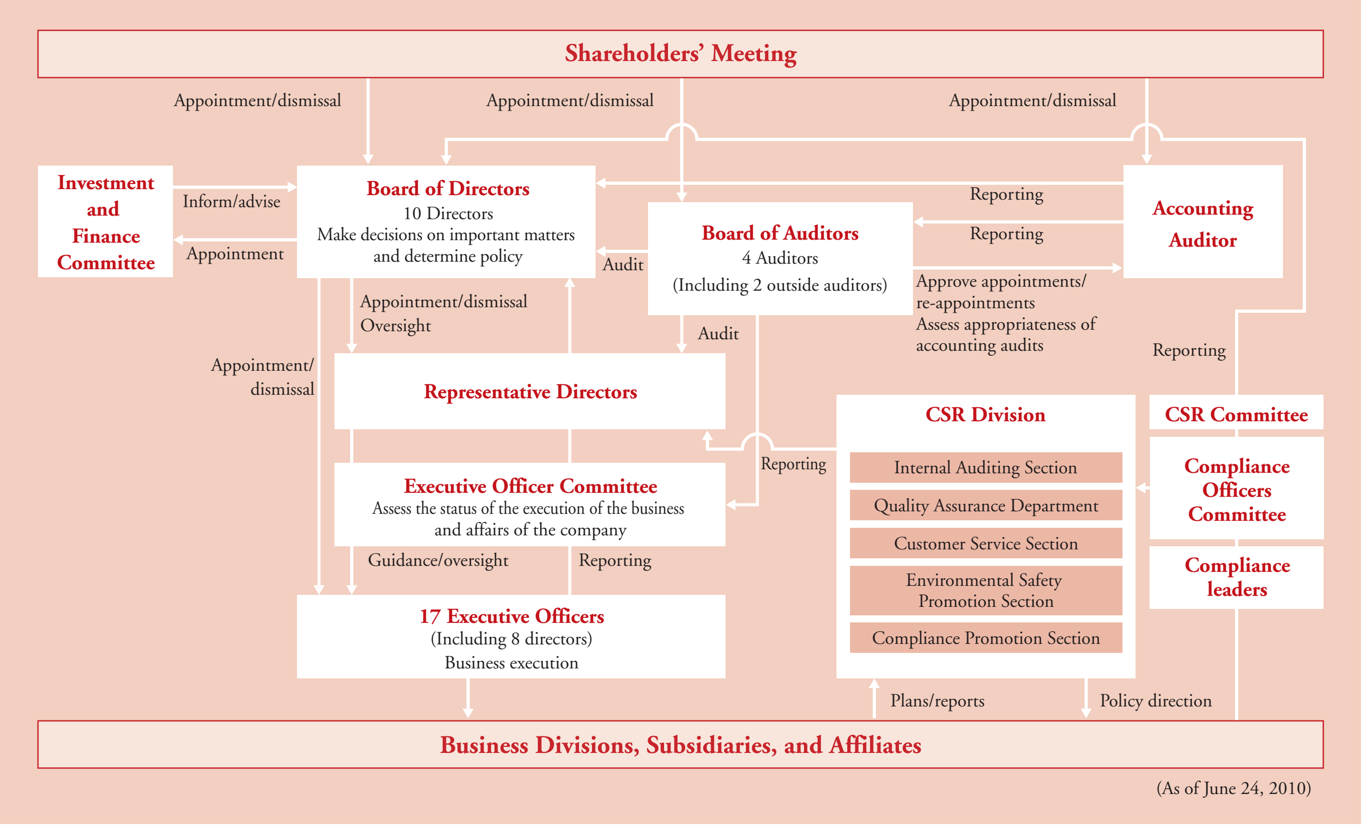
(3) As a system for internally reporting violations of laws and regulations or the Articles of Incorporation, the Company will establish an internal reporting system whereby informants can provide information directly to external lawyers, third-party organizations, or other parties. The system will be governed by the internal reporting regulations.

(4) If the auditors find a problem with regard to the Company's systems for compliance or internal reporting, they will be authorized to express their opinions on the matter and request formulation of remedial measures.

6. System to ensure appropriate business conduct at the parent company and its subsidiaries

(1) To ensure appropriate business conduct at group companies, the Company will codify behavioral guidelines and draw up regulations at each group company, based on the corporate philosophy applicable to all group companies.

Corporate Governance Framework



(2) With regard to business administration, Itoham will formulate and disclose the group management vision, and supervise the management of subsidiaries in line with the subsidiaries' internal regulations, monitoring specific subsidiaries as necessary. The supervision will be by means of a system for reporting to, and seeking approval from, the parent company.

(3) In the event that a director becomes aware of any suspected violation of laws and regulations or the Articles of Incorporation at a group company, the director will immediately report the matter to the Board of Directors through the general manager of the CSR Division, based on the judgment of the Chairman of the Crisis Management Committee.

7. System regarding personnel requested as assistants by auditors, and their independence from directors

(1) In the event that auditors request personnel to assist in their duties, an employee of the Company will be appointed as an auditor's assistant under the direction of the auditors.

(2) The appointment of auditors' assistants will be determined by the Board of Directors with the consent of the Board of Auditors.

8. System for reporting to auditors by directors and employees, and others, and System for ensuring that audits can be conducted effectively

(1) Directors will consult with the Board of Auditors to determine matters to be reported to the auditors. Important matters affecting the Company's operations will be reported to the auditors by directors and employees without delay.

(2) Members of the Board of Auditors will regularly exchange opinions with the representative directors and the accounting auditor, seeking advice from specialist lawyers as necessary.

9. System to ensure the reliability of financial reporting

(1) Itoham has built a system to ensure the reliability of its financial reporting. To implement appropriate operations, we have established regulations concerning financial accounting and are enhancing internal controls related to such financial reporting.

(2) Directors, auditors, audit departments and other departments coordinate together to continuously assess the status and operation of internal controls for financial reporting, and implement measures when corrections or improvements are needed.

10. System for excluding antisocial elements

(1) Itoham's basic policy is that the parent company and group companies will be decisive in refusing all inappropriate requests from antisocial elements that threaten social order or public safety, and will under no circumstances associate with these groups.

(2) The General Affairs Department is charged with administering measures to deal with antisocial elements. It collaborates with the police's organized crime units, local authority councils on corporate defense measures, and prefectural centers for the elimination of organized crime groups. Such collaboration enables the department to monitor developments with regard to antisocial elements, exchange information and conduct activities to raise awareness of the issue within the Company.

(3) Itoham has also prepared a manual for dealing with antisocial elements, and is taking steps to familiarize employees with it. Further, the Company is putting in place systems to deal with whatever situation may arise so that, in the event of an inappropriate request being made, it can collaborate with outside entities as prescribed in the manual to ensure the security of the Company and those associated with it.

Directors Remuneration

I. Total remuneration by director category, by type of remuneration, and number of eligible directors

Director category	Total remuneration (Millions of yen)	Total remuneration by type (Millions of yen)				Number of eligible directors
		Basic remuneration	Stock option	Bonus	Retirement benefit	
Directors (Excluding outside directors)	233	215	18	–	–	13
Auditors (Excluding outside auditors)	31	31	–	–	–	2
Outside auditors	12	12	–	–	–	2

II. Remuneration of directors and policy regarding method of determination

The remuneration of directors comprises basic remuneration and stock options, the policy for which is decided by a meeting of the Board of Directors.

As regards the basic remuneration in detail, representative directors are authorized by the Board of Directors to set a certain base remuneration for each position within a total monetary amount decided by resolution of the Shareholders' Meeting. From next fiscal year, based on a resolution of the Board of Directors, and this will be reflected in base remuneration, indexed to the consolidated ordinary income of last fiscal year.

Stock options are granted in units of 1,000 shares, with the number of shares linked to each position.

Auditors' remuneration is decided after consultation with the auditors, and is paid as a monthly remuneration. Remuneration is not linked to business performance, from the viewpoint of ensuring a high degree of independence.

Shareholdings

I. Number of organizations and balance sheet amount of investment shares held for objectives other than net investment

142 organizations ¥11,890 million

II. Organization, number of shares, balance sheet amount, and objective of shareholding of shares held for objectives other than net investment

Organization	Number of shares	Balance sheet amount (Millions of yen)	Objective of shareholding
AEON CO., LTD.	2,481,438	2,632	To maintain and develop business relationship
Seven & i Holdings Co., Ltd.	688,182	1,554	As above
MITSUI & CO., LTD.	668,125	1,049	As above
S Foods Inc.	838,888	649	As above
J. FRONT RETAILING Co., Ltd.	1,123,360	617	As above
Marubeni Corporation	1,024,827	595	As above
Tokio Marine Holdings, Inc.	138,160	363	As above
The Iyo Bank, Ltd.	345,120	306	As above
INAGEYA CO., LTD.	303,486	294	As above
YOSHINOYA HOLDINGS CO., LTD.	2,266	225	As above

III. Total balance sheet amounts for last fiscal year and the fiscal year under review of investment shares held for net investment, and totals of dividend income, gain or loss on sales and disposals for the fiscal year under review

Not applicable.

Number of Directors

Itoham's Articles of Incorporation stipulate that the number of Itoham directors shall be 15 or less.

Requirements for Determination of Director Appointments

Itoham's Articles of Incorporation stipulate that shareholders possessing at least one-third of the shareholder voting rights exercisable at the Shareholders' Meeting shall attend the meeting and determine the appointment of directors based on a majority vote.

Requirements for Special Resolutions at the Shareholders' Meeting

Itoham's Articles of Incorporation stipulates that shareholders possessing at least one-third of the shareholder voting rights exercisable shall attend the meeting and determine by a two-thirds majority vote the "requirements for special resolutions at Shareholders' Meeting" provided in Article 309, Paragraph 2 of the Japanese Corporate Law. The quorum for special resolutions at the Shareholders' Meeting may be relaxed to ensure a smooth Shareholders' Meeting.

Purchase of Treasury Stock

To implement flexible capital policies in accordance with the business environment, Itoham may purchase treasury stock on the open market based on a resolution of the Board of Directors and the Articles of Incorporation as stipulated by Article 165, Paragraph 2 of the Japanese Corporate Law.

Financial Review

Net Sales

During fiscal 2010, the fiscal year ended March 31, 2010, the Japanese economy benefited from renewed growth in emerging countries and improving exports and production as inventories were pared back. However, corporate earnings remained low, and strong underlying sentiment about over-capacity translated into weak capital investment. Personnel consumption was underpinned by economic policies that fueled sales of durable goods, but it remained lackluster, depressed by poor employment and wage conditions. An economic recovery failed to materialize overall, and the outlook ahead stayed murky.

The business climate in our industry remained harsh. As commodity prices continued falling and deflation took stronger hold, consumers hoping to keep costs in check turned increasingly to low-priced goods amid concerns about the outlook ahead for employment and wages. Also, intensifying competition squeezed selling prices and sparked protracted sluggishness in the meat market.

Under these conditions, the Itoham Group established the new Processed Foods Division, which combined all food production and sales operations into a single unit beginning in the year under review. This harnesses our strengths in core meat businesses for bolstering product development that is geared toward satisfying market needs, and for enhancing our ability to propose ways for meeting these needs as we refocus efforts on rebuilding our profit structure. Across business segment lines, we worked to further increase productivity by improving operating methods. We made exhaustive efforts to manage and reduce costs as we revamped our earnings structure. Moreover, we redoubled Group-wide efforts to further improve quality in our operations. For example, we stepped up training and instruction for creating a climate in the workplace that puts priority on compliance as a basic policy, and formed a new system in which compliance leaders in each workplace ensure that our policies strictly adhere to good compliance practices.

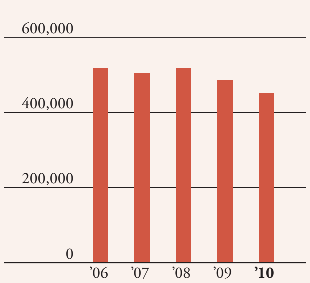
In fiscal 2010, our sales rebounded steadily after dropping sharply in the second half of fiscal 2009 because of a problem with contaminated ground water. Regularly scheduled consumer sales campaigns and “more volume for the same price” sales triggered a recovery for Ham and Sausage operations, and winter gift and other year-end sales kept revenues firm. On the other hand, fiercer competition and prolonged sluggishness in the meat market, which helped push down prices, created severe conditions. As a result, consolidated net sales declined overall by 7.1% from the previous fiscal year to ¥452.5 billion.

Efforts in our Ham and Sausage Division focused on reviving and expanding sales of our flagship products, centering on *Alt Bayern* and the *Morning Fresh* series. We conducted regular spring and autumn sales campaigns offering more volume for the same price, and aggressively employed advertising using new television commercial spots to promote sales campaigns and winter gift products. As a result of these efforts, flagship products enjoyed brisk sales, notably *Alt Bayern*, *Morning Fresh* series, and *Royal Pole wiener*. In addition, although sales of summer gifts were lower year on year, winter gifts recovered from a heavy decline in the previous year, helping overall sales increase significantly year on year, despite a drop in sales prices. As a result sales in the Ham and Sausage Division increased 3.8% year on year to ¥121.9 billion.

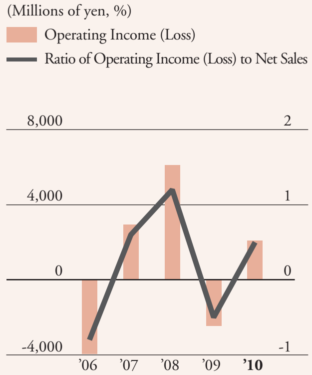
The business environment for the Fresh Meat Division grew even tougher this year as price competition in the industry intensified amid further belt-tightening by consumers and an ongoing shift in demand toward low priced products. Sales of domestic beef did not change by volume but fell in monetary terms as demand shifted to lower grade products amid ongoing consumer frugality. In imported beef, we narrowed down imports to Japan of our Australian produced brands as costs increased due to the appreciation of the Australian dollar against the yen. This led to a decline in both volume and monetary amount of sales for imported beef. Domestic pork saw a surge in sales by volume as demand picked up on low market prices; however sales declined in monetary terms due to a significant drop in sales prices. Sales of imported pork declined both in volume and in monetary terms as consumers shied away following the outbreak of swine flu in Mexico in late April, and following a shift in demand towards low-priced domestic products. In chicken, there was a strong increase in sales volumes for domestic products; however, overall sales of chicken, both domestic and imported, declined in monetary terms on lower sales prices. Overall, sales in our Fresh Meat Division fell 11.9% year on year to ¥232.4 billion.

In the Processed Foods and Other Products division, sales of our flagship chilled pizza product, *La Pizza* recovered steadily spurred by new product launches and sales campaigns. Chicken products such as *Chicken Nuggets* and *Ganso Aburiyaki Chicken* (slow-roasted chicken) also enjoyed brisk sales. Regrettably however, hamburgers and snacks for convenience stores declined significantly, along with sales of food for the restaurant industry, while direct sales of prepared dishes at department stores also saw

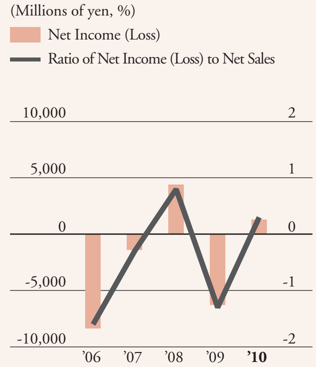
Net Sales
(Millions of yen)



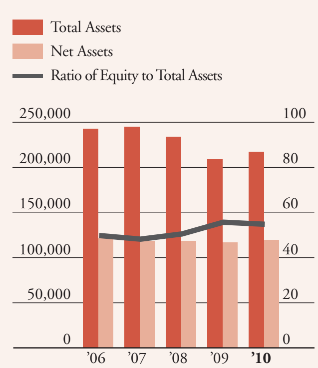
Operating Income (Loss), Ratio of Operating Income (Loss) to Net Sales
(Millions of yen, %)



Net Income (Loss), Ratio of Net Income (Loss) to Net Sales
(Millions of yen, %)



Total Assets, Net Assets*2, Ratio of Equity to Total Assets*2
(Millions of yen, %)



a sharp decrease. Consequently sales of processed food products declined 9.2% year on year to ¥65.4 billion. In the Other Products division, sales of dairy products and noodles were strong. Since we sold our pharmaceutical product subsidiary and exited the pharmaceuticals business in fiscal 2009, the absence of sales from this business resulted in lower overall sales year on year for this division, with results falling 3.7% to ¥32.7 billion. Overall sales for the Processed Foods and Other Products Division fell 7.4% year on year to ¥98.1 billion.

Costs, Expenses and Earnings

With regard to profits, gross profit rose 4.2% year on year to ¥93.6 billion, reflecting the significant improvement in the profitability of ham and sausages and fresh meat despite the fall in net sales of processed foods and other products. The gross profit margin rose 2.3 percentage points to 20.7%. Selling, general and administrative (SG&A) expenses were down ¥0.8 billion to ¥91.5 billion due mainly to overall cost-cutting initiatives. The ratio of SG&A expenses deteriorated by 1.2 percentage points to 20.2%. As a result, operating income increased ¥4.6 billion from an operating loss last year to ¥2.1 billion.

In non-operating items, net financial expenses amounted to ¥0.2 billion, an improvement of ¥0.1 billion year on year. Key positive factors in other income and expenses included the absence of ¥1.2 billion in costs related to voluntary recall of products, ¥1.1 billion in losses from suspension of plant operations and ¥0.5 billion in provision for loss on guarantees, that were recorded last year. Major negative factors included a decrease of ¥0.3 billion in equity in earnings of affiliates, and a decrease of ¥0.2 billion in gain on sales of investments in securities, net. As a result, the company recorded other income, net of ¥0.2 billion, representing an increase of ¥2.3 billion from other expenses in the previous year.

Income before income taxes and minority interests increased ¥6.8 billion from a loss last year to ¥2.3 billion, and net income rose ¥7.6 billion from a loss to ¥1.3 billion. Consequently, the company recorded a net income per share of ¥5.27.

Financial Condition

Total assets as of March 31, 2010 totaled ¥217.5 billion, ¥7.6 billion higher than at the end of the previous year.

Current assets increased ¥6.2 billion to ¥123.7 billion. This primarily reflected increases of ¥14.4 billion in cash and time deposits, decreases of ¥5.0 billion in inventories, and decreases of ¥2.7 billion in trade notes and accounts receivable.

Capital investments totaled ¥5.0 billion, chiefly reflecting investments to improve production capacity at existing plants. Property, plant and equipment at the fiscal year-end totaled ¥56.4 billion, a decrease of ¥1.7 billion from a year earlier.

Investments and other assets increased ¥3.0 billion to ¥36.1 billion. This was chiefly attributable to higher stock prices compared with the previous fiscal year-end, which caused total investments in securities to rise by ¥2.6 billion.

Under liabilities and net assets, current liabilities increased ¥13.0 billion to ¥73.5 billion. The major factors were a ¥9.0 billion increase in the total of short-term borrowings and long-term debt due within one year and a ¥3.5 billion increase in notes and accounts payable.

Long-term liabilities declined ¥7.8 billion to ¥24.1 billion, mainly reflecting a ¥9.5 billion decrease in long-term debt.

Net assets increased ¥2.4 billion to ¥119.9 billion. The primary factors were a ¥1.5 billion increase in net unrealized holding gains on securities and a ¥0.7 billion increase in net unrealized holding gains on derivative instruments from a loss in the previous year. The ratio of equity to total assets was 54.8% and the current ratio was 1.68.

Cash Flows

Cash and cash equivalents at the end of the fiscal year stood at ¥40.0 billion, ¥14.3 billion higher than a year earlier.

Cash flow from operating activities

Net cash provided by operating activities was ¥21.0 billion, compared with net cash used of ¥7.7 billion in the previous period. In addition to the income before income taxes and minority interests, cash was increased due to non-cash items of depreciation and amortization of ¥6.6 billion, a ¥5.6 billion decrease in inventories, a ¥3.7 billion decrease in notes and accounts receivable, and a ¥3.6 billion increase in notes and accounts payable.

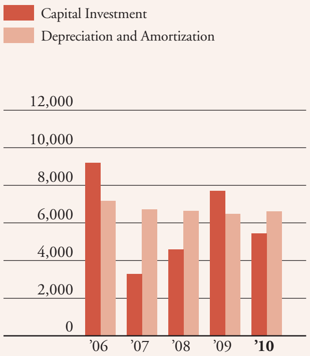
Cash flow from investing activities

Net cash used in investing activities was ¥3.9 billion, against ¥3.5 billion used in the previous period. Major contributory factors were disbursement of loans receivable of ¥1.0 billion, offset by a cash outflow of ¥4.6 billion for acquisitions of property, plant and equipment to expand existing plants.

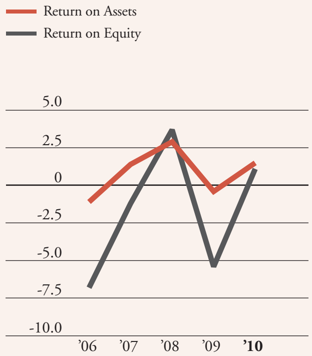
Cash flow from financing activities

Net cash used in financing activities was ¥3.1 billion, against ¥5.6 billion provided in the previous period. The major cash outflows were ¥2.1 billion for making a net decrease in debt and ¥0.7 billion for dividends paid.

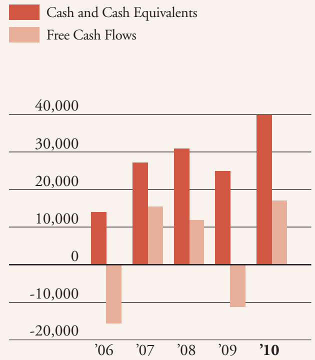
Capital Investment, Depreciation and Amortization
(Millions of yen)



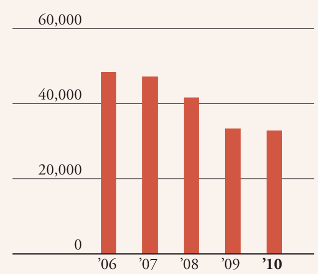
Return on Assets*1, Return on Equity*2
(%)



Cash and Cash Equivalents, Free Cash Flows
(Millions of yen)



Interest-bearing Debt
(Millions of yen)



**1 Return on assets is calculated by dividing ordinary income (loss), as recorded in the Japanese-language Consolidated Statements of Operations, by the average of total assets at the start and end of the fiscal year.*

**2 Effective for the year ended March 31, 2007, the Company and its domestic consolidated subsidiaries adopted new accounting standards, "Accounting Standard for Presentation of Net Assets in the Balance Sheet" ("Statement No. 5" issued by the Accounting Standards Board of Japan on December 9, 2005), and "the Implementation Guidance for the Accounting Standard for Presentation of Net Assets in the Balance Sheet" ("the Financial Accounting Standard Implementation Guidance No. 8" issued by the Accounting Standards Board of Japan on December 9, 2005).*

Consolidated Balance Sheets

ITOHAM FOODS INC. and Consolidated Subsidiaries—as of March 31, 2010 and 2009

ASSETS	Millions of yen 2010	Millions of yen 2009	Thousands of U.S. dollars (Note 1) 2010
Current assets:			
Cash and time deposits (Notes 3, 5 and 12)	¥ 40,311	¥ 25,934	$ 433,265
Notes and accounts receivables:			
Trade (Note 5)	42,809	45,551	460,114
Other	–	35	–
Allowance for doubtful receivables	(223)	(204)	(2,397)
	42,586	45,382	457,717
Inventories (Note 6)	37,728	42,692	405,503
Deferred tax assets (Note 17)	2,011	1,580	21,614
Other current assets	1,059	1,874	11,383
Total current assets	123,695	117,462	1,329,482
Property, plant and equipment:			
Land (Notes 8 and 12)	18,721	19,179	201,214
Buildings and structures (Notes 8 and 12)	64,185	64,304	689,865
Machinery and equipment (Note 8)	90,290	88,802	970,443
Livestock	–	126	–
Lease assets	1,553	687	16,692
Construction in progress	1,312	129	14,101
	176,061	173,227	1,892,315
Accumulated depreciation	(119,667)	(115,104)	(1,286,189)
	56,394	58,123	606,126
Intangible assets	1,260	1,163	13,543
Investments and other assets:			
Investments in securities:			
Affiliates	10,352	9,926	111,264
Other (Notes 4, 5 and 12)	12,763	10,617	137,178
Long-term receivables	1,542	2,533	16,573
Deferred tax assets (Note 17)	594	604	6,384
Other	11,810	11,430	126,935
Allowance for doubtful receivables	(953)	(1,973)	(10,243)
	36,108	33,137	388,091
	¥ 217,457	¥ 209,885	$ 2,337,242

The accompanying notes to the consolidated financial statements are an integral part of these statements.

LIABILITIES AND NET ASSETS	Millions of yen 2010	Millions of yen 2009	Thousands of U.S. dollars (Note 1) 2010
Current liabilities:			
Short-term borrowings (Notes 5, 11 and 12)	¥ 6,508	¥ 6,277	$ 69,948
Long-term debt due within one year (Notes 5, 11 and 12)	9,974	1,156	107,201
Notes and accounts payable:			
Trade (Note 5)	38,885	35,168	417,939
Construction	1,429	1,858	15,359
Other	10,158	9,915	109,179
	50,472	46,941	542,477
Lease obligations	338	150	3,633
Accrued expenses	4,102	3,854	44,089
Income taxes payable	1,187	1,038	12,758
Deferred tax liabilities (Note 17)	10	4	107
Other	886	1,085	9,523
Total current liabilities	73,477	60,505	789,736
Long-term liabilities:			
Long-term debt due after one year (Notes 5, 11 and 12)	16,352	25,901	175,752
Lease obligations	1,049	513	11,275
Employees' severance and retirement benefits (Note 13)	301	364	3,235
Directors' and statutory auditors' retirement benefits	–	489	–
Provision for loss on guarantees	407	473	4,374
Deferred tax liabilities (Note 17)	3,601	2,815	38,704
Other long-term liabilities	2,414	1,388	25,946
Total long-term liabilities	24,124	31,943	259,286
Contingent liabilities (Note 14)			
Net assets (Note 19):			
Shareholders' equity:			
Common stock:	28,428	28,428	305,546
Authorized—342,013,000			
Issued—247,482,533			
Capital surplus	30,039	30,033	322,861
Retained earnings	60,035	59,478	645,260
Treasury stock, at cost, 2,161,364 shares in 2010			
2,180,735 shares in 2009	(805)	(813)	(8,652)
Total shareholders' equity	117,697	117,126	1,265,015
Valuation and translation adjustments:			
Net unrealized holding gains on securities	2,978	1,516	32,008
Net unrealized holding gains (losses) on derivative instruments	151	(500)	1,623
Foreign currency translation adjustments	(1,637)	(1,317)	(17,595)
Total valuation and translation adjustments	1,492	(301)	16,036
Stock acquisition rights (Note 18)	81	64	871
Minority interests	586	548	6,298
Total net assets	119,856	117,437	1,288,220
	¥217,457	¥209,885	$2,337,242

Consolidated Statements of Operations

ITOHAM FOODS INC. and Consolidated Subsidiaries—for the Years Ended March 31, 2010 and 2009

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2010	2009	2010
Net sales	¥452,454	¥487,128	$4,863,005
Cost and expenses:			
Cost of sales	358,851	397,263	3,856,954
Selling, general and administrative expenses (Note 7)	91,513	92,330	983,588
Operating income (loss)	2,090	(2,465)	22,463
Other income (expenses):			
Interest and dividend income	418	459	4,493
Interest expense	(625)	(759)	(6,718)
Gain on sales of investments in securities, net	1	222	11
Gain on sales of property, plant and equipment	107	245	1,150
Loss on disposals of property, plant and equipment	(350)	(546)	(3,762)
Write-down of investment securities	(190)	(57)	(2,042)
Equity in earnings of affiliates	742	1,076	7,975
Impairment losses on fixed assets (Note 8)	(574)	(587)	(6,169)
Costs related to voluntary recall of products (Note 9)	–	(1,246)	–
Losses from suspension of plant operations (Note 10)	–	(1,080)	–
Provision for loss on guarantees	–	(473)	–
Other, net	643	627	6,911
	172	(2,119)	1,849
Income (loss) before income taxes and minority interests	2,262	(4,584)	24,312
Provision for income taxes (Note 17):			
Current	1,403	1,401	15,080
Deferred	(512)	261	(5,503)
Minority interests	(78)	(49)	(838)
Net income (loss)	¥ 1,293	¥ (6,295)	$ 13,897

	Yen		U.S. dollars
Net income (loss) per share	¥ 5.27	¥ (30.01)	$ 0.057
Diluted net income per share	5.27	–	0.057
Dividends per share	3.00	3.00	0.032

The accompanying notes to the consolidated financial statements are an integral part of these statements.

Consolidated Statements of Changes in Net Assets

ITOHAM FOODS INC. and Consolidated Subsidiaries—for the Years Ended March 31, 2010 and 2009

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2010	2009	2010
Common stock:			
Balance at beginning of year	¥28,428	¥22,415	$305,546
Issuance of new shares	–	6,013	–
Balance at end of year	¥28,428	¥28,428	$305,546
Capital surplus:			
Balance at beginning of year	¥30,033	¥24,021	$322,797
Issuance of new shares	–	6,012	–
Disposal of treasury stock	6	–	64
Balance at end of year	¥30,039	¥30,033	$322,861
Retained earnings:			
Balance at beginning of year	¥59,478	¥66,815	$639,274
Net income (loss) for the year	1,293	(6,295)	13,897
Cash dividends paid	(736)	(1,042)	(7,911)
Balance at end of year	¥60,035	¥59,478	$645,260
Treasury stock, at cost:			
Balance at beginning of year	¥ (813)	¥ (805)	$ (8,738)
Purchase of treasury stock	(3)	(8)	(32)
Disposal of treasury stock	11	–	118
Balance at end of year	¥ (805)	¥ (813)	$ (8,652)
Net unrealized holding gains on securities:			
Balance at beginning of year	¥ 1,516	¥ 4,098	$ 16,294
Increase (decrease) for the year	1,462	(2,582)	15,714
Balance at end of year	¥ 2,978	¥ 1,516	$ 32,008
Net unrealized holding gains (losses) on derivative instruments:			
Balance at beginning of year	¥ (500)	¥ (269)	$ (5,374)
Increase (decrease) for the year	651	(231)	6,997
Balance at end of year	¥ 151	¥ (500)	$ 1,623
Foreign currency translation adjustments:			
Balance at beginning of year	¥ (1,317)	¥ 1,757	$ (14,155)
Net decrease	(320)	(3,074)	(3,440)
Balance at end of year	¥ (1,637)	¥ (1,317)	$ (17,595)
Stock acquisition rights:			
Balance at beginning of year	¥ 64	¥ –	$ 688
Net increase	17	64	183
Balance at end of year	¥ 81	¥ 64	$ 871
Minority interests:			
Balance at beginning of year	¥ 548	¥ 524	$ 5,890
Net increase	38	24	408
Balance at end of year	¥ 586	¥ 548	$ 6,298

Number of shares of common stock issued:	2010	2009
At beginning of year	247,482,533	210,482,533
Issuance of new shares	–	37,000,000
At end of year	247,482,533	247,482,533

The accompanying notes to the consolidated financial statements are an integral part of these statements.

Consolidated Statements of Cash Flows

ITOHAM FOODS INC. and Consolidated Subsidiaries—for the Years Ended March 31, 2010 and 2009

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2010	2009	2010
Cash flows from operating activities:			
Income (loss) before income taxes and minority interests	¥ 2,262	¥(4,584)	$ 24,312
Adjustments to reconcile income (loss) before income taxes and minority interests to net cash provided by (used in) operating activities:			
Depreciation and amortization	6,611	6,496	71,055
Impairment losses on fixed assets	574	587	6,169
Decrease in employees' severance and retirement benefits	(63)	(319)	(677)
Increase (decrease) in allowance for doubtful receivables	(1,005)	59	(10,802)
Interest and dividend income	(418)	(459)	(4,493)
Interest expense	625	759	6,718
Costs related to voluntary recall of products	–	761	–
Losses from suspension of plant operations	–	664	–
Equity in earnings of affiliates	(742)	(1,076)	(7,975)
Write-down of investments in securities	190	57	2,042
Gain on sales of property, plant and equipment	(107)	(245)	(1,150)
Loss on disposals of property, plant and equipment	224	287	2,408
Decrease in notes and accounts receivable	3,714	3,770	39,918
Decrease (increase) in inventories	5,625	(558)	60,458
Increase (decrease) in notes and accounts payable	3,552	(9,725)	38,177
Increase (decrease) in accrued consumption taxes	782	(39)	8,405
Other, net	589	(1,361)	6,331
	22,413	(4,926)	240,896
Interest and dividends received	780	737	8,384
Interest paid	(627)	(813)	(6,739)
Income taxes paid	(2,014)	(2,801)	(21,647)
Income taxes refunded	448	75	4,815
Net cash provided by (used in) operating activities	21,000	(7,728)	225,709
Cash flows from investing activities:			
Investments in time deposits	(355)	(195)	(3,816)
Proceeds from time deposits	265	120	2,848
Acquisitions of property, plant and equipment	(4,581)	(6,823)	(49,237)
Proceeds from sale of property, plant and equipment	478	368	5,138
Acquisitions of intangible assets	(333)	(458)	(3,579)
Proceeds from sale of intangible assets	1	–	11
Payments for purchase of investment securities	(65)	(76)	(699)
Proceeds from sale of investment securities	69	39	742
Proceeds from sale of investments in subsidiaries resulting in change in scope of consolidation	–	1,527	–
Payments for purchase of stocks of subsidiaries and affiliates	(288)	(53)	(3,095)
Disbursement of loans receivable	(967)	(1,690)	(10,393)
Collection of loans receivable	1,996	3,326	21,453
Other, net	(85)	437	(914)
Net cash used in investing activities	(3,865)	(3,478)	(41,541)
Cash flows from financing activities:			
Increase (decrease) in short-term borrowings, net	(1,333)	552	(14,327)
Proceeds from long-term debt	450	200	4,837
Repayments of long-term debt	(1,168)	(1,047)	(12,554)
Redemption of bonds	(20)	(5,020)	(215)
Proceeds from issuance of common stock	–	12,025	–
Payments for purchase of treasury stock	(3)	(8)	(32)
Dividends paid	(736)	(1,042)	(7,911)
Repayments of lease obligations	(242)	(36)	(2,601)
Dividends paid to minority shareholders of consolidated subsidiaries	(9)	(8)	(97)
Other, net	0	–	0
Net cash provided by (used in) financing activities	(3,061)	5,616	(32,900)
Effect of exchange rate changes on cash and cash equivalents	211	(667)	2,268
Net increase (decrease) in cash and cash equivalents	14,285	(6,257)	153,536
Cash and cash equivalents at beginning of year	25,705	31,962	276,279
Cash and cash equivalents at end of year (Note 3)	¥39,990	¥25,705	$429,815

The accompanying notes to the consolidated financial statements are an integral part of these statements.

Notes to Consolidated Financial Statements

1. BASIS OF PRESENTING CONSOLIDATED FINANCIAL STATEMENTS

The accompanying consolidated financial statements have been prepared in accordance with the provisions set forth in the Japanese Financial Instruments and Exchange Law and its related accounting regulations and in conformity with accounting principles generally accepted in Japan ("Japanese GAAP"), which are different in certain respects as to application and disclosure requirements from International Financial Reporting Standards.

The accounts of overseas subsidiaries are based on their accounting records maintained in conformity with generally accepted accounting principles prevailing in the respective country of domicile. The accompanying consolidated financial statements have been restructured and translated into English with some expanded descriptions from the consolidated financial statements of ITOHAM FOODS INC. (the "Company") prepared in accordance with Japanese GAAP and filed with the appropriate Local Finance Bureau of the Ministry of Finance as required by the Financial Instruments and Exchange Law. Some supplementary information included in the statutory Japanese language consolidated financial statements, but not required for fair presentation, is not presented in the accompanying consolidated financial statements.

The translations of the Japanese yen amounts into U.S. dollars are included solely for the convenience of readers outside Japan, using the prevailing exchange rate at March 31, 2010, which was ¥93.04 to U.S. $1.00. The translations should not be construed as representations that the Japanese yen amounts have been, could have been, or could in the future be converted into U.S. dollar amounts at this or any other rate of exchange.

2. SIGNIFICANT ACCOUNTING POLICIES

(1) Consolidation

The accompanying consolidated financial statements include the accounts of the Company and all of its significant subsidiaries (26 domestic and 6 overseas subsidiaries for 2010 and 28 domestic and 6 overseas subsidiaries for 2009) over which the Company has power of control through majority voting rights or the existence of certain other conditions evidencing control. Investments in affiliates (7 domestic and 5 overseas subsidiaries for 2010 and 5 domestic and 5 overseas subsidiaries for 2009) over which the Company has the ability to exercise significant influence over operating and financial policies are accounted for by the equity method.

Six of the Company's subsidiaries are consolidated using a fiscal period ending December 31. Significant transactions occurring during the January 1 to March 31 period are adjusted for in these consolidated financial statements.

In the elimination of investments in subsidiaries, the assets and liabilities of the subsidiaries, including the portion attributable to minority shareholders, are evaluated using the fair value at the time the Company acquired control of the respective subsidiary.

All significant intercompany transactions and accounts have been eliminated. The difference between the cost of investments and the equity in the net assets at date of acquisition is amortized over five years.

(2) Cash and cash equivalents

Cash and cash equivalents include all highly liquid investment with original maturities of three months or less that are readily convertible to known amounts of cash and are so near maturity that they present insignificant risk of change in value from a change in interest rates.

(3) Allowance for doubtful receivables

The Company and its consolidated subsidiaries provide for doubtful accounts at an amount based principally on management's estimate of the bad debt ratio from past experience plus the estimated uncollectible amounts of certain individual receivables.

(4) Securities

Securities are classified into one of several categories based on the intent of holding, the securities resulting in different measurements and accounting for changes in fair value. Held-to-maturity debt securities are stated at amortized cost. Available-for-sale securities with available fair market values are stated at fair market value. Unrealized gains and unrealized losses on these securities are reported, net of applicable income taxes, as a separate component of shareholders' equity. Realized gains and losses on the sale of such securities are computed using moving average cost. Other securities with no available fair market value are stated at moving average cost. Held-to-maturity debt securities and available-for-sale securities maturing within one year from the fiscal year end and highly liquid investment funds are included in marketable securities or cash equivalents in current assets.

If the market value of held-to-maturity debt securities and available-for-sale securities declines significantly, such securities are stated at fair market value and the difference between the fair market value and the carrying amount is recognized as loss in the period of the decline. If the fair market value of securities is not readily available, such securities should be written down to net asset value with a corresponding charge in the statement of operations in the event net asset value declines significantly. In these cases, the fair market value or the net asset value will be the carrying amount of the securities at the beginning of the next year.

(5) Inventories

Inventories of the Company and its consolidated domestic subsidiaries are stated at cost (a carrying amount on the balance sheet is written down if the profitability decreases). Cost is determined by the first-in, first-out method for finished products and resale inventories (except meat), the specific identification method for real estate for sale and breeding cattle, and the moving average method for the remaining inventories.

Inventories of overseas subsidiaries are stated at the lower of cost or market.

(6) Derivatives and hedge accounting

Derivative financial instruments, except those used for hedging purposes, are stated at fair market value. Gains and losses realized on maturity or disposal and unrealized gains and losses from market value fluctuations are recognized as gains or losses in the period of the change.

If derivative financial instruments are used as hedges and meet certain hedging criteria, the Company and its consolidated subsidiaries defer recognition of the gains or losses resulting from changes in the fair value of the derivative financial instruments until the related losses or gains on the hedged items are recognized.

(7) Property, plant and equipment

Property, plant and equipment are carried at cost. Depreciation is mainly provided on a declining balance method over the estimated useful life of the asset. Buildings acquired after March 31, 1998 are depreciated using the straight-line method.

Overseas subsidiaries depreciate their property, plant and equipment using the declining balance method and the straight-line method.

Estimated useful lives of the assets are as follows:

Buildings and structures	15–50 years
Machinery and equipment	4–10 years

(8) Employees' severance and retirement benefits

The Company and its consolidated domestic subsidiaries provide two types of post-employment benefit plans, unfunded lump-sum payment plans and a funded non-contributory pension plan, under which all eligible employees are entitled to benefits based on the level of wages and salaries at the time of retirement or termination, length of service and certain other factors.

The Company and its consolidated subsidiaries provide for employees' severance and retirement benefits based on the estimated amounts of projected benefit obligation and the fair value of plan assets.

Effective from the year ended March 31, 2010, the Company and its consolidated domestic subsidiaries (the "domestic companies") adopted "Partial Amendments to Accounting Standard for Retirement Benefits (Part 3)" (Accounting Standards Board of Japan "ASBJ" Statement No. 19 issued on July 31, 2008). However, the change had no impact on the consolidated financial statements for the year ended March 31, 2010.

(Actuarial gains and losses of the retirement benefits reserve and change in recognition of number of years of past service costs)
Actuarial gains and losses used to be charged to expenses from the consolidated fiscal year following the term in which the expenses were incurred by the straight-line method over a fixed number of years within the average remaining years of service of employees for each consolidated fiscal year in which the actuarial gains and losses occurred. However, as a result of reviewing the average remaining years of service of employees, effective from the consolidated fiscal year under review, the number of years over which the actuarial gains and losses are recognized has been changed from 12–15 years to 12–14 years.

Past service costs used to be charged to expenses from the consolidated fiscal year in which the expenses were incurred by the straight-line method over a fixed number of years within the average remaining years of service of employees for each consolidated fiscal year in which the past service costs occurred. However, as a result of reviewing the average remaining years of service of employees, effective from the consolidated fiscal year under review, the number of years over which the past service costs are recognized has been changed from 12-15 years to 12-14 years.

As a result of this change, operating income, ordinary income and net income before income taxes each decreased by ¥131 million compared to the amounts that would have been recorded with the application of the previous number of years of recognition.

(9) Provision for loss on guarantees

The Company provides an allowance for estimated losses on guarantees based on the financial status of the parties whose indebtedness has been guaranteed.

(10) Research and development expenses

Research and development expenses for the improvement of existing products and the development of new products, including basic research and fundamental development costs, which were ¥669 million ($7,190 thousand) and ¥655 million for the years ended March 31, 2010 and 2009, respectively, are charged to income in the period incurred.

(11) Finance leases

Finance leases, except for certain immaterial leases, are capitalized and depreciated over the estimated useful life or lease term, as applicable. However, the Company and its consolidated domestic subsidiaries account for finance leases that commenced prior to April 1, 2008 and that do not transfer ownership of the leased property to the lessee as operating leases with disclosure of certain "as if capitalized" information.

(12) Income taxes

Deferred income taxes are recorded to reflect tax effects of loss carryforwards and temporary differences between the carrying amounts of assets and liabilities for tax and financial reporting. The asset and liability approach is used to recognize deferred tax assets and liabilities for the expected future tax consequences of the temporary differences.

(13) Foreign currency translation

Receivables and payables denominated in foreign currencies are translated into Japanese yen at year-end rates.

Financial statements of consolidated overseas subsidiaries are translated into Japanese yen at year-end rates, except that shareholders' equity accounts are translated at historical rates and income statement items resulting from transactions with the Company are translated at the rates used by the Company.

(14) Stock options

The Company has adopted a new accounting standard for stock options. The standard requires companies to account for stock options granted to non-employees based on the fair value of the stock options. In the balance sheet, stock options are presented as stock acquisition rights as a separate component of net assets until exercised.

(15) Amounts per share

The computations of net income (loss) per share of common stock shown on the consolidated statements of operations are based on the weighted average number of shares outstanding during each fiscal year.

Cash dividends per share shown in the consolidated statements of operations are the amounts applicable to the respective years.

3. STATEMENTS OF CASH FLOWS

The reconciliations of cash and time deposits in the consolidated balance sheets and cash and cash equivalents in the consolidated statements of cash flows as of March 31, 2010 and 2009 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2010	2009	2010
Cash and time deposits in the consolidated balance sheets	¥40,311	¥25,934	$433,265
Time deposits with maturities exceeding 3 months	(321)	(229)	(3,450)
Cash and cash equivalents in the consolidated statements of cash flows	¥39,990	¥25,705	$429,815

4. SECURITIES

A. The following tables summarize information on securities with available market values as of March 31, 2010 and 2009:

(a) Held-to-maturity debt securities
Securities with available market values exceeding book values

	Millions of yen		Thousands of U.S. dollars
	2010	2009	2010
Book value	¥250	¥250	$2,687
Fair value	256	255	2,752
Difference	¥ 6	¥ 5	$ 65

Securities with available market values not exceeding book values

	Millions of yen		Thousands of U.S. dollars
	2010	2009	2010
Book value	¥ –	¥ –	$ –
Fair value	–	–	–
Difference	¥ –	¥ –	$ –

(b) Available-for-sale securities with available market values

Securities with book values (market values) exceeding acquisition cost

March 31, 2010	Millions of yen		
	Acquisition cost	Book value	Difference
Equity securities	¥5,379	¥10,642	¥5,263

March 31, 2010	Thousands of U.S. dollars		
	Acquisition cost	Book value	Difference
Equity securities	$57,814	$114,381	$56,567

Securities with book values (market values) not exceeding acquisition cost

March 31, 2010	Millions of yen		
	Acquisition cost	Book value	Difference
Equity securities	¥1,172	¥988	¥(184)

March 31, 2010	Thousands of U.S. dollars		
	Acquisition cost	Book value	Difference
Equity securities	$12,597	$10,619	$(1,978)

Securities with book values (market values) exceeding acquisition cost

March 31, 2009	Millions of yen		
	Acquisition cost	Book value	Difference
Equity securities	¥5,161	¥8,272	¥3,111

Securities with book values (market values) not exceeding acquisition cost

March 31, 2009	Millions of yen		
	Acquisition cost	Book value	Difference
Equity securities	¥1,552	¥1,181	¥(371)

B. The following tables summarize book values of securities with no available market values as of March 31, 2010 and 2009:

	Millions of yen		Thousands of U.S. dollars
	2010	2009	2010
Available-for-sale securities			
Non-listed equity securities	¥734	¥762	$7,889
Other	150	152	1,612

C. Available-for-sale securities with maturities and held-to-maturity debt securities at March 31, 2010 and 2009 mature as follows:

	Within one year	Within five years
March 31, 2010	Millions of yen	
Government bonds	¥ –	¥ 250
Total	¥ –	¥ 250

March 31, 2010	Thousands of U.S. dollars	
Government bonds	$ –	$2,687
Total	$ –	$2,687

	Within one year	Within five years
March 31, 2009	Millions of yen	
Government bonds	¥ –	¥ 250
Total	¥ –	¥ 250

D. Total sales of available-for-sale securities in the years ended March 31, 2010 and 2009 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2010	2009	2010
Total sales	¥ 56	¥31	$ 602
Related gains	33	2	355
Related losses	(33)	(2)	(355)

5. FINANCIAL INSTRUMENTS

Effective from the year ended March 31, 2010, the Company adopted the revised Accounting Standard, “Accounting Standard for Financial Instruments” (Accounting Standards Board of Japan (“ASBJ”) Statement No. 10 revised on March 10, 2008) and the “Guidance on Disclosures about Fair Value of Financial Instruments” (ASBJ Guidance No. 19 revised on March 10, 2008). Information on financial instruments for the year ended March 31, 2010 required pursuant to the revised accounting standards is as follows:

(1) Qualitative information on financial instruments

①Policies for using financial instruments

The policy of the Company and its consolidated subsidiaries (together, the “Group”) is to limit its fund management primarily to short-term deposits and to raise funds by borrowing from banks and other financial institutions and by issuing corporate bonds. The Group’s policy toward derivatives is to adhere to internal management regulations to trade in derivatives only to the extent genuinely necessary, and not for speculative purposes.

②Details of financial instruments used and risks, policies and systems for risk management

Notes and accounts receivable, which are operating receivables, are exposed to customer credit risk. The Group works to reduce such risk in line with its credit management regulations.

The Group’s investment securities are primarily equity, and equity with market prices is exposed to price fluctuation risk. However, the Group primarily holds equity in companies with which it has a business relationship. To address the risk, the equity is measured at fair value every month, and the information is reported to trading-related departments and shared within the Group.

Notes and accounts payable, which are operating liabilities, almost all fall due within one year. Funds raised by borrowings and corporate bonds are used for working capital (primarily short term) and capital investment (long term). Borrowings with fluctuating interest rates are exposed to risk of fluctuating interest rates. However, for some of its long-term borrowings, the Group trades in derivatives (interest rate swaps) for each individual contract to fix interest rate payments as a means to hedge against the risk of fluctuating interest rate payments. As this method of hedging meets the requirements of the special treatment of interest rate swaps, we have not assessed the effectiveness of the method.

The Group's trading in derivatives adheres to internal management regulations. The Group trades in forward exchange contracts to hedge against the risk of currency rate fluctuations with respect to foreign currency denominated operating receivables and liabilities and trades in interest rate swaps to hedge against the risk of interest rate payment fluctuations with respect to borrowings. The Group trades in these only to the extent genuinely necessary, and not for speculative purposes.

③Supplemental information on market values

The fair value of financial instruments reflects their value based on market prices or a reasonable assessment of the value if there is no market price. Because such an assessment incorporates variable factors, the assessed value may vary depending on the differing assumptions that are applied. The derivative contract amounts described in the note "(2) Market values of financial instruments" do not themselves denote market risk related to the derivative transactions.

(2) Market values of financial instruments

Book values and market values of the financial instruments on the consolidated balance sheet at March 31, 2010 are as follows:

	Millions of yen		
	Book value	Market value	Difference
Cash and time deposits	¥40,311	¥40,311	¥ –
Trade notes and accounts receivables	42,809	42,809	–
Investments in securities			
Held-to-maturity debt securities	250	256	6
Other securities	11,630	11,630	–
Assets total	95,000	95,006	6
Trade notes and accounts payable	38,885	38,885	–
Short-term borrowings	6,508	6,508	–
Long-term debt due within one year	9,964	9,897	(67)
Long-term debt	6,352	6,026	(326)
Bonds	10,000	9,740	(260)
Liabilities total	71,709	71,056	(653)
Hedging derivative financial instruments	7,395	7,395	–

6. INVENTORIES

Inventories at March 31, 2010 and 2009 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2010	2009	2010
Finished products and resale inventories	¥20,704	¥24,290	$222,528
Raw materials and cattle	17,024	18,402	182,975
	¥37,728	¥42,692	$405,503

7. SELLING, GENERAL AND ADMINISTRATIVE EXPENSES

Major components of selling, general and administrative expenses at March 31, 2010 and 2009 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2010	2009	2010
Salaries and bonuses for employees	¥21,886	¥21,644	$235,232
Delivery expenses	19,297	18,961	207,405
Severance and retirement benefits expenses	2,169	1,618	23,313
Provision for accrued bonuses	1,674	1,618	17,992
Depreciation	1,431	1,298	15,380

8. IMPAIRMENT OF FIXED ASSETS

The Company and its consolidated subsidiaries recognized impairment losses for the following groups of fixed assets in the year ended March 31, 2010 and 2009.

March 31, 2010

Location	Use	Type of assets
Ibaraki Prefecture	Idle assets	Machinery and equipment Buildings and structures Land and Other
Wyoming, U.S.A	Fattening facilities	Machinery and equipment Buildings and structures Other

March 31, 2009

Location	Use	Type of assets
Ibaraki Prefecture	Idle assets	Machinery and equipment Buildings and structures Land and Other

For the purpose of identifying fixed assets that are impaired, the Company and its consolidated subsidiaries grouped their fixed assets primarily on a division-by-division basis and put rented and idle assets in an independent category.

The Companies reduced the book values to the recoverable values and recognized the reduction in values as impairment losses for the years ended March 31, 2010 and 2009. The losses consisted of ¥267 million ($2,870 thousand) and ¥327 million in Land, ¥294 million ($3,160 thousand) and ¥101 million in Buildings and structures, ¥13 million ($140 thousand) and ¥10 million in Machinery and equipment and ¥1 million ($11 thousand) and ¥148 million in Others.

The recoverable values of fixed assets were measured on the basis of their net selling price based primarily on the road rating evaluation by the National Tax Agency.

9. COSTS RELATED TO VOLUNTARY RECALL OF PRODUCTS

The Company and its consolidated subsidiaries recognized special losses related to the voluntary recall of products produced in the Tokyo plant in the year ended March 31, 2009.

March 31, 2009	Millions of yen
Loss on disposals of inventories	¥838
Costs related to giving notice to and dealing with customers	312
Other costs	96

10. LOSSES FROM SUSPENSION OF PLANT OPERATIONS

The Company and its consolidated subsidiaries recognized special losses related to the suspension of the Tokyo plant operations in the year ended March 31, 2009.

March 31, 2009	Millions of yen
Loss on disposal of finished products and raw materials related to suspension of plant operations	¥640
Compensation for employees and contracting companies related to suspension of plant operations	349
Other costs	91

11. SHORT-TERM BORROWINGS AND LONG-TERM DEBT

Short-term borrowings are generally represented by unsecured notes with average interest rates of 4.25% and 4.33% at March 31, 2010 and 2009, respectively. Such borrowings are generally renewable at maturity.

Long-term debt at March 31, 2010 and 2009 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2010	2009	2010
Secured:			
Banks, 0.850%–2.299%, maturing serially through 2019	¥ 844	¥ 932	$ 9,071
Unsecured:			
Banks, 0.980%–5.740%, maturing serially through 2015	15,472	16,095	166,294
0.65% bonds due 2010	10	30	107
1.15% bonds due 2012	10,000	10,000	107,481
	26,326	27,057	282,953
Less amounts due within one year	9,974	1,156	107,201
	¥16,352	¥25,901	$175,752

The aggregate annual maturities of long-term debt outstanding at March 31, 2010 were as follows:

March 31	Millions of yen	Thousands of U.S. dollars
2011	¥ 9,974	$107,201
2012	534	5,739
2013	10,281	110,501
2014	219	2,354
2015 and thereafter	5,318	57,158
	¥26,326	$282,953

The Companies have overdraft contracts and credit commitments with eight banks with total unused credit available to the Companies at March 31, 2010 of ¥21,160 million ($227,429 thousand).

12. PLEDGED ASSETS

At March 31, 2010 and 2009, respectively, assets were pledged as collateral for short-term borrowings of ¥27 million ($290 thousand) and ¥172 million, secured long-term debt due within one year of ¥310 million ($3,332 thousand) and ¥301 million and long-term debt due after one year of ¥534 million ($5,739 thousand) and ¥631 million as follows:

	Millions of yen		Thousands of U.S. dollars
	2010	2009	2010
Land	¥ 503	¥ 503	$ 5,406
Buildings and structures net of accumulated depreciation	2,310	2,416	24,828

At March 31, 2010 and 2009, respectively, time deposits of ¥120 million ($1,290 thousand) and ¥120 million and investments in securities of ¥250 million ($2,687 thousand) and ¥250 million were pledged for transaction guarantees of ¥120 million ($1,290 thousand) and ¥120 million and gift certificates of ¥78 million ($838 thousand) and ¥90 million.

13. EMPLOYEES' SEVERANCE AND RETIREMENT BENEFITS

The liability for employees' severance and retirement benefits included in the liability section of the consolidated balance sheets as of March 31, 2010 and 2009 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2010	2009	2010
Projected benefit obligation	¥ 34,218	¥ 33,393	$ 367,777
Unrecognized actuarial differences	(10,370)	(14,327)	(111,457)
Unrecognized prior service costs	2,864	3,199	30,782
Fair value of pension assets	(31,739)	(27,466)	(341,133)
Prepaid pension costs	5,328	5,565	57,266
Employees' severance and retirement benefits	¥ 301	¥ 364	$ 3,235

Included in the consolidated statements of operations for the years ended March 31, 2010 and 2009 were severance and retirement benefit expenses as follows:

	Millions of yen		Thousands of U.S. dollars
	2010	2009	2010
Service costs—benefits earned during the year	¥1,745	¥1,778	$18,755
Interest cost on projected benefit obligation	658	649	7,072
Expected return on plan assets	(601)	(934)	(6,459)
Amortization of actuarial differences	1,519	885	16,326
Amortization of prior service costs	(335)	(304)	(3,600)
Severance and retirement benefit expenses	¥2,986	¥2,074	$32,094

The discount rate and the rate of expected return on plan assets used by the Company and its consolidated domestic subsidiaries were 2.0% and 3.0%, respectively. The estimated amount of all retirement benefits to be paid at future retirement dates is allocated equally to each service year using the estimated number of total service years. Actuarial gains and losses are recognized in the statement of operations using the straight-line method over 12 to 14 years, and past service costs are recognized in expenses in equal amounts over 12 to 14 years.

Contributory funded multi-employer pension plans

(1) Funded status of pension plans

Four domestic consolidated subsidiaries are participating in a contributory funded multi-employer pension plan and recognizing the required contributions as net pension cost. The total amounts recorded in the financial statements for the plan as of March 31, 2009 were as follows:

	Millions of yen	Thousands of U.S. dollars
Amount of pension assets	¥ 22,692	$ 243,895
Amount of benefit obligation	46,152	496,045
Net balance	¥(23,460)	$(252,150)

(2) The ratio of pension premiums expensed by the subsidiaries from April 1, 2008 to March 31, 2009 to the total premium amount was 12.85%.

14. CONTINGENT LIABILITIES

At March 31, 2010, the Company was contingently liable as follows:

	Millions of yen		Thousands of U.S. dollars	
As guarantor of indebtedness of:				
Affiliates	¥1,772	[2,072]	$19,045	[22,270]
Other companies	3,045		32,728	
	¥4,817		$51,773	

The numbers shown in parentheses, 2,072 and 22,270, respectively, represent the total contingent joint and several liability and include the reassurances of others.

15. DERIVATIVE TRANSACTIONS

The Company and its consolidated subsidiaries enter into forward currency exchange contracts to manage risk related to market fluctuations affecting its importing activities and interest rate swap contracts to manage risk related to interest rate changes. It is the Company's general policy not to use derivatives for speculation.

Derivative transactions are entered into by each operational division, and the processing of the transactions are controlled and reviewed by administrative divisions in accordance with established policies that restrict dealing in derivatives, including limits on authority and amounts.

The following summarizes the hedging derivative financial instruments used by the Company and its consolidated subsidiaries and the items hedged:

Hedging instruments: Forward currency exchange contracts
Interest rate swap contracts

Hedged items: Foreign currency trade payables and future commitments
Interest on loans payable

Information on the derivative financial instrument contracts utilized by the Company outstanding at March 31, 2010 and 2009 was not disclosed because all such contracts were effectively hedging transactions.

16. FINANCE LEASES

Finance leases, except for certain immaterial leases, are capitalized and depreciated over the estimated useful life or lease term, as applicable. However, as permitted and discussed in Note 2 (11), Significant Accounting Policies—Finance Leases, the Company and its consolidated domestic subsidiaries account for finance leases that commenced prior to April 1, 2008 and that do not transfer ownership of the leased property to the lessee as operating leases, with disclosure of certain "as if capitalized" information.

Information for non-capitalized finance leases at March 31, 2010 and 2009 was as follows:

	Millions of yen			Thousands of U.S. dollars
March 31, 2010	Machinery and equipment	Other	Total	Total
Original lease obligation (including finance charges)	¥3,396	¥497	¥3,893	$41,842
Payments remaining:				
Payments due within one year			¥ 428	$ 4,600
Payments due after one year			363	3,902
Total			¥ 791	$ 8,502

	Millions of yen		
March 31, 2009	Machinery and equipment	Other	Total
Original lease obligation (including finance charges)	¥7,276	¥809	¥8,085
Payments remaining:			
Payments due within one year			¥ 676
Payments due after one year			841
Total			¥1,517

Total lease payments, including finance charges, under non-capitalized finance leases for the years ended March 31, 2010 and 2009 were ¥658 million ($7,072 thousand) and ¥1,318 million, respectively.

17. INCOME TAXES

The Company and its consolidated subsidiaries are subject to several taxes based on income which, in the aggregate, indicate a statutory tax rate in Japan of approximately 40.6% for the years ended March 31, 2010 and 2009.

Significant components of the Company and its consolidated subsidiaries' deferred tax assets and liabilities as of March 31, 2010 and 2009 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2010	2009	2010
Deferred tax assets:			
Allowance for doubtful receivables	¥ 1,756	¥ 2,291	$ 18,873
Bonuses accrued	1,016	961	10,920
Enterprise taxes	99	39	1,064
Loss on revaluation of inventories	160	577	1,720
Accrued retirement benefits for directors and statutory auditors	299	193	3,214
Directors' retirement benefits	–	168	–
Write-down of investments in securities	1,642	607	17,648
Write-down of property, plant and equipment	966	867	10,383
Employees' severance and retirement benefits	1,724	1,629	18,530
Restructuring expenses	353	351	3,794
Provision for loss on guarantees	165	192	1,773
Loss carryforwards	4,640	3,893	49,871
Other	873	781	9,383
	13,693	12,549	147,173
Less valuation allowance	(11,022)	(10,365)	(118,465)
Total deferred tax assets	2,671	2,184	28,708
Deferred tax liabilities:			
Deferred gains on property, plant and equipment	(1,481)	(1,591)	(15,918)
Net unrealized holding gains on securities	(2,100)	(1,227)	(22,571)
Other	(97)	(1)	(1,042)
Total deferred tax liabilities	(3,678)	(2,819)	(39,531)
Net deferred tax assets (liabilities)	¥ (1,007)	¥ (635)	$ (10,823)

A reconciliation of the difference between the statutory tax rate and the effective income tax rate for the year ended March 31, 2010 is not disclosed because the difference between the two tax rates was less than 5% of the statutory tax rate. This item for the year ended March 31, 2009 was not provided due to the recording of a loss before income taxes and minority interests.

18. STOCK OPTION PLAN

At March 31, 2010 and 2009, the Company had the following stock option plans:

	2009 plan	2008 plan
Date of grant	August 3, 2009	July 31, 2008
Grantees	20 (including 9 directors)	21 (including 9 directors)
Type of stock	Common stock	Common stock
Number of shares granted	110,000	114,000
Exercise price (yen)	¥1	¥1
Exercise price (U.S. dollars)	$0.01	$ –
Exercise period	August 4, 2009– August 3, 2039	August 1, 2008– July 31, 2038
Fair value (yen)	¥298	¥ –
Fair value (U.S. dollars)	$3.20	$ –

19. NET ASSETS

Japanese Corporate Law ("the Law") became effective on May 1, 2006, replacing the Japanese Commercial Code ("the Code").

Under the Law, in cases where dividend distribution of surplus is made, the smaller of an amount equal to 10% of the dividend and the excess, if any, of 25% of common stock over the total of additional paid-in capital and legal earnings reserve must be set aside as additional paid-in capital or legal earnings reserve. Legal earnings reserve is included in retained earnings in the accompanying consolidated balance sheets.

Under the Code, companies were required to set aside an amount equal to at least 10% of cash dividends and other cash appropriations as legal earnings reserve until the total of legal earnings reserve and additional paid-in capital equaled 25% of common stock.

Under the Code, legal earnings reserve and additional paid-in capital could be used to eliminate or reduce a deficit by a resolution of the shareholders' meeting or could be capitalized by a resolution of the Board of Directors. Under the Law, both of these appropriations generally require a resolution of the Shareholders' Meeting.

Additional paid-in capital and legal earnings reserve may not be distributed as dividends. Under the Code, however, additional paid-in capital and legal earnings reserve may be transferred to retained earnings by a resolution of the Shareholders' Meeting as long as the total amount of legal earnings reserve and additional paid-in capital remained equal to or exceeded 25% of common stock. Under the Law, all additional paid-in capital and all legal earnings reserve may be transferred to the other capital surplus and retained earnings, respectively, which are potentially available for dividends.

The maximum amount that the Company can distribute as dividends is calculated based on the nonconsolidated financial statements of the Company in accordance with the Law.

At the annual Shareholders' Meeting held on June 24, 2010, the shareholders approved cash dividends amounting to ¥736 million ($7,911 thousand). These appropriations have not been accrued in the consolidated financial statements as of March 31, 2010. Such appropriations are recognized in the period in which they are approved by the shareholders.

20. SEGMENT INFORMATION

Information by business segment is not disclosed because the Company and its consolidated subsidiaries are primarily engaged in the manufacture and sale of foods and sales in this business segment exceeded 90% of consolidated net sales for the years ended March 31, 2010 and 2009.

The Company and its consolidated subsidiaries operate mainly within Japan, so regional segment information is not disclosed.

Overseas sales for the years ended March 31, 2010 and 2009 were less than 10% of consolidated net sales.

21. RELATED PARTY TRANSACTIONS

1. Transactions with related parties

Transactions with companies submitting consolidated financial statements and related parties.

March 31, 2010

Parent company and leading shareholder (only in the case of company), etc.	
Type	Other affiliated companies
Name of company	Mitsubishi Corporation
Location	Chiyoda-ku, Tokyo
Capital stock or investments (millions of yen)	¥203,228
Description of business	General merchant
Ratio of voting rights held (%)	(Owned) Direct 20.28
Relationship with related party	Merchandise resources of fresh meat and raw material
Description of transaction	Fresh meat and raw material purchases
Value of transaction (millions of yen)	¥13,650
Item	Accounts payable
Year-end balance (millions of yen)	¥3,555

March 31, 2009

Parent company and leading shareholder (only in the case of company), etc.	
Type	Other affiliated companies
Name of company	Mitsubishi Corporation
Location	Chiyoda-ku, Tokyo
Capital stock or investments (millions of yen)	¥202,817
Description of business	General merchant
Ratio of voting rights held (%)	(Owned) Direct 20.29
Relationship with related party	Merchandise resources of fresh meat and raw material
Description of transaction	Fresh meat and raw material purchases
Value of transaction (millions of yen)	¥18,428
Item	Accounts payable
Year-end balance (millions of yen)	¥3,229

2. Notes in connection with parent company and important affiliated companies

(1) Parent company
N/A

(2) Summarized financial information of important affiliated companies
Two important affiliated companies are ANZCO FOODS LTD. and INDIANA PACKERS CORP. Their financial information for the year ended March 31, 2010 and 2009 is summarized as follows:

March 31, 2010

	ANZCO FOODS LTD. (millions of yen)	INDIANA PACKERS CORP. (millions of yen)
Total current assets	¥13,980	¥ 8,150
Total fixed assets	17,530	11,165
Total current liabilities	17,120	2,380
Total fixed liabilities	3,742	3,901
Total net assets	10,648	13,034
Net sales	76,427	67,327
Net income before income taxes	695	2,654
Net income	473	1,610

March 31, 2009

	ANZCO FOODS LTD. (millions of yen)	INDIANA PACKERS CORP. (millions of yen)
Total current assets	¥13,517	¥ 9,062
Total fixed assets	16,969	12,009
Total current liabilities	17,289	6,651
Total fixed liabilities	1,947	1,487
Total net assets	11,250	12,934
Net sales	76,323	74,737
Net income before income taxes	1,477	2,892
Net income	1,085	1,746

22. SUBSEQUENT EVENT

(1) At the ordinary Shareholders' Meeting of the Company held on June 24, 2010, an appropriation of the Company's retained earnings for the year ended March 31, 2010 was duly approved as follows:

	Millions of yen	Thousands of U.S. dollars
Appropriation:		
Cash dividends (¥3.00 per share)	¥736	$7,911

(2) The Company has sold real estate on April 16, 2010, pursuant to sales contract, concluded as of December 25, 2009. Accordingly, ¥3,581 million ($38,489 thousand) of "Gain on sales of property, plant and equipment" is expected to be recognized in the Consolidated Statements of Operations on the next fiscal year ending March 31, 2011.

Independent Auditors' Report

Independent Auditors' Report

To the Board of Directors of
ITOHAM FOODS INC.

We have audited the accompanying consolidated balance sheets of ITOHAM FOODS INC.and consolidated subsidiaries as of March 31, 2010 and 2009, and the related consolidated statements of operations, changes in net assets and cash flows for the years then ended expressed in Japanese yen. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to independently express an opinion on these consolidated financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in Japan. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of ITOHAM FOODS INC. and subsidiaries as of March 31, 2010 and 2009, and the consolidated results of their operations and their cash flows for the years then ended, in conformity with accounting principles generally accepted in Japan.

Without qualifying our opinion, we draw attention to Note 22(2)to the consolidated financial statements, the Company has sold real estate on April 16, 2010, pursuant to sales contract, concluded as of December 25, 2009. Accordingly, 3,581 million ($38,489 thousand) of "Gain on sales of property, plant and equipment" is expected to be recognized in the Consolidated Statements of Operations on the next fiscal year ending March 31, 2011.

The U.S. dollar amounts in the accompanying consolidated financial statements with respect to the year ended March 31, 2010 are presented solely for convenience. Our audit also included the translation of yen amounts into U.S. dollar amounts and, in our opinion, such translation has been made on the basis described in Note 1 to the consolidated financial statements.

KPMG AZSA & Co.

Osaka, Japan
June 24, 2010

Directors, Auditors and Executive Officers

Director Senior Advisor
Chikara Kasai

President
Mamoru Horio

Director
Senior Managing Executive Officer
Toshiyuki Fujiyama

Director
Managing Executive Officer
Takashi Takechi

Directors
Executive Officers
Takashi Ishii
Hiroaki Ikeuchi
Kiyotaka Kikuchi
Noritaka Tsujikawa
Ikurou Shibayama
Kouichi Ito

Standing Auditors
Ryo Matsuoka
Shingo Iwamoto

Auditors
Kenichiro Kensho
Shinobu Okamoto

Executive Officers (Excluding current directors)
Kazuhiko Tamura
Yoshihito Fujiwara
Hisanori Nakajima
Kenichi Ichida
Teiji Murata
Yutaka Shishido
Hideo Haraguchi
Hiromu Fukuyama
Masaki Hiraoka

(As of June 24, 2010)

Itoham Corporate History

1928	Forerunner of Itoham founded as a private food processing enterprise in Osaka
1934	Develops sausages packaged in cellophane (now known as *Pole Wiener*)
1946	Food processing company established as a limited partnership in Kobe
1947	Develops and begins mass production of pressed ham
1948	Restructures and becomes a public company
1958	Begins the development of ham and sausage products using mutton Becomes first in the industry to import mutton raw ingredients (3,000 tons)
1959	Establishes the Meguro Plant in Tokyo
1960	Establishes the Nishinomiya Plant in Hyogo Prefecture
1961	Changes company name to Ito Ham Provisions Co., Ltd. Lists on the Second Section of the Tokyo and Osaka stock exchanges, and on the Kobe stock exchange (closed October 1967)
1967	Itoham shares moved to the First Section of the Tokyo and Osaka stock exchanges
1970	Participates in the Japan World Exposition
1974	Launches *Palky*, a skinless wiener product
1979	Launches *Cheese-In*, a wiener product with a cheese center
1984	Changes company name to Itoham Foods Inc.
1985	Begins sales of the *Bayern* brand of wieners
1989	*Pork Bits* win a Nikkei Superior Products and Services Award
1997	Opens the Alt-Ito Building as the company's base in the Tokyo metropolitan area
1999	*Alt Bayern* wins a Nikkei Superior Products and Services Award
2001	*Cheese-In* wins the Minister for Education, Culture, Sports, Science and Technology Prize
2004	*Pole Wiener* wins the Long Seller Prize awarded by the Japan Food Journal
2005	The *La Pizza* series wins the Japan Food Journal's Outstanding Product Prize
2008	Signs the basic agreement for a business alliance with Ajinomoto Co., Inc. Initiates the Itoham Tanzania Support Project
2009	Signs comprehensive business alliance agreement with Mitsubishi Corporation and YONEKYU CORPORATION

Stock Information

Shares

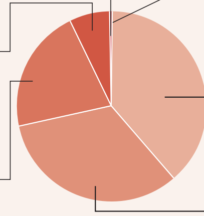
Total number of shares authorized	342,013,000
Number of shares of common stock issued	247,482,533
Number of shareholders	34,261

Major Shareholders

	Number of Shares Held (thousands of shares)	Percentage of Total (%)*
Mitsubishi Corporation	49,656	20.2
The Master Trust Bank of Japan, Ltd. (Trust Account)	18,537	7.5
The Ito Foundation	12,000	4.8
Japan Trustee Services Bank, Ltd. (Trust Account)	11,832	4.8
S Kikaku KK	9,465	3.8
Marubeni Corporation	7,099	2.8
Sumitomo Mitsui Banking Corporation	6,303	2.5
The Bank of Tokyo-Mitsubishi UFJ, Ltd.	6,303	2.5
The Ito Cultural Foundation	6,200	2.5
Nippon Life Insurance Company	5,362	2.1

* Percentage of total is calculated after deducting treasury stock

Breakdown of Shareholders by Type



Securities Companies
425,911
0.17%

Overseas Institutions
17,398,583
7.03%

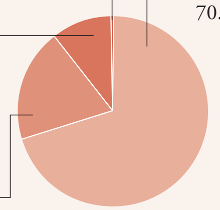
Individuals and Others
52,156,418
21.08%

Government and Municipalities
4,000
0.00%

Other Corporations
95,976,559
38.78%

Financial Institutions
81,521,062
32.94%

Breakdown of Shareholders by Size of Holding



Under 1,000 shares
266,122
0.11%

50,000 shares or more
25,846,889
10.44%

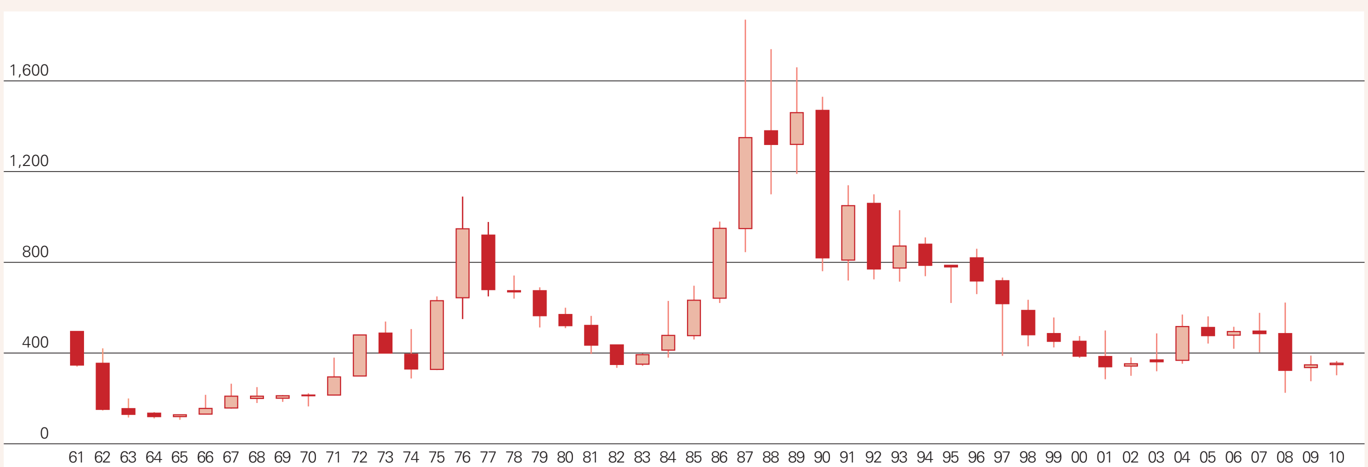
1,000 shares or more
46,987,175
18.99%

1,000,000 shares or more
174,382,347
70.46%

(As of March 31, 2010)

Common Stock Price Range

(¥)



Calendar year		00	01	02	03	04	05	06	07	08	09	10
Itoham Common Stock (¥)	High	495	500	381	487	573	565	519	577	619	389	365
	Low	379	285	300	320	356	445	422	404	228	276	302
Trading Volume (thousands of shares)		78,006	90,433	56,636	88,391	114,589	167,511	195,607	126,481	260,516	192,675	36,231

Note: The figures for the 2010 calendar year only are for the 3-month period from January 2010 through March 2010.

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