



# We will develop and expand business activities to achieve sustainable growth in corporate value.

I would like to offer my heartfelt prayers for those who have lost their lives to COVID-19 and their families, and pray that those who have contracted COVID-19 and those who are struggling with difficult circumstances recover quickly. I would also like to express my respect and gratitude to the healthcare providers who are fighting COVID-19 on the frontlines. Prima Meat Packers Group will fulfill its responsibilities as a company to protect the safety of employees and support both customers and employees in their daily lives. (The Group's support is explained on p. 64.)

Naoto Chiba  
President and Representative Director

## Sharing Prima Group products with even more people

I believe that food manufacturers must create great-tasting foods, and have continually emphasized this to employees since I became president. This view has now permeated the Group, from the sales division to product development and production sites, down to each and every employee. While this is highly gratifying, I want our employees to take this a step further. Our main mission is to provide customers with great-tasting, safe, and reliable products. To share the Group's products with even more people, we must also create products that accommodate changes in the business environment, products desired by customers who are health-conscious and prefer something easy to use, and products that differentiate the Group from competitors. As we think about new products and packaging in the future, we will re-examine our own views of common practices, flip our perspective upside down, and strive for innovation in product development, production technology, and productivity.

Food preferences have become increasingly diverse in recent years. Accordingly, it has become increasingly important to develop products based on scientific data and use innovative technology, instead of relying solely on human intuition. Good examples of products developed in this manner are beginning to emerge in our company. We began producing products with an extended shelf-life in fiscal 2019.<sup>1</sup> The shelf-life of these products is extended by using high pressure processing (HPP) technology. This reduces food waste, which is a social problem. It also reduces sales loss for our business customers and enables consumers to plan shopping better. We are also using HPP to develop products that meet the needs of health-conscious consumers.

The new ham and bacon plant in Ibaraki Plant began operations in June 2019. We invested ¥18 billion in the construction of this plant, substantially increasing the production capacity for these products.

The demand for processed foods for home use surged rapidly at supermarkets and other stores after the Japanese government issued a voluntary stay-at-home order as part of the measures implemented to combat COVID-19. Our Group fulfilled orders without running out of stock despite the

unexpected surge in demand. We are proud that our productivity is now ranked among the highest in the industry. However, there will be no growth if we just stay on the same path. To supply products faster and ensure stable quality, we will boldly incorporate new concepts and systems such as digital transformation (DX) in production sites. Incorporating DX is also allowing the Group to begin exploring next-generation production methods such as fully automated plants and advanced sanitation management through AI and automation.

As part of our medium- to long-term growth strategy for 2030 in the fresh meat business, we are strengthening the procurement network to ensure stable supply and a competitive business. The Group is focusing on vertical integration of the production system to produce superior domestic pork, from genetic selection, to fattening, processing and distribution. We are planning to build a new hog farm in Miyagi Prefecture as part of our expansion plans.<sup>2</sup> Our next goal is to achieve the best possible productivity by utilizing state-of-the-art facilities, equipment, and scientific data, based on successful examples in Japan and abroad. The Group has outlined the vision for Group hog farms and is creating new best practices for the Japanese hog farming business. These practices will also incorporate the perspectives of environmental friendliness and animal welfare.

Prima Meat Packers Group will achieve a lasting increase in corporate value and realize a sustainable society amid the severe environment by continuing to change the Company. We will sow the seeds we will harvest in the future to create this change while preserving and cherishing our management philosophy.

Please refer to following pages for more details

1. TOPIC of the Processed Foods Business p.25
2. TOPIC of the Fresh Meat Business p.21

Updating the business plan annually to respond swiftly to changes in the business environment

It is, of course, also important to create a concrete business plan firmly rooted in the present. We use the rolling plan method to formulate an improved business plan every year.

In the fiscal 2019 Medium-term Business Plan for fresh meat business, the goal was to strengthen sales capabilities. We prioritized profit, analyzed sales and profit by business partner, and maintained appropriate inventory levels. Operating income almost doubled from the previous year as a result, even though net sales were 98.4% of the previous year. We then took this a step further in fiscal 2020 and set the goal of building a sales structure aligned with the changes in business partners.<sup>3</sup>

In the processed foods business, we targeted development of new technology and process innovation in fiscal 2019, and succeeded in developing products with a long shelf-life. We will proceed to product development using new manufacturing methods and new materials in fiscal 2020, as the next step.<sup>4</sup>

Although declining population is a major problem in Japan, demand for both fresh meat and processed foods will likely continue to grow globally. In the overseas business, we are partnering with our parent company, ITOCHU Corporation, to secure suppliers of fresh meat, and are operating plants that manufacture products destined for the Japanese market. Our two manufacturing plants in Thailand were certified under Japanese Agricultural Standards (JAS) in 2014 and 2017,

respectively. JAS-labeled products are well-respected in Thailand as the proof of high Japanese quality. The fact that Prima Meat Packers Group is the only manufacturer in Thailand that has obtained JAS certification in ham and sausage manufacturing is also a strength. To expand our overseas business in the future, we will provide new value and products by M&A and improving existing locations, and will strengthen human resource development to support those actions.<sup>5</sup> This will increase the presence of Prima Meat Packers Group.

The COVID-19 pandemic has also caused major changes in lifestyle for everyone and demand for door-to-door food delivery, e-commerce, and other services has increased dramatically. Our Group will also work to develop products that fit such new lifestyles.

PRIMA Next Project (PNP) was launched in fiscal 2019 to achieve digital transformation (DX). PNP targets the following three operational reforms:

- 1) Upgrading internal systems
- 2) Business process re-engineering (BPR)
- 3) Employee support to ensure that reforms are firmly entrenched

We will pursue these reforms simultaneously. The scope of systematization and important reform themes were selected in fiscal 2019. We will pursue initiatives aimed at BPR and define the system requirements as the next step.

Material issues involved in achieving sustainable growth specified

Prima Meat Packers Group aims to provide safe, reliable products to help people create healthy, well-rounded dietary habits and enrich society and food culture.<sup>6</sup> To achieve those goals, we must determine what the risks and opportunities are for the Group from the medium and long-term perspectives, and take steps to mitigate the risks and seize the opportunities. Prima Meat Packers Group therefore specified 10 material issues in September 2020.<sup>7</sup>

Animal welfare is included among these. This is a question that shareholders and investors have frequently asked in recent years, so we are striving to co-exist more harmoniously with animals. We understand that this is an issue that we must confront to focus on ESG.

Resolving such material issues and contributing to the realization of a sustainable society is the mission of Prima Meat Packers Group. In the future, the Group will formulate goals and action plans after first having identified the connection between the material issues and business activities of the Group and the sustainable development goals (SDGs). We will continue to engage the entire company in discussing this.

Transforming the business and workstyles to prepare for the future, 30 years from now

Viewing things from such a long-term perspective is also linked to my favorite saying, "Focus on the big picture and take small steps," which is similar to the well-known slogan, "Think globally, act locally." The Japanese saying originated with a Confucian scholar during the Warring States period in China. It means to take a broad perspective and refine your idea, then take a series of small steps to accomplish it. When I thought about what length of time would constitute taking a broad perspective, I decided on 30 years from now. Our company has many plants that have been operating for more than 30 years. In other words, we can state that the effects of the investments the Group makes today will still be felt 30 years from now. Thirty years from now also marks the 120th anniversary of our company's founding. If I dare to imagine what the Group will look like in 30 years without fear of being misunderstood, I envision a corporate group that is not limited to meat, but operates a diverse range of businesses.

People are the essential driving force that makes it possible to take the series of small steps necessary to accomplish the future goal. This fiscal year, we launched a project to increase job satisfaction and improve employee workstyles. In addition to human resource development and improving the workplace environment, we began encouraging employees to recognize what role they personally play in accomplishing reform. I want to increase job satisfaction and create an environment that makes working easy so that employees will be actively involved in the company. I also want them to have the mindset of playing a principal role and express that in their actions. The world will continue to change minute by minute. We will develop leaders who are highly attuned to changes in society and can master many kinds of information, and professionals who will take on management of the Company in the future.



Being a company that customers will always love and support

The Group is taking every precaution to prevent infection of employees during the COVID-19 pandemic as everyone in Prima Meat Packers Group works in unison to continue the essential work of operating plants lines and delivering food.<sup>8</sup> Amid that, we have developed a renewed awareness of our heavy responsibility to supply food as essential workers. Prima Meat Packers originated from the founder's desire to provide delicious meat to people at a reasonable price.<sup>9</sup>

Delivering Group products and services and freeing up more time for people in Japan and around the world to smile and be happy—that is what we have wanted to achieve since our founding and want to achieve now and in the future. We also aim to be a company that helps people create healthy, well-rounded dietary habits. This will enable the company to be a brand that is trusted and loved by many fans. I ask our shareholders, investors, and all other stakeholders for your continued understanding and support in the future.

Please refer to following pages for more details

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|------------------------------------|---|--------------------|
| 3. Medium-term Business Plan p.17  | 6. The Mission of Prima Meat Packers Group p.2          | 9. Our History p.9 |
| 4. Processed Foods Business p.23   | 7. The Material Issues of Prima Meat Packers Group p.15 |                    |
| 5. Human Resource Development p.44 | 8. Managing COVID-19 Risks p.64                         |                    |