

– Section 2

# Value Creation Platform

Earnestly pursuing management from a long-term perspective while also strengthening daily actions and the management framework are important for achieving sustainable growth. Section 2 explains the value creation platform of Prima Meat Packers Group.



# Rigorous quality management

## Initiatives and achievements in fiscal 2019

- Conducted management review, resulting in decision to obtain more FSSC certifications and update food safety management manual
- Trained 10 more internal supervisors, bringing total to 143
- Used X-ray bone detection, resulting in fewer complaints about bone fragments in raw meat
- Held web-based training event for all employees at locations with a food safety management system

## — Food Safety Management

### In-house quality standards that exceed regulatory requirements

Each year, we offer an ever greater range of processed food products, not only hams and sausages.

As well as meeting regulatory requirements, we have gone the extra mile in ensuring food safety by establishing in-house manufacturing and quality standards for each product category. We also conduct yearly management reviews to make sure that these standards remain relevant and valid. In fiscal 2019, we decided to obtain more FSSC certifications and update our manual for food safety management. The new version of the manual was completed in the same year. Three plants are set to obtain FSSC certification in fiscal 2020.

Under our system of quality assurance, training is provided by employees experienced in sanitation management whenever we consider manufacturing new genres of food products or when regulatory changes require us to change our approach to quality management.

### Developing a system of food safety management

Guided by our Food Safety Policy, we have incorporated FSSC 22000 and ISO 22000 (international standards for food safety management system). In fiscal 2019, three group businesses (The ham and bacon plant in Ibaraki, Hokkaido Prima Meat Packers, Ltd. and PrimaFineFoods Co., Ltd.) were due to obtain FSSC certification. However, the process was postponed due to COVID-19. The certifications are now due to be obtained in fiscal 2020. Our businesses also have JFS-C certification. JFS-C is a Japanese standard similar to FSSC 22000, but it places extra emphasis on communication between managers and employees; for example, it includes a requirement to act upon feedback from frontline workers. Accordingly, we remain committed to facilitating such communication.

### Food safety management system certifications

(as of May 31, 2020)

FSSC 22000	JFS-C	ISO 22000
13	1	5

**WEB** Find out more on our website:  
<https://www.primaham.co.jp/quality/>  
 (currently only available in Japanese)



### Internal audit of food safety

We internally audit group production plants to verify their compliance with food-related regulatory requirements and our in-house standards. For group businesses that have obtained certifications such as FSSC 22000 and ISO 22000, we monitor their compliance with our in-house standards and their compliance with the requirements of the food safety system (as well as the effectiveness thereof). We also require each of these businesses to commit to a process of continual improvement. The results of the internal audit in fiscal 2019 highlighted (from a risk-prevention perspective) the importance of integrated pest management in gaining trust as a food manufacturer. Accordingly, we added insect control to list of items to monitor.

In May 2019, we ran a program for training internal supervisors. Consequently, we trained 10 more internal supervisors from plants that have obtained food safety management system certification, bringing the total number of internal supervisors to 143 (as of the end of fiscal 2019).

### Establishing traceability

We document each process from receipt of raw materials to production and shipment so that we trace what happens to the materials used in our products and to the additives and packaging. To test this system, we run traceability exercise twice a year.

For the traceability exercises in fiscal 2019, we used two simulated scenarios to see whether our traceability system works in terms of production processes, raw materials, and

finished products. One scenario involved an issue in the raw meat used in our products, while the other involved an issue in a product we shipped. The exercises demonstrated that our traceability system is free from deficiencies and ready to work if an issue arises.

### Inspecting overseas suppliers to reduce food contamination

One risk we face as a food manufacturer is the risk of food contamination. This risk is all the greater with raw meat sourced from overseas suppliers, as we cannot directly manage their hog farms or processing plants. To help prevent this risk, we inspect high-risk overseas suppliers and work with them to prevent bone fragments contaminating the food. For example, we encourage the suppliers to inspect raw meat for bone fragments using X-ray as well as the naked eye.

Then at our end, we test how well each supplier has removed contaminants by taking samples of raw meat from each supplier and inspecting them tactilely, as well as by X-raying the finished products. This process allows us to compare the suppliers' efforts quantitatively. Suppliers who perform well will be given precedence over others, while those who perform less well (in that many bone fragments were detected in their meat) will be informed of their current level and requested to take action to improve their level. As a result of this policy, we are getting fewer complaints about bone fragments in food. In 2016, there were 0.53 complaints for every 100 tons of food produced by ham and sausage plants. The same figure was 0.49 in 2017, 0.41 in 2018, and 0.42 in 2019.

## — Special Report

### Thai Plant obtains JAS certification

PRIMAHAM (THAILAND) Co., Ltd. and PRIMAHAM FOODS (THAILAND) Co., Ltd. have obtained certification of their manufacturing plants under the Japanese Agricultural Standards (JAS) in 2014 and 2017, respectively. As of June 2020, ours is the only corporate group with JAS-certified overseas ham/sausage plants. Asian countries appreciate Japanese quality, and products with the JAS label (which proves the product embodies such quality) are highly respected.

For our marketing strategy in Thailand, we initially targeted department stores and supermarkets. Now, we also supply nearly 12,000 convenience stores. As part of this expansion, we obtained JAS certification for hamburger and meatball products as well as for hams and sausages. In a further expansion, we started supplying stores in Singapore in 2018, and stores in Hong Kong in 2019.



Our booth space at food expo ThaiFex 2019

## Tackling Allergens

### Rigorous checks

To ensure confidence in our products, we take steps to prevent allergen contamination when procuring raw materials and when developing and producing the products.

At the end of production shifts, the machinery is taken apart and cleaned. Then, using our in-house kit for detecting allergens, we check to make sure that no areas were left uncleaned.



Machinery parts are cleaned thoroughly

### Clear, user-friendly labelling

Our packaging displays allergen information for seven allergens that must be indicated, and 21 allergens that are recommended to be indicated, under Japanese law. Our labels use a user-friendly design to present the information clearly.

Allergen information is also available on our Japanese-language website and in our customer service office in Japan.



Allergen information displayed on product packaging

アレルギー物質

「○」 含まれます  
「-」 含まれません

特定原材料 (7品目)				特定原材料に準ずるもの (21品目)						
卵	乳	小麦	そば	あわび	いか	いくら	オレンジ	カシューナッツ	キウイフルーツ	牛肉
-	-	-	-	○	-	-	-	-	-	-
-	-	-	-	くるみ	ごま	きび	そば	大豆	鶏肉	バナナ
落花生	えび	かに	-	豚肉	まつたけ	もも	ゆまいも	りんご	ゼラチン	アーモンド
-	-	-	-	○	-	-	-	-	○	-

Allergen information displayed on Japanese-language webpage

## Employee Training

### Food safety training

It is essential that our employees are aware about food safety and take all steps to eradicate risks. Accordingly, we provide regular food safety training to staff at each production site to ensure a high level of safety awareness.

In fiscal 2019, we held a new training event to further boost employees' food safety awareness. The event consisted of a web-based quiz with ten questions, and it was held for all employees at locations with a food safety management system. The participants had to keep attempting the quiz until they got a perfect score.

We also provide specialist training for processes that are particularly critical to food safety. This training involves interview tests and quizzes covering, among other things, knowledge about the procedures in question and how to respond to emergencies. Only employees who demonstrate the required knowledge are permitted to engage in these critical processes.



Food safety training session

# Improvement in development capabilities

### Initiatives and achievements in fiscal 2019

- Developed and applied for patents on a method for measuring texture that works even on thin foods such as cured ham
- Launched Improve Hygiene Project
- Launched simplified immunochromatographic assay kit to measure sesame allergen in food for which allergen labelling is recommended under Japanese law
- Developed and launched simple kit for cleaning bone fragments in products and identifying animal species they came from
- Developed and launched ready-to-cook meals that are microwave-safe in their packaging

## Product Development

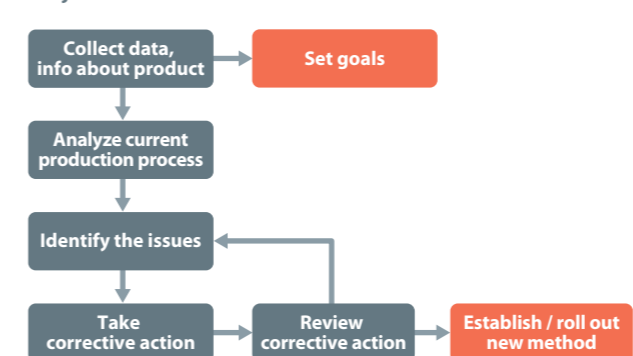
### Inter-departmental collaboration

Our product planning and product development departments work together along with the R&D team to develop products focusing on taste, safety and reliability, health, user-friendliness, and eco-sustainability.

One of our recent R&D achievements concerns the visualization of tastiness. Researchers have started using a food's texture to predict how tasty it is, but this approach has posed a challenge for thin foods such as cured ham. We developed a method for measuring texture that solves this problem. We have applied for a patent.

In February 2020, our production, quality assurance, and product development divisions joined forces to launch the Improve Hygiene Project. The project involves developing foods with low additives to capture the growing demand for healthy eating. It also involves testing methods for extending shelf-life in order to reduce food loss. The project members are working to identify the issues and introduce high pressure processing (HPP) (see page 25). We will continue working to improve our ability to develop products in a way that combines productivity with quality.

### Project flow



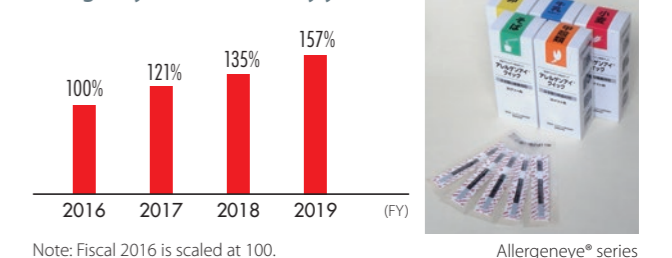
### Marketing food allergens detection kit

We clearly display allergen information on our food packaging, and we have developed and refined kits for detecting food allergens.

Initially, we used allergen detection kits on Group production lines to get quick results. Now, we market the kits to various food manufacturers and testing agencies under the brand name Allergeneye®. The R&D staff who developed the kits help promote them by attending exhibitions and workshops and delivering briefings on testing technology and how to use it. The kits we offer include an enzyme-linked immunosorbent assay (ELISA) kit, which is approved by Japan's Consumer Affairs Agency, and a simplified immunochromatographic assay kit. Both types of kit use special antibodies called monoclonal antibodies. We have kits for foods whose allergens must be labelled by Japanese law (egg, milk, wheat, buckwheat, peanut, crustacean) as well as for soy and sesame, for which Japanese law recommends such labelling.

In fiscal 2019, we launched a kit for testing sesame as part of the simplified immunochromatographic assay kit series. We sell these mainly to food manufacturers, but we are also expanding into the distribution and food service industry.

### Allergeneye® series sales by year



Allergeneye® series

### Marketing our bone-cleaning reagent kit

We have developed a bone-cleaning reagent kit, which we market it in partnership with Kurabo Industries Ltd. The kit allows the user to identify the species of animal the bone fragment came from. Such a feat is not possible with conventional kits; the technology is provided exclusively by us and Kurabo. Knowing the species of animal helps the user identify the origin or cause of the bone fragment contamination. With this information, you can contact the supplier of the meat and request corrective action. We are getting an increasing number of inquiries about this technology.



Bone-cleaning reagent kit

### Developing products to capture diversified consumer preferences

Amid Japan's shrinking and aging population and the rise in co-working couples, more people are eating on their own, creating a demand for simpler meals. To adapt to this trend, we have developed tasty and convenient food products to suit a range of lifestyles. Examples include single-use food packs, ready-to-fry foods, and quick-cook foods.

In fiscal 2019, we released a series of microwavable meals to capture the need for quick and easy meals when eating alone. In response to feedback from retailers and consumers, we made the product even more easy to cook (the food can be microwaved in its packaging) and even tastier. More recently, we released another series of microwavable meals that can be stored at room temperature, removing the need to transfer the food to another container. The series has won praise for how simple and easy it is.



Examples of our microwavable meals that can be stored at room temperature

COVID-19 has transformed consumer lifestyles, diets, and behavior to an unprecedented degree. The COVID-driven demand for products for home use has created more opportunities to eat together at home. On the other hand, consumer preferences are growing increasingly diverse. Amid this new and unfamiliar landscape, we will go further to develop products that exceed expectations.

### Innovating the packaging

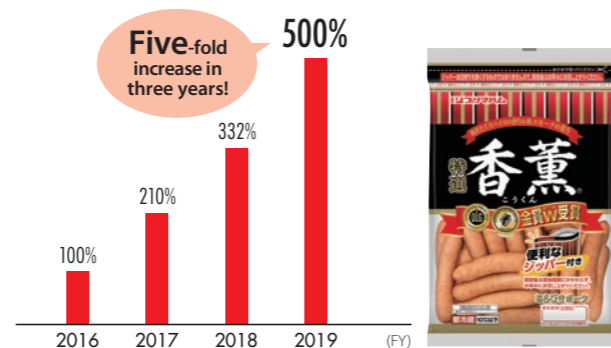
We upgrade our packaging whenever we launch new products or revamp existing ones.

One example of our packaging innovation is our patented technology "Futapita" that allows you to reseal the package completely once you open it. We piloted the technology among customers and obtained positive comments, including the following: "I live alone, so I use the same package multiple times—re-sealable packages make this easier." "Re-sealable packages are handy because our family tends to eat at different times." "There's no need to use a different package for the leftovers, which means less waste." In response to this feedback, we applied to technology to one product series in 2014 and rolled it out to a further four in 2019. One of the product series won particular praise for the ability to reseal the pack, and its sales are growing as a result.

In fiscal 2019, we released six microwave-safe products in their packaging, three of which feature ©Disney characters.

We have developed a number of different package designs, including a zip-lock pack for easy storage. Particularly popular is the large zip-lock pack for Koukun Sausage. The number of packs sold has risen five fold over the past three years.

### Koukun Sausage, large zip-lock pack Number of packs sold



Note: Fiscal 2016 is scaled at 100.



## — Production Technology

### In pursuit of the optimal production line

Our manufacturing and technology team formulates production designs in pursuit of optimal production lines—lines that can deliver innovative manufacturing and efficient production. We have recently been boosting productivity by rolling out automated lines that use robotic technology.

Completed in April 2019, our ham and bacon plant in Ibaraki works with an external machine manufacturer to identify the processes that require human input and those that can be automated. To minimize productivity loss, the plant uses prebuilt machinery but adds its own innovative touches to the machinery. Through these efforts, the plant has achieved optimal production lines.

The plant has introduced high pressure processing (HPP), individual quick freezing (IQF) (see page 25), and has achieved a reduction in energy by developing AI-driven inspection equipment. By systematizing each production process, the plant has achieved rational production.

These efforts have culminated in a new, efficient plant, with a productive capacity of 2,500 tons a month—1.6 times higher than in the past.



Ham and bacon plant in Ibaraki plant

### Special Report

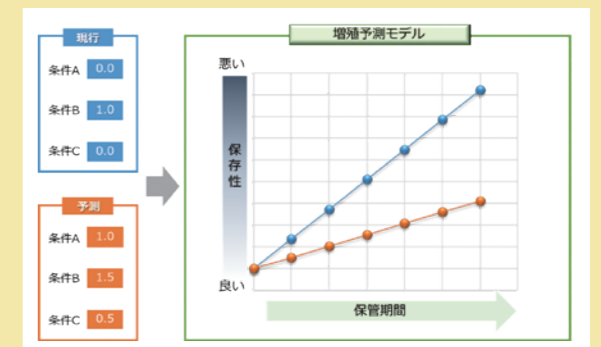
### In the pipeline: a model for predicting microbial growth

In the food industry, microorganisms represent an important area of research. Gaining more insights into microorganisms will enable the development of new technologies to exploit and control them.

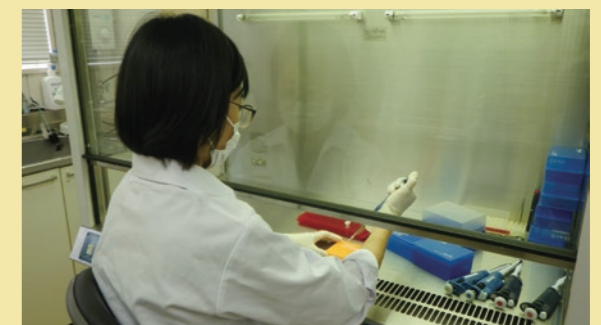
Our R&D team is currently working on a model for predicting microbial growth in meat during storage. This model will reduce the time for storage testing, shortening the product development cycle.

Microorganisms in food are usually detected using a culture method. This method takes time, and the results often vary depending on the examiner's skill. To reduce testing time and improve accuracy, we have introduced genetic analysis for some microbial tests. Genetic analysis allows us to pinpoint the bacteria that cause the food to spoil. It also allows us to identify the production processes at the plant in which the bacteria attach onto the food.

We are rolling out this method horizontally to each plant with a view to streamlining workflow, improving testing accuracy, and ensuring that we provide even safer and more reliable food to customers.



The above is an example illustrating how the predictive model works. You adjust the values for Conditions A, B, and C (i.e. set different concentrations of components that affect microbial growth) and see how it affects microbial behavior in the product during storage.



Microbiological test using genetic analysis

# Expanding and maintaining continuity of the procurement network

## Initiatives and achievements in fiscal 2019

- Introduced system for boosting reproductive performance in domestic hog farms
- Continued working on original brands in partnership with suppliers that have an integrated production system (breeding to production)
- Held supplier information session (28 suppliers attended)

## — Stable Procurement, Stable Supply

### A globally dispersed supply chain with strong trust

Having multiple suppliers gives us more leeway to select just the right raw meat for our products. It also helps offset country-specific risks that threaten to disrupt supply lines, such as local disasters or outbreaks of animal disease, as well as climate change-related risks that will increasingly affect the locales in the future.

We procure the raw meat for our products (fresh meat, ham, sausage, and other processed foods) from many locations worldwide. Our pork comes from Canada, the U.S., and Denmark, our beef from the U.S and Australia; and our poultry from Brazil and Thailand. To facilitate communication with our overseas suppliers, our procurement staff travel abroad to visit them in person. We will only import raw meat that meets our own quality standards. Moreover, when selecting suppliers, we consider the quality characteristics of the meat in each country.

As for domestically sourced raw meat, we periodically visit the processing plants to inspect the quality management

system, the cleanliness of the machinery, and the processing standards against our in-house standards. For pork, we work with our farmers to get shipments from high-ranking sows with good quality raising, breeding, and farrowing.

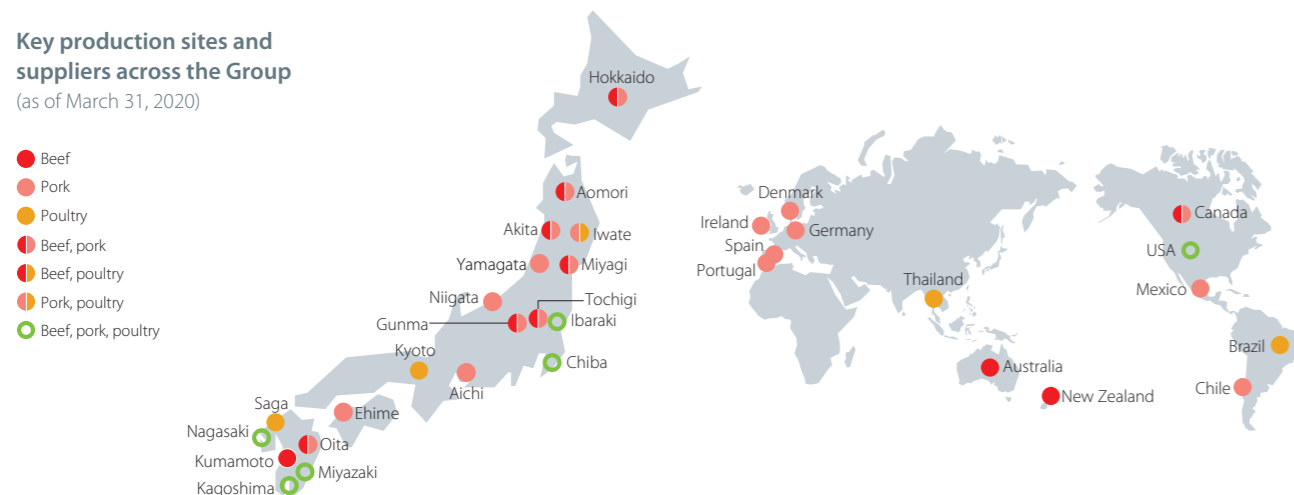
### Sustainable procurement

When it comes to sustainability, we never force suppliers to follow detailed guidelines or explicitly defined criteria, but we do visit the suppliers to make sure they observe basic standards.

Guided by ITOCHU Corporation's Basic Policy on Promotion of Sustainability, we continue to procure raw meat in a way that protects the environment and honors basic human rights and labor rights.

Of particular concern is the welfare of the hogs in our domestic suppliers' farms. Acknowledging that Japan lags behind the West in animal welfare, we are preparing to introduce cutting-edge farming technologies for raising and fattening hogs (See page 21).

Key production sites and suppliers across the Group  
(as of March 31, 2020)



### Protective fencing in domestic farms

In August 2018, China experienced an outbreak of African swine fever, which then spread to other Asian countries. In September of the same year, Japan experienced an outbreak of classical swine fever for the first time in 26 years. In response to these outbreaks, Japan is toughening the hygiene regulations for hog farms under the Act on Domestic Animal Infectious Diseases Control. The new regulations took effect in November 2020. To prepare for the new regulations and help prevent further outbreaks of pig disease, our Group farms in Japan are

progressively installing protective fencing that prevents wild animals entering the farms. As of June 2020, fencing has been installed in around a third of the farms. We are on track to getting all the fencing erected in designated zones (zones inhabited by wild boar) by the time the amended regulation takes effect. In Kamifurano Farm, Ltd., fencing will also be erected outside the designated zone (outside the zone inhabited by wild boar).

Our farms are also stepping up rules for downtime (a period for which people are asked to keep away from hogs before entering a hog farm) and prohibiting unnecessary farm visits.

## — Joint-Development with Suppliers

### Working with partners with an integrated production system to match market demand

For domestic pork, we fully integrate all the processes—breeding, fattening, slaughtering, processing, and sale. For imported meat, we select suppliers who have an integrated supply system allowing traceability, and we periodically review the production system and visit the supplier in person. We also work with the suppliers to actively adjust the shipment schedule to match demand in the target markets. This is only possible with strong

trust between us and them.

We will continue to work with our global suppliers to jointly develop original pork, beef, and poultry brands.

### Original brands for imported meat products



## — Communicating with Suppliers

### Ongoing information sessions for suppliers

It's not just farm businesses whom we work with to assure the quality of our products. We also communicate our quality management standards to suppliers of our processed food products, as this is an effective way to prevent quality-related incidents. Each year, we hold supplier information sessions. In fiscal 2019, 28 vendors attended. During the information session, attendees heard updates on complaints about the purchased products, a checklist for periodic plant inspections,

an update on efforts to comply with toughened food labeling regulation, and notice about HACCP requirements.

To monitor the quality management efforts of our suppliers, we inspect their plants in Japan and those overseas. We ask them to inspect the plants themselves beforehand. With these voluntary inspections included, there were, in fiscal 2019, 13 inspections of domestic plants and 19 inspections of overseas plants. Through these inspections, issues were highlighted and corrective action was ordered, resulting in definite improvements.

### Special Report

## New artificial insemination center in Kagoshima

August 2020 marked the completion of a new artificial insemination center in Kagoshima, which will serve to strengthen our procurement network for domestic pork.

Fecundity is a crucial factor in raising the productivity of a hog farm. The purpose of the new center is to increase the rate of shipments per sow. To achieve this, the center provides an air-conditioned and disease-controlled environment to raise breeding hogs throughout the year. The interior temperature is controlled with a ground-coupled earth-air heat

exchanger that uses natural air. This system is energy efficient, and thus kind to the environment.

Semen is extracted from the hogs using cutting-edge European technology, and then the highest quality semen is selected. The data for the semen is managed on an IT system to ensure stable distribution to Group farms and ultimately better reproductive performance. Compared to conventional on-farm extraction of semen, this process is safer for workers while also being more efficient and productive.

# Strengthening the customer base

## Initiatives and achievements in fiscal 2019

- Used market research and data analysis to strengthen ties with business partners and expand sales of Koukun Sausage
- COVID-19 prevented this year's ©Disney invite-only event—©Disney and Prima Meat Packers goods awarded instead
- Became official partner of SMALL WORLDS TOKYO

## — Building Relationships with Customers

### Customer relations strategy for each product category

We have developed a strong customer relations strategy for each product category. For consumer products, we have analyzed needs using market research and point-of-sale data. We have also worked with distributors on joint promotional campaigns and launched an advertising campaign featuring Japanese actor Tao Tsuchiya. Through these efforts, we aimed to expand sales of Koukun Sausage as well as sales of bacon and pork loin ham products.

Since millennials will be an increasingly important demographic in the years ahead, we have developed a social media strategy using the LINE app and a brand mascot to raise young people's awareness of the Company and Koukun Sausage. The campaign has proven successful, with over 14 million people friending the LINE account.



Tao Tsuchiya stars in our advertisements



Brand mascot featuring in our LINE account

### Incorporating customer feedback

We have a customer service office ready to listen to customers' feedback. Customers can contact the office by phone (toll-free), email, post/fax, or via our website. In fiscal 2019, the office received 6,436 inquiries. Most of the inquiries concerned product safety, quality, cooking method, shelf-life, and storage/handling. As regards cooking method, the office often received inquiries from customers wanting to know whether a boil-only food product was microwaveable. We relayed the issue to the product planning department. The department then worked out conditions for microwaving the product and specified the conditions on the packaging. Consequently, we received fewer inquiries about the matter.

As this example illustrates, when we identify something that many customers are concerned about, we relay the information to appropriate employees so as to incorporate the feedback into our businesses.

### Customer inquiries by category

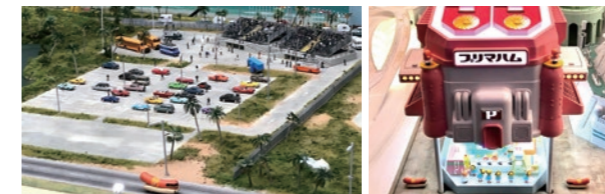
<b>Total</b>	6,436
<b>Top 5</b>	
Safety, quality	1,593
Sales	1,043
Cooking method	799
Shelf-life	560
Storage, handling	313

## — Building a Strong Brand Image

### Official partner of SMALL WORLDS TOKYO

SMALL WORLDS TOKYO, a miniature theme park based on the concept of visiting another world, opened its doors on June 11, 2020. The 8,000-sqm attraction is the world's largest indoor theme park. Situated in an accessible location, the theme park is enjoyed by children and adults alike, and serves as a new tourist magnet for Tokyo.

We are an official partner of SMALL WORLDS. We supply food to the theme park, while the theme park features a miniature model of a Prima Meat Packers' future plant in its Space Center area, where visitors can observe Koukun Sausage being manufactured by the brand mascot. Next to the model stands a capsule toy vending machine, which dispenses our brand merchandise. In this way, we're boosting the visibility of our brand.



Left: Prima Meat Packers' wiernemobile ("Prima Wiener")  
Right: Prima Meat Packers' future plant  
©SMALL WORLDS

### Promotional campaigns across Japan

We are LEGOLAND® Japan's only official marketing partner in its fresh meats and processed foods category. We supply the food products sold at LEGOLAND® Japan Resort and also supply food materials to Knight's Table Restaurant (a cafeteria at the resort). Additionally, we supply a range of food products for guests staying at LEGOLAND® Japan Hotel.

In 2015, we launched a Japan-wide marketing campaign offering the chance to win tickets to a live comedy show. As of fiscal 2019, there have been 15 prize draws.

We will continue to organize promotional campaigns that offer memorable experiences through food.



LEGOLAND® Japan Hotel  
©2020 The LEGO Group

Live comedy show

## Special Report

### Giving customers memorable experiences at Tokyo Disney Resort®

As an official sponsor of Tokyo Disneyland® and Tokyo DisneySea®, a role we have enjoyed since the resort first opened, we organize private parties and other events at the ©Disney attractions to create more opportunities for direct customer engagement. We hold the private parties annually at the Diamond Horseshoe, a restaurant in Tokyo Disneyland®, in collaboration with our business partners. In fiscal 2019, a total of 48 parties have been held with 46 companies.

Recently, we have organized annual giveaways of tickets to private ©Disney events, which have proved very popular with customers. In October 2019, we held a completely private overnight event at Tokyo DisneySea® called Precious Night. Some 12,000 customers attended. In fiscal 2020, we postponed the event to November as measure to protect against infection. However, we remain committed to giving our customers memorable experiences.



Private event at the Diamond Horseshoe  
©Disney/Pixar



Precious Night ©Disney

The activities shown in the above photos may be restricted under current business guidelines and health & safety measures of Tokyo Disney Resort®. See Tokyo Disney Resort® official website for details.

## Supporting Our Business Partners

### Helping retailers create attractive shopping spaces

Retailers who stock our products are, on the one hand, direct customers. On the other hand, they are vital partners who sell our products to the end consumer. We're fortunate to work with many excellent retailers who contribute valuable ideas and information. Inspired by one such idea, we started organizing seasonal and event-based display contests in 2015.

In fiscal 2019, there were two such contests. The first was a Halloween-themed display contest, which was held in September and October. A total of 160 sales reps participated. The second contest was based on the theme of wishing students success in their exams, and it was held in January and February. A

total of 151 sales reps participated. Through events such as these, we encouraged our retailers to craft colorful and eye-catching store displays.

The contests have proven popular with the retailers, and more stores are stocking Koukun Sausage.



The winner of the Halloween-themed store display contest

## Community Engagement

### Engaging with schools across Japan

We provide elementary schools with our original learning materials and send employees into the classrooms to teach students about the importance of food, the importance of food safety, and the problem of food waste.

In fiscal 2019, the sixth year of the food education program, our instructors visited 68 schools, meeting a total of 4,399 elementary students. Having extended the regional coverage of the program (meaning a greater number of classes to visit), we decided to increase the number of visiting instructors. In addition to the existing 23 instructors, we appointed 36 shadow instructors, who follow and observe the instructors in preparation for taking on the role themselves. Feedback from students and teachers has been positive. Students have reported their shock at learning just how much food gets wasted. Teachers have said that their students benefitted from encountering someone with first-hand experience of the food industry. During the class, students get to sample some of our products, such as Koukun Sausage, creating a direct connection between Prima Meat Packers and its young fans.

Non-financial information See p. 30

\* For more information, see the ESG Data Book for fiscal 2020: [https://www.primaham.co.jp/ir/library/attach/pdf/ESG\\_databook\\_2020.pdf](https://www.primaham.co.jp/ir/library/attach/pdf/ESG_databook_2020.pdf) (currently only available in Japanese)



A Prima Meat Packers employee delivering a class

### Working with JAWFP to eradicate hunger

We wholeheartedly support the work of the UN World Food Programme (WFP). Since 2005, we have served as a councilor of the Japan Association for the World Food Programme (JAWFP). Every year, many employees and their families participate in charity walks, in which a percentage of the participation fee goes to a charity that works to eliminate hunger in developing countries. In fiscal 2019, 107 employees and family members participated in a charity walk in Yokohama, and 41 participated in one in Osaka.

We remain committed to supporting JAWFP's Red Cup Campaign, in which a percentage of sales revenue is donated to help provide school meals for children living in poverty. In fiscal 2019, we donated part of the sales of *Prima Grill Hamburg Steak*, raising a total of ¥1 million.

We have also conducted various other fundraising campaigns. In July 2018, we started donating the entire sales revenue from LINE Creators' sticker, raising a total of ¥1.55 million. We also sponsored a WFP charity essay contest to the tune of ¥100,000.



Walk the World: A WFP charity event



# Human resource development

## Initiatives and achievements in fiscal 2019

- For future leadership: Organized six-month training program for 21 manager candidates
- For globally fluent talent: Sent 12 employees on overseas language-learning programs, overseas manufacturing internships, and overseas secondments
- Allowed 1-hour increments of paid holidays to help employees meet family commitments or make time for self-learning
- Conducted first employee opinion survey, culminating in launch of employee-satisfaction revolution project

## Basic Approach

### Talent management strategy

Our code of conduct sets out the kind of workplace we want to create: an enriched, dynamic, and safe workplace, where employees feel secure, motivated, and respected.

When recruiting new talent, we look for candidates who will apply themselves diligently and think independently to create new value. We also emphasize mutual respect and teamwork.

Additionally, we provide a rehiring program for employees who have reached the mandatory retirement age, a program under which part-timers can become full-time

employees, and a program rehiring employees who left us for personal reasons. Our human capital provides the foundation for growth. That is why we want a workplace that delivers job satisfaction for all our employees.

This philosophy is shared among other members of our corporate group. Each group business understands that building a productive, diverse workplace is an essential part of our mission to contribute to healthy, well-rounded dietary habits.

## Training

### Training for leadership

To nurture the next generation of leaders, we place junior employees on a job rotation process from an early stage so that they gain a broad spectrum of experience. We also provide the training opportunities necessary for employees to grow and gain leadership acumen.

Alongside this, employees are encouraged to actively participate in social events to cultivate interpersonal skills and broad thinking. In fiscal 2019, we ran a six-month training program to train up new middle manager candidates. Twenty-one employees attended the program. Subsequently, we participated in an inter-industry event hosted by an external agency. This event gave our employees a chance to interact with members of other industries and thereby gain new insights into business strategy and management.

### Nurturing global talent

As we expand business overseas, we want to go further in building a multinational workforce. At the same time, we are boosting the global fluency of our Japanese employees. For example, we are doing more to help employees gain proficiency in foreign languages, providing junior employees with more opportunities for studying or training abroad, and increasing the number of overseas secondments.

In fiscal 2019, three employees attended a language-learning program in Canada, and two attended a manufacturing internship in Germany. As for secondments, three employees were seconded to Thailand, three to China, and one to the U.S. Employees testify that the training they underwent proved most valuable. Those who attended the internship in Germany are now applying what they learned in plant quality management and product design.

We have suspended overseas secondments for the time being due to COVID-19, but we will resume them when the pandemic abates.

**Training System**

**All employees**

Rank specific training	<p><b>Entry/staff level:</b> Transitioning to regular employees, first years, second years, third years, business basics, mid-career employees, career-minded female employees</p> <p><b>Senior/Manager level:</b> New line-managers, new middle-managers, middle-managers (There are exams for middle-manager and line-manager)</p>
Professional qualifications, program for self-driven learning	Ready-made meal license, ham/sausage processor license, occupational counsellor license, other programs for qualification, distance/e-learning courses
Behavioral Training	Compliance, anti-bullying

**Job-specific Training**

Skills Training	Sales/marketing training for new employees, fresh meat business management skills, sales/marketing skills, training for volume sales managers, health & safety training, training for safety managers, meat processing techniques, HACCP / ISO, training for JAS managers, training for ISO internal auditing, B2B training, patent lectures, study-abroad programs
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**An integrated program for nurturing talent**

Our program for nurturing talent provides rank-specific training courses that equip employees with the necessary skills, knowledge, and competences. The program also empowers employees to fulfill their potential, bringing benefits to both the employees themselves and to the organization as a whole.

We also provide skills training programs to equip employees with job-specific skills. Additionally, we help employees in their self-driven learning: Employees who obtain a professional qualification receive a monetary reward, and those who complete a specified distance-learning course get part of the course fees paid. Each year, we provide ever more generous budgets for such training and support.

**Performance management, self-evaluation reports**

Employee performance metrics are linked with organizational performance metrics. We have introduced a system of performance management that monitors employees' contribution to organizational goals. The purpose of this system is to appraise employees based on performance and to boost employee motivation.

Each year, employees complete a self-evaluation report. As part of this process, they meet with a manager to discuss career or workplace concerns so that the manager can identify how to support the employee's career or address the workplace issues. This process ties in with a job rotation scheme, which helps the employee grow further. In this way, the self-evaluation process helps improve job satisfaction.

**— A Motivated Workplace**

**Workplace diversity**

We embrace diversity and aim for an inclusive workplace culture that welcomes people from all walks of life.

As part of this, we are recruiting more women to leadership positions. As of April 1, 2020, seven women serve as middle managers (one heads up a department and six head up a section). Moreover, 27 women serve as line managers, with middle management as the next step.

We are also an active employer of people with disabilities, and have exceeded the mandatory employment quota for some years. In fiscal 2019, employees with disabilities accounted for 2.24% of all employees. One of our priority tasks is to go further in employing people with disabilities. We are working to identify disability-friendly jobs and to ensure that each workplace is welcoming and inclusive to different kinds of disability.

**Supporting work-life balance**

We go beyond regulatory standards in supporting employees who are pregnant or have childcare or eldercare commitments. In November 2009, we were officially recognized as an organization that supports employees with childcare commitments.

On April 1, 2017, we introduced a short-time scheme to support employees with small children. Such employees can take time off at the start and end of the working day in increments of 30 minutes. Over the three years since the scheme began, we have seen an increase in the number of employees signing up to the scheme.

In April 2019, we started allowing employees to take paid holidays in one-hour increments to help them meet their childcare or eldercare commitments or to make time for self-learning or accommodate other diverse lifestyle needs. We also extended the short-time scheme up to grade 6 of elementary school (age 11–12).

A total of 787 employees have taken advantage of the one-hour increments, making a total of around 679 employees who have taken paid holidays equivalent to eight hours of work time.

When employees ask for parental leave, we lend them a tablet so that they can keep abreast of company developments and stay in touch with their superior during their leave. We want our employees to have a healthy work-life balance, so we are acting to reduce annual work time. For fiscal 2020, we aim for an annual work time of 1,898 hours and 45 minutes.

**Talent retention**

For new employees, we provide training and a mentorship scheme. Consequently, of the periodic hires (new graduates recruited in bulk once a year), only 3.1% left leave us during their first three years.

In fiscal 2020, we started providing more generous employee benefits to improve talent retention and job satisfaction among part-time, as well as full-time, employees.

**Better wages**

We recognize that raising employee wages is an essential part of improving employee treatment and investing in human capital.

Over the past five years, the average wage has risen by around ¥316,000 (105%). The average in 2015 was ¥6,935,000, and the average in 2019 was ¥7,251,000.

**Honoring workplace dignity and human rights**

Our code of conduct commits us to eradicating discrimination, abuse, and bullying based on gender, nationality, age, racial or ethnic identity, religion, creed, or disability. It also commits us to treating employees respectfully and equitably, according to their aptitude and performance.

To this end, we organize a professional-led workshop for preventing workplace bullying and discrimination. In fiscal 2019, the workshop was held 56 times, with a total of 1,189 people attending. We also encourage HR managers to take an occupational counselor exam. In fiscal 2019, five HR managers passed the exam. As of April 1, 2020, we have appointed a total of 30 occupational counselors to posts across Japan. These counselors offer a listening ear to employees, and thus contribute to a healthier, happier workplace.



Workshop for preventing workplace bullying and discrimination

**Workplace health and safety**

Each workplace draws up an annual health and safety action plan to ensure legal and regulatory compliance and to inculcate a safety-conscious culture in the workplace.

To further boost safety-consciousness, external consultants in occupational health and safety visit our workplaces to guide and educate. Additionally, plant managers and safety managers visit production plants at least twice a day and conduct safety patrols to prevent risks of workplace accidents.

For group employees who lead health and safety efforts (including supervisors, new supervisors, and line leaders), we provide a safety manager training course every September to further raise their safety-consciousness. In fiscal 2019, 36 people attended the course.

**Special Report**

**Employee opinion survey**

In February 2020, we conducted an employee opinion survey as part of our efforts to improve job satisfaction. The survey consisted of 74 questions arranged into 14 categories, including those on employee empowerment, strategy, leadership, and quality/customer-orientedness. The response rate was high, at 90% (1,427 respondents).

Much of the feedback was positive. Respondents reported strong trust in senior management, a strong sense of identification with our corporate social responsibility as a food manufacturer (such as our responsibility to provide safe and reliable food), and a willingness to continue working for us. On the other hand, some responses indicated that we must do more to transform mindsets and behaviors in the workplace. In light of these responses, we launched in April 2020 an organization-wide project to drive an employee-satisfaction revolution. In this project, we take action to address issues and review these actions as part of a plan-do-check-act cycle.



Employee-satisfaction revolution project



# Minimization of negative environmental impact

## Initiatives and achievements in fiscal 2019

- Operations began at new, energy-efficient ham and bacon plant in Ibaraki
- High pressure processing (HPP) introduced at Ibaraki plant
- Frozen cargo switched from road to sea transport (Kagoshima–Osaka ferry semiweekly)
- Used more recycled PET resins in packaging (around 552 tons a year)

## Environmental Management

As a food manufacturer, we recognize that our ultimate supplier is Mother Nature, and that we have a responsibility to protect our planet and leave a sustainable world for future generations. Accordingly, we have established Prima Meat Packers Group Environmental Policy. We have also established the Company-wide Environment Committee, which is headed by the president to coordinate the efforts of our environmental management division with senior management.

In compliance with ISO 14001, an international standard specifying requirements for an environmental management system (EMS), we have identified material tasks, and in September 2020, we identified two material issues that the company should prioritize: reducing the volume of waste

output and reducing greenhouse gas emissions.

Until now, our environmental disclosures have generally covered only those businesses certified as ISO 14001-compliant. However, we recognize that we can only make a significant contribution to global environmental protection if we monitor and disclose environmental data across the Group and tighten Group-wide environmental management. That is why we have extended environmental disclosures to cover Prime Delica Co., Ltd., which as of fiscal 2020 accounts for around 23% of the Group's net sales.

**WEB** Read Prima Meat Packers Group Environmental Policy here:  
<https://www.primaham.co.jp/company/csr/environment.html>  
 (currently only available in Japanese)

### Businesses with certified EMS (as of March 31, 2020)

#### Main ISO 14001-certified businesses<sup>\*1</sup>

Business description	Name of business	Location	
Manufacture of hams and sausages	Prima Meat Packers, Ltd.	Hokkaido plant	Kamikawa-gun, Hokkaido
		Ibaraki plant	Tsuchiura-shi, Ibaraki
		Mie plant	Iga-shi, Mie
		Kagoshima plant	Ichikikushikino-shi, Kagoshima
Manufacture of processed foods and prepared deli items	Akita Prima Foods Co., Ltd.	Yurihonjo-shi, Akita	
	PrimaFineFoods Co., Ltd.	Hiki-gun, Saitama	
	Prime Foods Co., Ltd.	Maebashi-shi, Gunma	
	Shikoku Foods Co., Ltd.	Marugame-shi, Kagawa	
	Kumamoto Prima Co., Ltd. <sup>*2</sup>	Kikuchi-shi, Kumamoto	
Prima Luca Co., Ltd.	Unzen-shi, Nagasaki		
Slaughtering and meat processing	Nishi-Nippon Best Packers Co., Ltd.	Ichikikushikino-shi, Kagoshima	
Sales, admin (back-office)	Prima Meat Packers, Ltd.	Shinagawa Head Office	Shinagawa-ku, Tokyo
		Kinki Center	Osaka-shi, Osaka

#### EcoAction 21-certified businesses

Business description	Name of business	Location	
Manufacture of filled pastries, sweets, prepared deli items and salads	Prime Delica Co., Ltd.	Head Office	Sagamihara-shi, Kanagawa
		Sagami plant 1	Sagamihara-shi, Kanagawa
		Sagami plant 2	Sagamihara-shi, Kanagawa
		Ryugasaki plant	Ryugasaki-shi, Ibaraki
		Toyota plant 1	Toyota-shi, Aichi
		Toyota plant 2	Toyota-shi, Aichi
		Hirakata plant	Hirakata-shi, Osaka
		Takarazuka plant	Takarazuka-shi, Hyogo
		Niihama plant	Niihama-shi, Ehime
		Munakata plant	Fukutsu-shi, Fukuoka
		Saga plant	Saga-shi, Saga
		Miyazaki plant	Miyazaki-shi, Miyazaki

<sup>\*1</sup> See the ESG Data Book for fiscal 2020 for details about ISO 14001-certified businesses: [https://www.primaham.co.jp/ir/library/attach/pdf/ESG\\_databook\\_2020.pdf](https://www.primaham.co.jp/ir/library/attach/pdf/ESG_databook_2020.pdf) (currently only available in Japanese)

<sup>\*2</sup> On April 1, 2020, Kumamoto Prima merged with Prime Delica and became Prime Delica Kumamoto plant.

## Reducing the volume of waste output

### Innovation to reduce food waste

Reducing food waste is an essential task for a food manufacturer and one we have engaged with for many years. Food often gets wasted when the plant switches the line to produce another food product and cleans the machinery, or when food is redirected off the line into waste. To tackle such food waste, our plants have tweaked production plans to keep production line switches to a minimum. They have also started extracting the meat cuts left in the machinery and containers before cleaning. This step brings other benefits: It speeds up the cleaning process and reduces the amount of water used in cleaning. Additionally, to prevent meat cuts being dropped during transport or transfer, the machinery has been laid out in such a way that meat is transported in a straight line. These efforts have increased production yield.

We are still exploring ways to cut waste further. For example, we are looking at extending shelf-life to help reduce food waste from households.

### Non-financial information **See p. 30**

<sup>\*</sup> See ESG Data Book for fiscal 2020 for details: [https://www.primaham.co.jp/ir/library/attach/pdf/ESG\\_databook\\_2020.pdf](https://www.primaham.co.jp/ir/library/attach/pdf/ESG_databook_2020.pdf) (currently only available in Japanese)

### Reducing and recycling plastic waste

A huge problem facing the world today is the sheer amount of plastic waste polluting the oceans. In response to this crisis, the Japanese government is stepping up action against plastic waste, announcing in May 2019 a new strategy for recycling plastics as part of a circular economy.

We recognize that our group produces waste plastic during manufacturing, including single-use plastics, plastic film, and plastic trimmings and offcuts. We are taking a range of measures to reduce such waste. For example, we are acting to reduce packaging defects and instances where a product needs to be repackaged. To reduce plastic film waste, we have adjusting roll size. We also separate out recyclables from among the discarded plastic packaging materials and then sell them.

Plastic waste from a food manufacturer is often difficult to recycle due to food residue. We are developing solutions for this problem such as converting the waste into fuel or treating and disposing of the waste ourselves.

## Key actions at production sites

### Reducing food waste

#### Ibaraki Plant

The plant has introduced high pressure processing (HPP) (see page 25) and extended shelf-life of sliced ham gift items from 35 to 60 days.

#### Kagoshima Plant

The plant has introduced vacuum fryer. Poultry off-cuts (including chicken skins) produced during production of *Salad Chicken* are now used to make meat snacks.

#### Prime Delica Co., Ltd.

At the company's Sagamihara, Tokai, and Kansai eco centers, in-plant vegetable scraps are dried in an effort to shrink waste volume 85–90%. The dried food scraps are composted. The shrunken volume also reduces carbon emission during transport.

### Reducing plastic waste

#### Hokkaido Plant

With Japan reaching the limit of its capacity to process plastic waste, the plant plans to convert in-plant plastic scraps into fuel (the system will go online in fiscal 2020) as part of a stable disposal system. Under the system, plastic will be disposed of in-plant. The use of waste plastics as furnace fuel brings the added benefit of cutting consumption of fuel oil.

#### Prime Delica Co., Ltd.

To contribute to the reduction in single-use plastics, plants dedicated to producing products for convenience stores have issued all staff with eco bags in September 2019 (ahead of the introduction of a mandatory plastic bag charge in July 2020) to raise awareness.



## Reducing Greenhouse Gas Emissions

### Rearranging production machinery for better energy efficiency

Climate change is producing increasingly severe effects, including rising temperatures and extreme weather. A major driver of climate change is greenhouse gas (GHG) emissions, and the private sector has a responsibility to significantly cut these emissions. As a food manufacturer with plants in Japan and overseas, we are acutely aware of how important it is to cut GHG emissions in our business operations.

With this in mind, our production sites are working to produce more efficiently and achieve new or improved line layouts. A key focus is on speeding up production lines by introducing more automation and boosting output per worker. Other measures include replacing worn-out machinery and installing LED lighting. In April 2019, Prima Meat Packers' ham and bacon plant in Ibaraki plant took an important step toward

energy efficiency by installing an energy-efficient hot-water system and solar panels.

We are also working to reduce energy consumption in our offices by installing LED lighting and switching air conditioners to more energy-efficient models.

As for reducing energy use in distribution (transportation), our measures include joint transportation with industry peers and cross-industry delivery within certain temperature ranges. Another measure is to switch the mode of transport from road to a more eco-friendly mode—rail or sea. In fiscal 2019, we started transporting frozen goods from Kagoshima to Osaka by ferry (two crossings a week). For fiscal 2020, we are looking at switching transport of room-temperature goods from road to rail.

**Non-financial information** [See p. 30](#)

\* See ESG Data Book for fiscal 2020 for details: [https://www.primaham.co.jp/ir/library/attach/pdf/ESG\\_databook\\_2020.pdf](https://www.primaham.co.jp/ir/library/attach/pdf/ESG_databook_2020.pdf) (currently only available in Japanese)

### Key actions at production sites

#### Hokkaido Plant

For office heating, the plant switched from an oil-fueled boiler system to an electric air conditioning system. It further reduced use of fuel oil by removing unused piping and cutting the operating time of steam pipes.

#### Ibaraki Plant

The ham and bacon plant was built with a refrigeration system that uses a natural coolant rather than ozone-harming CFCs. The plant's boilers are fueled by liquefied petroleum (LP) gas, which is kinder to the environment because it produces less carbon dioxide, sulphur oxide (SOx), and nitrogen oxide (NOx). Both the refrigeration system and the boilers are also energy efficient; they modify their output to fit the level of operation at the plant.



Central control room

LP gas boiler

#### Mie Plant, Mie Logistics Center, PrimaFineFoods Co., Ltd.

Hydrochlorofluorocarbons (HCFCs), used as coolants, will be completely phased in 2020 in line with the Ozone Layer Protection Act. HCFCs harm the ozone layer and, like the hydrofluorocarbons (HFCs) they are to be replaced with, they are potent greenhouse gases. The plant is therefore implementing a planned upgrade of the refrigeration system and switching to a natural coolant.

#### Akita Prima Foods Co., Ltd.

In an effort to be more energy efficient, the plant revamped the layout of its smokehouse to cut heating time.

#### Prime Delica Co., Ltd.

The company is working to use more renewables; five of its 12 plants have installed solar panels, and each plant is switching to LED lighting. Consequently, the company has reduced its carbon emissions and power consumption. As part of the company's efforts, Sagami-hara plant 1 fully launched a cogeneration (combined heat and power) system in fiscal 2019. Kumamoto plant (formerly Kumamoto Prima Co., Ltd.) built an LP gas tank, which entered service in April 2020. It also switched boiler fuel from fuel oil to LP gas, which promises to improve energy efficiency.

## Green Products and Services

In 2014, we codified our approach to sustainable products and established in-house standards with 2005 as the base year (against which performance is measured). The standards are shown in the table below.

In line with the standards, we work to reduce the carbon footprint of our products by using less plastic and cardboard in packaging, using more eco-friendly inks, and providing re-sealable film to help consumers waste less food.

Although we use some paper packaging for some products, most of our packaging is made of plastic that is difficult to recycle. Accordingly, to help society produce less waste, we want to use thinner plastic film or smaller package sizes, or switch over to alternative materials.

We also help households produce less waste by extending shelf-life and developing more products that can be stored at room temperature.

### In-house standards for green products

Packaging	Packaging materials	Use thinner film (1)
		Use smaller packaging (2)
		Remove plastic trays
		Better size/quantity for casing (cardboard)
	Use less volatile organic compounds (VOCs) in packaging	Use water-soluble inks
		Use less solvents (avoid organic solvent adhesives) (3)
	Use non-plastic materials	Use plant-based materials
	Use inorganic polymers	
Product attributes	Use re-sealable film	
	Use labels without separators	
	Use recycled PET resin (4)	
	Use recycled paper	
	Energy-efficient cooking	Switch to products that can be thawed naturally
	Switch to products that can be stored at room temperature	
	Waste reduction	Use edible casing
	Non-use of cooking utensils	

### Key actions in fiscal 2019

#### (1) Thinner film

For products such as *Buta Kakuni* (braised pork belly), we reduced the film thickness to 10–20 micrometers, reducing the volume of plastic used by 7.6 tons a year.



#### (2) Smaller packaging

For chicken nuggets, fried chicken, and hamburger products, we narrowed the length of the packaging from 170 to 167 millimeters.



#### (3) Fewer printing colors (to reduce carbon emissions)

After rethinking the amount of colors we use in printing, we started using fewer colors without compromising quality. This change reduced ink usage and carbon emissions.

#### (4) More recycled PET resin

Our cured ham and bacon products use polyethylene terephthalate (PET) in their packaging. We started using PET resins that were recycled from used and returned plastic bottles. This action has reduced resource use (around 552 tons of PET is recycled per year).



## Key Environmental Objectives and Performance

Based on our environmental policy and material tasks, we have set environmental objectives and targets, which we use to manage our performance.

### Key environmental objectives and targets for ISO 14001-certified businesses<sup>\*1</sup>

#### Quantitative objectives

Environmental policy	Material task	Performance indicator	Unit of measurement	Fiscal 2019 target	Fiscal 2019 result	Outcome	Percentage attained	Fiscal 2020 target	Fiscal 2021 target
Reduce waste output	Generate less waste in production process <sup>*2</sup>	Less in-plant plastic waste (waste generated per production output)	kg / ton	19.0	21.6	Missed	88%	19.0	18.8
		Less food waste (waste generated per purchase)	%	2.26	2.01	Achieved	113%	2.24	2.23
Reduce energy consumption	Use less energy in production process <sup>*2</sup>	Less energy consumption (oil equivalent per production output)	L / ton	273	286	Missed	96%	273	270
	Use less energy in offices <sup>*3</sup>	Less electricity consumption	thousand kWh	2,073	2,013	Achieved	103%	2,009	1,997
	Reduce carbon emissions in distribution	Less energy consumption (oil equivalent per production output)	L / ton	5.60	5.41	Achieved	104%	5.60	5.46
Use less water	Use less water (well water, mains water) <sup>*2</sup>	Less water consumption (water used per production output)	m <sup>3</sup> / ton	16.7	15.9	Achieved	105%	16.4	16.1

#### Qualitative objectives

Environmental policy	Material task	Performance indicator	Unit of measurement	Fiscal 2019 target	Fiscal 2019 result	Outcome	Percentage attained	Fiscal 2020 target	Fiscal 2021 target
Reduce waste output	Extend shelf-life to reduce food loss	Number of existing products under consideration for extending shelf-life	—	—	39	—	—	Number of existing products under consideration for extending shelf-life	Number of existing products under consideration for extending shelf-life
		Number of ideas for food products that can be stored at room temperature	—	—	7	—	—	Number of ideas for food products that can be stored at room temperature	Number of ideas for food products that can be stored at room temperature

<sup>\*1</sup> Applies to businesses with ISO 14001-certified EMS (see page 47)

<sup>\*2</sup> Applies to Prima Meat Packers' four plants, Akita Prima Foods Co., Ltd., PrimaFineFoods Co., Ltd., Prime Foods Co., Ltd., Shikoku Foods Co., Ltd., Kumamoto Prima Co., Ltd., and Prima Luca Co., Ltd.

<sup>\*3</sup> Applies to Prima Meat Packers' Shinagawa Head Office and Kinki Center

#### Performance in fiscal 2019

In fiscal 2019, we fell short of the two objectives of less in-plant plastic waste and less energy consumption.

Regarding less in-plant plastic waste, we have missed this objective for several years. One reason is that Japan has reached the limit of its capacity to process plastic waste. Another reason is that plastic waste generated by a food manufacturer is difficult to recycle due to food residue. To solve these problems, we are exploring ways to process plastic waste in-plant, including installing systems to convert plastic waste into fuel.

As for less energy consumption, the main reason we missed this objective concerns Prima Meat Packers' Ibaraki plant: With the completion of a new ham and bacon plant, the new and old plant were operating at the same time, resulting in a spike in energy consumption.

### Key environmental objectives and targets for EcoAction 21-certified businesses<sup>\*4</sup>

#### Quantitative objectives

Environmental policy	Performance indicator	Unit of measurement	Fiscal 2019 target	Fiscal 2019 result	Outcome	Percentage attained	Fiscal 2020 target	Fiscal 2021 target
Reduce/recycle more waste	Reduce food waste (food waste per production output) <sup>*5</sup>	g / pk	32.22	30.45	Achieved	106%	32.23	31.91
	Reduce other waste (other waste per production output) <sup>*5</sup>	g / pk	13.67	14.30	Missed	96%	14.04	13.90
Reduce energy consumption	Recycle more food	%	>95%	89%	Missed	94%	>95%	>95%
	Reduce carbon emissions (emissions per production output) <sup>*5</sup>	kg-CO <sub>2</sub> / thousand pk	101.56	101.41	Achieved	100%	103.34	102.31
Reduce energy consumption	Reduce electricity consumption (consumption per production output) <sup>*5</sup>	kWh / thousand pk	129.20	127.83	Achieved	101%	121.88	120.66
	Reduce gas consumption (consumption per production output) <sup>*5</sup>	L / thousand pk	19.00	19.08	Achieved	100%	22.24	22.02
Use less water	Less water consumption (consumption per production output) <sup>*5</sup>	m <sup>3</sup> / thousand pk	3.22	3.25	Missed	99%	3.30	3.27

<sup>\*4</sup> Applies to businesses with EcoAction 21-certified EMS (see page 47)

<sup>\*5</sup> When calculating unit of production, number of packs (pk) is used as a measure of production quantity.

#### Performance in fiscal 2019

In fiscal 2019, we fell short of three objectives: reduce other waste, recycle more food, and less water consumption.

Less water consumption: We missed this objective because we increased the production lines for a salad product with an extended shelf-life, resulting in a higher water consumption.

Reduce other waste: We missed this objective because the higher water consumption led in turn to a higher sewage sludge output.

Recycle more food: Although we ultimately fell short of the objective, we improved from fiscal 2018's rate (85%) as a result of switching the contractor who processes industrial waste.

# Corporate governance

## Directors and Corporate Auditors

### Directors



**Naoto Chiba**  
President and Representative Director

- 1983 Joined ITOCHU Corporation
- 2014 Executive Officer of ITOCHU Corporation
- 2015 Seconded to Dole Asia Holdings Pte. Ltd. (Executive Vice President, Director) (residing in Singapore)
- 2016 Managing Executive Officer assigned to Processed Foods Business Division and Meat Business Division, in charge of Audit Department of the Company
- 2018 President and Representative Director of the Company (current position)
- 2019 President and Executive Officer of the Company (current position)

#### Reason for nomination

Naoto Chiba is qualified to lead the Group effectively and contribute toward further growth. As President and Representative Director (a role he has held since June 2018), Chiba has achieved success in raising the Group's performance. He has demonstrated excellent business acumen, coupled with extensive and global experience in the food industry.



**Hidefumi Suzuki**  
Director

In charge of Compliance, Legal and Environmental Affairs

- 1980 Joined ITOCHU Corporation
- 1988 Registration as an attorney in New York State, the United States
- 2011 Executive Officer and General Manager, Legal Division of ITOCHU Corporation
- 2013 Managing Director of Dole International Holdings Inc.
- 2015 Senior Vice President, General Counsel, and North America Compliance Officer of ITOCHU International Inc.
- 2017 Managing Executive Officer of the Company in charge of Legal Division and Environmental Management Division, and in June assumed the Director of the Company (current position)
- 2019 In charge of Compliance, Legal and Environmental Affairs of the Company (current position)

#### Reason for nomination

Hidefumi Suzuki's experience and track record qualify him to contribute toward further growth. During his time at ITOCHU Corporation, Suzuki gained international experience, broad experience, and deep knowledge in the general trading. At Prima Meat Packers, he has managed the Company's legal operations, demonstrating business acumen coupled with extensive expertise in commercial law.



**Kenichi Tai** Director

Part-time

- 1989 Joined ITOCHU Corporation
- 2010 ITOCHU (Thailand) Ltd. (residing in Bangkok)
- 2014 General Manager, Meat Products Department of ITOCHU Corporation
- 2019 Chief Operating Officer, Fresh Food Division of ITOCHU Corporation (current position), and in June assumed the Director of the Company (current position)

#### Reason for nomination

Kenichi Tai's experience and track record qualify him to contribute toward further growth. During his time at ITOCHU Corporation, Tai gained extensive expertise in the meat industry, having served in an overseas subsidiary of the corporation and subsequently having managed the corporation's meat products and fresh food.



**Takeshi Yamashita** Director

Outside

Part-time

- 1985 Professor at Hiroshima University
- 1997 Professor at Tokai University
- 1997 Registration as an attorney
- 1999 Part-time Lecturer of International Corporate Strategy at Graduate School of Hitotsubashi University
- 2003 Corporate Auditor of the Company, and in December joined Hibiya Park Law Offices (current position)
- 2012 Director of the Company (current position)

#### Reason for nomination

Takeshi Yamashita is qualified to audit and supervise the management impartially. He has demonstrated extensive legal expertise as a university professor and lawyer.



**Yuzo Ide** Director

Outside

Part-time

- 1977 Joined Wacoal Corp. (Wacoal subsequently adopted a holdings structure in July 2005)
- 2006 Corporate Officer of Wacoal Corp. (operating corporation)
- 2008 Director and Senior Managing Corporate Officer of Wacoal Corp. (operating corporation)
- 2014 Director and Vice President Corporate Officer of Wacoal Corp. (operating corporation)
- 2014 Managing Director of Wacoal Holdings Corp.
- 2016 Retired Director of Wacoal Holdings Corp.
- 2020 Director of the Company (current position)

#### Reason for nomination

Yuzo Ide is qualified to direct, monitor, assist, and advise as outside director, particularly in relation to the group's overseas businesses and its business strategies. During his time at Wacoal Corp., Ide demonstrated global fluency and business acumen in his overseas secondments (to China, the US, and Europe) and in his management of the corporation's manufacturing, sales, and HR operations, and its M&A strategy.

### Corporate Auditors



**Kenichiro Soma**  
Corporate Auditor

- 1989 Joined ITOCHU Corporation
- 2003 ITOCHU International Inc. (residing in New York)
- 2012 General Manager, Structured Finance Department, Finance Division of ITOCHU Corporation
- 2016 Deputy General Manager, Finance Division and General Manager, Structured Finance Department and CP & CITIC Strategy Department, Finance Division of ITOCHU Corporation
- 2017 Deputy General Manager, Finance Division and General Manager, Financial Planning Department, Finance Division of ITOCHU Corporation
- 2018 Assistant General Manager, Asia & Oceania Bloc and in charge of business management of ITOCHU Corporation (residing in Singapore) and Executive Vice President of ITOCHU Singapore Pte Ltd
- 2020 CFO, Food Company of ITOCHU Corporation (current position), and in June assumed the Corporate Auditor of the Company (current position)

#### Reason for nomination

Kenichiro Soma is qualified to serve as corporate auditor in light of his extensive experience in general trading.



**Koichi Sato**  
Standing Corporate Auditor

Outside

- 1984 Joined The Norinchukin Bank
- 2004 Manager, Shizuoka Branch of The Norinchukin Bank
- 2007 Head and Deputy Manager, General Planning and Development Office of The Norinchukin Bank
- 2014 General Manager, Cooperative System Human Resource Development Div. of The Norinchukin Bank
- 2015 Standing Corporate Auditor of the Company (current position)

#### Reason for nomination

Koichi Sato is qualified to serve as outside corporate auditor in light of his extensive experience in banking.



**Hideki Shimozawa**  
Standing Corporate Auditor

Outside

- 1986 Joined The Mitsui Trust and Banking Company, Limited (current Sumitomo Mitsui Trust Bank, Limited)
- 2008 Manager, Takamatsu Branch of The Chuo Mitsui Trust and Banking Company, Limited
- 2009 General Manager, Head Office Business System Division 5 of The Chuo Mitsui Trust and Banking Company, Limited
- 2011 General Manager, Credit Card and Financing Planning Department of The Chuo Mitsui Trust and Banking Company, Limited
- 2019 Standing Corporate Auditor of the Company (current position)

#### Reason for nomination

Hideki Shimozawa is qualified to serve as outside corporate auditor in light of his extensive experience in banking.

\*The two outside directors (Takeshi Yamashita and Yuzo Ide) and the corporate auditor (Koichi Sato) all fulfill Prima Meat Packers' independence criteria, in that they pose no potential conflict of interest with general shareholders as defined by the TSE.

### Executive Officers

<b>President and Executive Officer</b>	<b>Naoto Chiba</b>	<b>Executive Officers</b>	<b>Takumi Umehara</b> President of PRIMAHAM (THAILAND) Co., Ltd., President of PRIMAHAM FOODS (THAILAND) Co., Ltd.
<b>Senior Managing Executive Officers</b>	<b>Hisashi Sasaki</b> Head of Production Div.		<b>Shinichi Koga</b> Head of Financial & Accounting Dept.
	<b>Yuichi Niimura</b> Head of Corporate Strategy Div. and Corporate Strategy Dept.		<b>Yuji Shinkawa</b> Head of East Japan Branch
<b>Managing Executive Officers</b>	<b>Masahiko Yano</b> Head of Meat Business Div.	<b>Mamoru Kamada</b> Director and Vice President of KANG PU (SU ZHOU) FOOD COLTD.	
	<b>Takahiro Uchiyama</b> HR, Finance, General Affairs, PR	<b>Shigeo Takahashi</b> Head of Meat Production Dept., Meat Business Div.	
	<b>Haruo Yoshino</b> Head of Sales Div.	<b>Tokuo Miyazaki</b> Head of Meat Procuring Dept. and Meat Sales Dept., Meat Business Div.	
	<b>Toshihiko Takeuchi</b> Head of Development Div.		<b>Tatsuya Kudo</b> Head of Quality Assurance Div.
			<b>Toshihiro Tago</b> Acting Head of Production Div. and Head of Ibaraki Plant

## Messages from Outside Directors



Outside Director  
**Takeshi Yamashita**

Takeshi Yamashita is a visiting attorney from Hibiya Park Law Offices. His expertise includes commercial law (compliance, risk management, AGMs, insurance, finance) and intellectual property rights (copyright, IP rights for IT firms). He has taught at Meiji Gakuin University Graduate Law School. He serves as supervisor at the Association of Risk Management.

### Advising on ESG to help the company succeed

At the end of June 2019, Prima Meat Packers slimmed down the Board of Directors, reducing the number of directors from nine to five. This move proved successful in facilitating candid boardroom discussions and in separating monitoring from execution. Rest assured that a smaller board does not mean insular decision-making; the outside directors, myself included, attend Executive Council, and executive officers do so too when the board is discussing a matter under their purview. ESG investing is on the rise, and my job is to make sure the management performs well in “governance” metrics (the G in ESG). However, “environmental” and “social” metrics are no less important. That is why I try to keep the management updated on the latest social, as well as regulatory, trends affecting the Company’s businesses. The management then uses this information to manage risks upstream and downstream in the supply chain. Looking ahead, the Company should continue working with ITOCHU Corporation to expand business and supply networks globally. But it should also build human networks for value co-creation and, through PRIMA Next Project, develop a new group-wide system and establish the business processes to go with it. As outside director, I will identify how I can assist in these tasks and do all I can to help the Company grow.

### Offering ideas on how to communicate the Company’s values and penetrate new markets

Over the years, I have observed Prima Meat Packers from the outside. I have noted in particular the Company’s strategy of completely integrating its domestic pork, from breeding to sale. I’m excited to see how this endeavor will cut inefficiencies and raise productivity, and how customers will take to the products produced through this integrated system. The challenge going forward is how to communicate the Company’s values to customers. Koukun Sausage is a fantastic brand, and the Company needs to keep generating products that offer something new. But here is the thing: Consumers today want more than just a new product—they want to know where and how the product was made, whether it is safe and free from harmful additives, and whether the Company contributes to a sustainable future. If consumers have any doubts about these matters, they will not become fans of the product. Leveraging my experience in managing a manufacturing company, I want to offer ideas that will help the Company achieve business growth efficiently and penetrate new markets.



Outside Director  
**Yuzo Ide**

Yuzo Ide joined Wacoal Corp. in 1977 (current Wacoal Holdings Corp. which changed name to Wacoal Holdings Corp. in July 2005), and in April 2006, Ide became a Corporate Officer of the company’s eponymous operating corporation. In April 2014, he took on the additional roles of Director and Vice President. In June 2014, he became a Managing Director of the Wacoal Holdings Corporation. Ide finally joined Prima Meat Packers’ board as an outside director in June 2020.

## — Basic Approach

We recognize that rigorous corporate governance is essential to achieving sustainable growth and maximizing the value of our organization over the medium to long term. On this basis, we commit to building a system of corporate governance that facilitates dynamic and adaptive decision-making, rigorous monitoring, adequate disclosures, and business management that is transparent and sincere. We will continually

review our approach to corporate governance and make the necessary changes.

Read more about our basic approach to corporate governance on our website:

**WEB** Read the basic approach to corporate governance here: [https://www.primaham.co.jp/ir/library/attach/pdf/20200511\\_2.pdf](https://www.primaham.co.jp/ir/library/attach/pdf/20200511_2.pdf) (currently only available in Japanese)

## — Corporate Governance Structure

### Board of Directors

The Board of Directors plays a monitoring role. Directors monitor the execution of business by verifying whether managers are acting impartially and transparently, and by exercising authority in matters of regulatory compliance and strategic direction. Board membership reflects our basic approach to corporate governance. Specifically, two of the board members are outsiders who are independent from the company. They bring diverse and expert perspectives to the board (one has a background in executive leadership and the other in law). In nominating candidates for board membership, we aim for a board that can adapt to social trends and the business landscape.

management committees. Most members of the Executive Council are directors or executive officers (managers who have executive authority without fiduciary duties). The Executive Council and the management committees meet to review important business matters. The Executive Council also receives updates on the execution of important business processes.

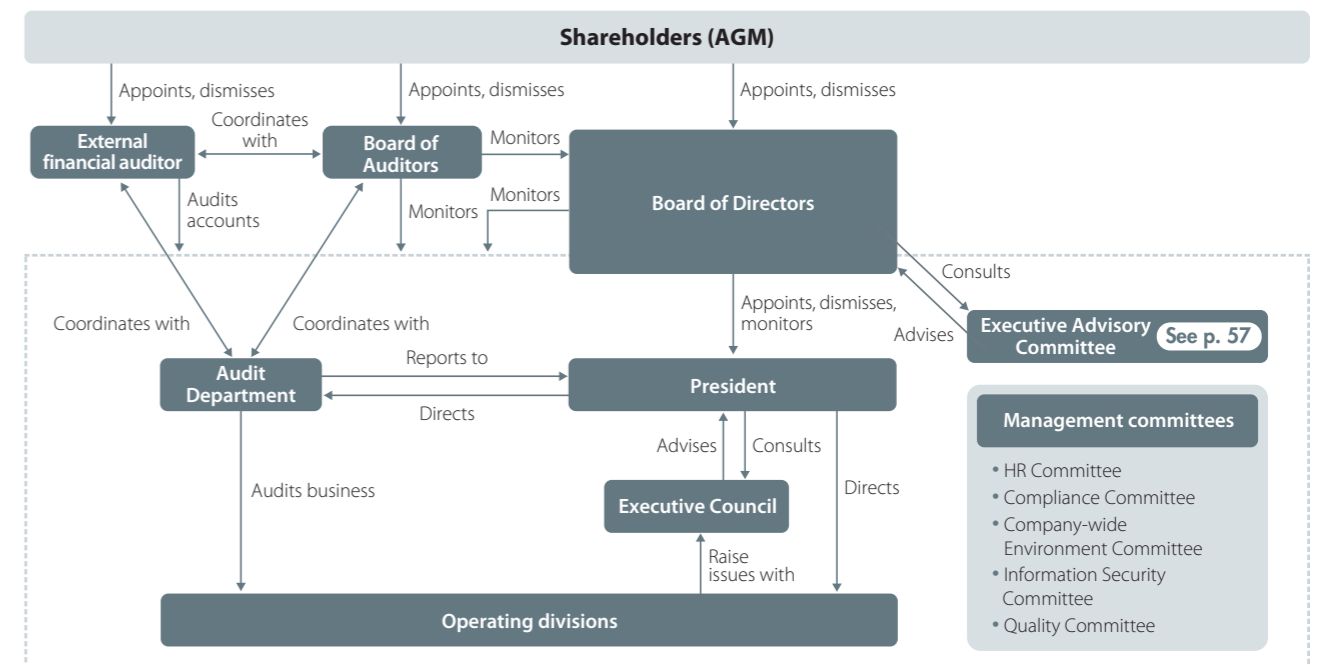
### Board of Auditors

The Board of Auditors is independent from the Board of Directors and from the management. This independence allows the members to monitor both directors and those who execute the company’s business, ensuring transparency and accountability in management performance. The board has three members, two of whom are from outside the company. They rigorously monitor management from an impartial perspective, attending meetings of the Board of Directors, the Executive Council, and key management committees, and

### Executive Council, management committees

We want the Board of Directors to focus on the big picture without getting bogged down in minutiae. To that end, operational matters are delegated to the Executive Council and to the various

### Corporate Governance Structure



requesting regular or as-and-when reports from directors and executive officers. They may also request reports from a group company if necessary. Additionally, they coordinate with the company's Internal Audit Department and the external financial auditor.

**Training and support**

Directors and executive officers attend externally run training courses to refine their leadership skills and strategic

thinking. Corporate auditors attend seminars and cross-industry gatherings to gain more skills in auditing and supervising management.

Outside directors receive briefings from the relevant operating divisions regarding business projects, workflows, and issues. They also receive the agenda for board meetings well in advance of the meeting. Additionally, outside directors and outside corporate auditors attend gatherings to share their expert insights.

**Executive Advisory Committee**

The role of the Executive Advisory Committee is to ensure independence and transparency in the appointment, dismissal, and remuneration of officers. Consisting of the president and two independent outside directors, the Executive Advisory Committee advises the management on these matters and as such equates to a voluntary established advisory committee for nominations and remuneration.

**Main Roles**



The council reviews the president's proposals for appointing or dismissing executive officers, and the prospective proposals to shareholders for appointing or dismissing directors or auditors.



The council reviews the remuneration for each director and executive officer and advises on a level of remuneration within the remuneration range decided by shareholders at the AGM.

As part of an effort to further strengthen corporate governance, the council's scope was expanded in fiscal 2020. It now also advises on important matters concerning corporate governance and on matters concerning conflicts of interest with the controlling shareholder.

**Previous meetings**

	Meeting	Agenda
Fiscal 2019	1st	In-house rules on remuneration of executive officers
	2nd	Evaluation of executive officers' performance in fiscal 2018
	3rd	Setting remuneration for officers in fiscal 2019
	4th	Executive officer appointments and reshuffle
Fiscal 2020	1st	Directors, auditors, substitute auditor appointments
	2nd	Related-party transactions, evaluation of executive officers' performance in fiscal 2019

**Record of management meetings**

Committee	Committee role and meeting agenda	Meetings held in fiscal 2019
<b>HR Committee</b>	Chaired by the senior managing executive officer for HR, the committee reviews existing HR policies and future plans for HR, including transfers, treatment, and disciplinary procedures.	7
<b>Compliance Committee</b>	Chaired by the director in charge of compliance, legal, and environmental affairs, this committee works to strengthen compliance across the Company and to identify and address compliance issues.	1
<b>Company-wide Environment Committee</b>	Chaired by the director in charge of compliance, legal, and environmental affairs, this committee spearheads company-wide environmental action, and monitors and ensures environmental compliance, including compliance with ISO 14001.	1
<b>Information Security Committee</b>	Chaired by the senior managing executive officer for general planning, this committee focuses on the management of sensitive and personal information. It reviews approaches and solutions for enhancing the level of information security.	1
<b>Quality Committee</b>	Chaired by the executive officer for quality assurance, this committee sets quality assurance policies, drives continual improvements in the effectiveness of the Company's ISO 22000-compliant food safety management, and works to improve the quality of products throughout the group.	4

**Improvements in governance**

Evolution of Board of Directors		Context
Board membership (red = outside director)	Percentage of outside directors	
<p>2012</p>	<p><b>17%</b> (1)</p>	<ul style="list-style-type: none"> <li>First outside director appointed (1 of the 6 members)</li> </ul>
<p>2016</p>	<p><b>25%</b> (2)</p>	<p><b>2015</b></p> <ul style="list-style-type: none"> <li>Company announces basic approach to corporate governance</li> <li>Company announces independence criteria for outside officers</li> </ul> <p><b>2016</b></p> <ul style="list-style-type: none"> <li>Number of outside directors increased (2 of the 8 members)</li> </ul>
<p>2018</p>	<p><b>22%</b> (2)</p>	<p><b>2017</b></p> <ul style="list-style-type: none"> <li>First board performance evaluation conducted</li> <li>Executive Advisory Committee established</li> </ul> <p><b>2018</b></p> <ul style="list-style-type: none"> <li>Performance-linked pay introduced</li> </ul>
<p>2019-2020</p>	<p><b>40%</b> (2)</p>	<p><b>2019</b></p> <ul style="list-style-type: none"> <li>Board membership reduced (from 9 to 5), increasing percentage of outside directors</li> </ul> <p><b>2020</b></p> <ul style="list-style-type: none"> <li>Basic approach to corporate governance updated. To safeguard interests of stakeholders, scope expanded to include monitoring of conflicts of interest with the controlling shareholder.</li> </ul>

**— Cross-shareholdings**

Our cross-shareholding arrangements are subject to annual review by the Board of Directors. The board considers whether the arrangements represent value for money in terms of fostering transactional relations with the issuer, and whether they bring qualitative benefits.

In fiscal 2019, the board decided to end three

cross-shareholding arrangements that no longer represented value for money. The shares held as part of one of these arrangements were sold off in the same year. The other arrangements were continued, as the board concluded that their benefits still outweigh the capital cost. The next review is scheduled for fiscal 2020.

### Evaluating the effectiveness of the Board of Directors

All directors and corporate auditors participate in the process of evaluating the performance of the Board of Directors. The evaluation of board performance in fiscal 2019 was conducted from April to June, 2020, with support from an external organization. The external organization managed the questionnaire survey to maintain respondent confidentiality.

In July, the Board of Directors met to analyze and discuss the response data provided by the organization. For over 70% of the question items, the respondents (directors and corporate auditors) reported no problem. Based on these responses, the board concluded that it generally performed effectively in fiscal 2019.

However, the responses also indicated some areas for improvement. Guided by this feedback, the board is working to further improve its performance for better corporate governance.



**Issues identified in fiscal 2018 and whether they have been addressed**

- Verifying progress of business plan**  
The board took action to monitor the progress of business plan more effectively. For example, executive officers now review and verify whether the plan is being implemented. **Ongoing issue**
- Succession planning**  
Respondents were unanimous about the need to develop a medium- to long-term plan to replace key leadership positions. The implementation of such a plan was identified as an ongoing issue. **Ongoing issue**
- Thorough review of cross-shareholding arrangements**  
Each cross-shareholding arrangement was reviewed to verify whether it represents value for money. **Situation improved**
- Board discussions of strategic direction**  
During board meetings, directors discussed a medium- to long-term strategic vision for improving the Company's value, including expanding the domestic hog farming business and working with partners to expand in new sectors. **Situation improved**
- Better coordination with the Executive Advisory Committee**  
To improve coordination between the Board of Directors and the Executive Advisory Committee, the president, as board chair, consulted more actively with the outside directors on the committee. **Situation improved**

**Issues identified in fiscal 2019 (latest survey) and how they will be addressed**

- Verifying progress of business plan**  
This task is a critical part of our commitment to shareholders. The board must keep analyzing and ensuring accountability for strategic progress. It must also adjust the upcoming business plan to reflect the level of progress.
- Succession planning**  
This is a critically important strategic task. The board will place priority on discussing how to develop talent who can take over key positions and carry forward the leadership's vision.
- Newly identified issues**
- Laying the groundwork for digital transformation**  
To lay this groundwork, we will establish new posts dedicated to driving digitization and digital innovation. To help transition to a new platform and produce a business model for tomorrow, we will adopt the approaches of business process re-engineering (reviewing and re-designing workflows and organizational processes) and change management (helping employees prepare for organizational change).

### Nominating and Remunerating Officers

#### Nomination process

In nominating candidates for election as directors or auditors, and in choosing who to appoint as executive officers, we consider a broad set of criteria, including whether candidates have the requisite knowledge and experience, the ability to manage risks, the ability to execute business or monitor the execution thereof, and whether the candidate pool covers the Company's organizational functions and operating divisions. The president proposes the nomination protocols, the Executive Advisory Committee reviews the protocols, and the Board of Directors ultimately determines them.

As for dismissals, we currently have no explicitly defined criteria. The Board of Directors will discuss a possible set of criteria and how to integrate it into succession planning.

#### Selecting outside director and outside corporate auditor candidates

To enhance oversight of directors and business execution in general, we now nominate two outside director candidates and two outside corporate auditor candidates. The reasons for the latest nominations are stated on pages 53 and 54.

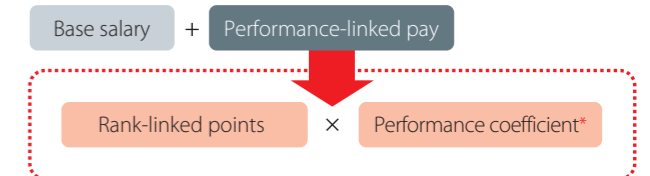
#### Remuneration for officers

Remuneration for inside directors (outside directors are excluded) comprises a fixed base salary and performance-linked pay. Base salary reflects the director's class or rank. Levels of base salary are set, within a range specified by AGM, based on the advice of the Board of Directors and the Executive Advisory Committee, the membership of which comprises the president and two independent outside directors. The performance-linked component involves a stock

compensation plan tied to the Company's medium- to long-term business performance and enterprise value.

Eligible directors earn points according to how well the Company attained its yearly target for operating income. Upon their retirement as directors, they receive remuneration commensurate with the total accumulated points.

#### Remuneration structure



Eligible directors earn points each fiscal year and redeem the points when they retire upon the expiration of their term. The payout is 70% shares and 30% cash. \*The performance indicator is the budgeted consolidated operating income in the Medium-term Business Plan.

#### Table showing remuneration amounts

Officer class	Total remuneration (¥ million)	By component			Eligible recipients
		Base salary	Performance-linked pay	Retirement benefits	
Inside director	152	139	12	—	8
Outside director, auditor	62	62	—	—	8

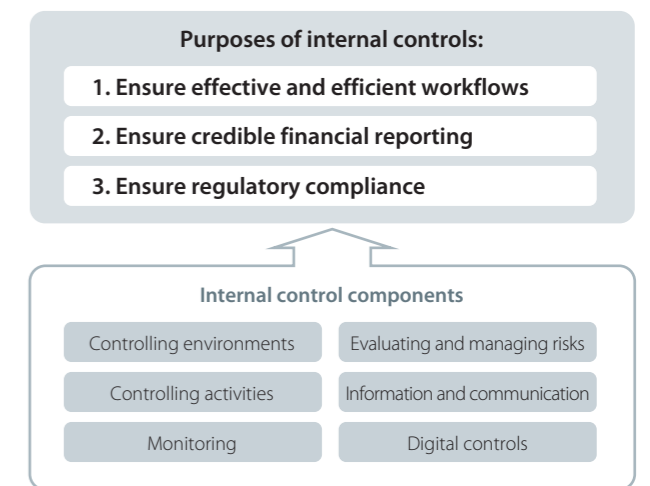
\* The recipients indicated above include five directors and one outside corporate auditor who retired upon the close of the AGM held on June 27, 2019. \* Kenichi Tai lost his status as an outside director on August 2, 2019, when ITOCHU Corporation (where he works) became the parent of Prima Meat Packers. Accordingly, in the data for recipients and amounts, Tai is included as an outside director from June 27 (the date he was appointed as outside director) to August 1, 2019, and as a director (inside director) from August 2, 2019, to March 31, 2020.

### Internal Controls

Guided on the Board of Directors' basic approach to internal controls, we have developed a system of internal controls for ensuring legal and regulatory compliance, compliance with our Articles of Incorporation, and sound management in general.

The Internal Audit Department provides guidance and support to enhance controls across the Group. For example, it evaluates the effectiveness of controls and, where issues have been detected, it follows up on the corrective and preventive action.

For follow-up, the department conducts four kinds of audits: divisional audits (conducted in Head Office's operating divisions), area audits (conducted in regional branches, plants, and logistics centers), business site audits (conducted in sales offices), and group company audits.



# Compliance management

## — Basic Approach

Guided by our management philosophy and code of conduct, we strive to “be candid and sincere” and to strictly comply with legal and regulatory requirements and in-house rules.

To communicate these principles throughout Prima Meat Packers Group, we provide employees with a guidebook outlining behavioral expectations (we update the guidebook as necessary). We also publish an internal newsletter on compliance to help foster a compliance mindset in employees. Starting in fiscal 2018, we designated October

“compliance-strengthening month.” During the month, we send out a compliance-related address from the president, display compliance-related posters, and hold compliance-related workshops.

In fiscal 2019, we launched some new initiatives to strengthen compliance. For example, we produced news articles featuring cautionary and instructive examples of compliance violations committed in other companies.

## — Compliance Program

Prima Meat Packers has a compliance-related body called the Compliance Committee, which meets regularly and is attended by senior managers.

In fiscal 2019, attendees discussed compliance incidents that occurred during the year, reported the actions taken to address issues, and reported the tasks for fiscal 2020 (one of which was to survey employees’ attitudes toward compliance). Alongside this committee, the leaders of each group company (including

overseas companies) act as chief compliance officers to ensure the compliance program operates effectively across the Group. The chief compliance officers convene annually for the Leaders’ Liaison Council for Compliance. The meeting in fiscal 2019 was postponed due to COVID-19, but leaders from 29 group companies (including overseas companies) still exchanged information about compliance incidents and the reports made at the Compliance Committee.

## — Training Programs to Foster a Culture of Compliance

We provide general compliance training as well as training for preventing workplace bullying, sexual harassment, and pregnancy and maternity-leave discrimination (known as “maternity harassment” in Japan). The general program is led by the staff from the Legal Department, while the latter program is led by a professional instructor. Both programs are delivered at our workplaces across Japan, and the instructional content is tailored to the nature of the workplace in question.

In fiscal 2019, training was provided by in-house and external instructors, or in some cases via an e-learning platform, to our own managers and junior staff, as well as to new directors at our group companies. The training helped inculcate our basic policies on corporate ethics and compliance.



Training provided to new directors of group companies

## — Whistleblower Hotline

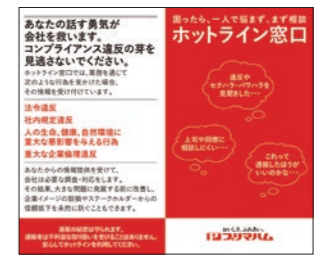
We provide an internal and external whistleblower hotline for raising compliance concerns related to group operations, such as a legal violation, violation of an in-house rule, malpractice, or a serious breach of corporate ethics.

For concerns related to workplace bullying or sexual harassment, Prima Management Service provides a dedicated service called the PMS Hotline & Helpdesk. Women (who make up the majority of sexual harassment victims) may feel more comfortable talking to a fellow woman if they experience sexual harassment. Accordingly, the helpdesk has female staff on hand to offer support by phone or by email. Acknowledging that mental health is a growing concern, we also work with external experts to provide swift organizational support for employees

who experience mental health problems.

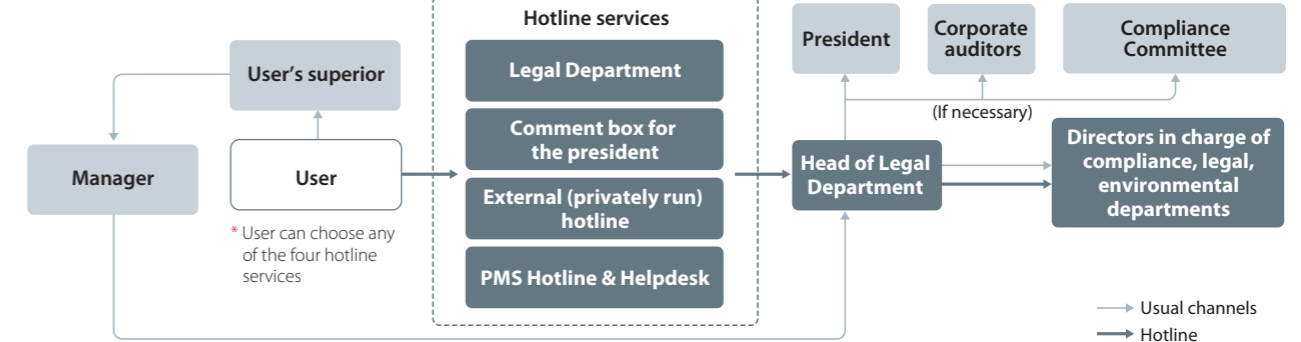
Reports and inquiries can be made anonymously. Whistleblowers’ privacy will be safeguarded, and all efforts will be made to ensure that whistleblowers are not penalized for using the hotline.

To raise employee awareness about the hotline and make it more accessible, we advertise the hotline in posters and on the intranet, and provide employees with cards containing the hotline information.



Employees carry a card containing the hotline information

### Hotline services



## — Preventing Insider Trading

To prevent insider trading, we annually issue a directive to review the provisions concerning the control of inside information and restriction on insider trading.

Managers from division heads upward are registered on

the Japan Securities Dealers Association’s Japan-Insider Registration & Identification Support System (J-IRISS). Brokers can cross-check individuals on this database to preempt the risk of insider trading.

## — Information Security Management

In accordance with Japan’s Act on the Protection of Personal Information, we work to protect personal information, including that of our customers and partners. Our approach to information security management is codified in the Privacy Policy and in the Rules for Protecting Personal Information.

At Prima Meat Packers, information security is managed by the Information Security Committee, and each department has its own information security manager. Additionally, we inspect our branches, plants, and gift centers to see whether they are handling information—especially personal information—appropriately. In fiscal 2019, we inspected 21

such locations. In this way, we continue to rectify issues and manage information more securely.

Our information security management system (ISMS) is provided by Prima System Development Co., Ltd., an independent business that formed after we spun off our IT division. In November 2004, Prima System Development got its ISMS certified as compliant with the JIS standard (ISMS Certification Standard, Version 2.0), as part of the Company’s commitment to rigorous information security. In March 2007, it completed the process of transferring to the international ISMS standard (ISO/IEC27001).



# Risk management

## Basic Approach

To prevent or minimize the damage of business risks, we have established the Risk Management Rules, which stipulate measures for preventing risks from occurring in the first place and the optimal ways to respond to risk events once they occur.

### The kind of risks we face

1. The risk that we commit a mistake that seriously harms our business partners or customers
2. The risk that we are held responsible for committing a legal violation
3. The risk that our financial disclosures lose their credibility
4. The risk that we sustain severe damage in a natural disaster
5. The risk that sensitive information is unduly divulged or leaked to third parties
6. The risk of any other event that would threaten our continued operation

## Risk Management

Our Risk Management Rules categorize risks according to causal factors and specify measures for preventing the risks from occurring. Such measures include establishing rules, producing manuals, or issuing directives. Prima Meat Packers has established code of conduct detailing specific routine workflows to ensure that the management philosophy is put into practice. The Company has also established a Food Safety Policy to ensure that all our business activities contribute toward the goal of delivering safe and tasty meals to the table.

When risk events occur, we follow the Risk Event Response Manual, which outlines the steps to follow in accordance with the anticipated severity of the damage. If the damage is expected to be extensive, a central task force headed by the president will coordinate the emergency responses of the affected departments.

The employee handbooks we issue each year include content on the initial steps to take if a risk event occurs during routine work operations (there are separate instructions for serious customer complaints, food poisoning incidents, work accidents, traffic accidents, and natural disasters). This information gives employees an idea of the right actions to take in an emergency.

## Business Continuity Planning

Part of our risk management strategy involves business continuity planning. We develop plans to keep our businesses operational during a natural disaster or a wave of infections. During such events, we will promptly place ourselves on an emergency footing to manage the dangers, and work to contain the damage. Mindful of our corporate social responsibility, we will work to recover normal operations and assist the recovery efforts of affected communities and government bodies. After the COVID-19 crisis arose at the end of fiscal 2019, we initiated a business continuity plan. The plan involved a range of measures, with the first priority to prevent infections spreading among employees, their families, and other related parties (see page 64).

Our business continuity plans are updated as necessary. We previously developed a plan for ensuring business continuity during an outbreak of a new strain of infectious disease. When the COVID-19 crisis emerged, we updated this plan to reflect the new realities, and put it into action. Our employees have been informed about its contents.

## Monitoring Risks

Every fiscal half-year, risk information is reported to the Board of Directors of Prima Meat Packers. The risk information is categorized as follows: Food safety and reliability risks, regulatory risks, occupational health and safety risks, compliance risks, information security risks, and transaction risks. For high-magnitude risks, the board is continually updated about the risk in question until the risk is resolved or no longer a concern. In this way, we work to minimize threats to our business operations.

Of the risk categories mentioned above, food safety and reliability risks are the most critical concern to us as a food manufacturer. Accordingly, we make extra efforts to manage such risks in a uniform manner across the Group. For example, we hold quarterly meetings to discuss customer feedback about our products, inform each business about regulatory developments, and inform production sites about the measures they should take to ensure food safety and reliability. We also hold monthly meetings to discuss price trends in raw materials and make sure that our businesses are procuring their materials for a reasonable price.

## Risks Affecting Performance

The following table shows the main risks that could potentially affect our performance.

Category	Risk	Description	Actions	Plan affected
Business environment	Price fluctuations in raw materials <i>Material risk</i>	Our performance may be affected by price rises in the livestock market or oil market, from which we procure raw materials and goods for our products (meat, ham/sausage, and processed foods). • Price fluctuation in livestock market • Livestock disease • Safeguard action (international trade restrictions) on raw meat imports • Animal feed prices • Packaging • Fuel costs in plants • Distribution costs	• Procure extra supplies of raw materials • Secure alternative sources of raw materials • Use futures contracts • Secure ample stocks • Adjust sales price	Policy 2
	Exchange rate fluctuation	Because we source raw materials and goods from the U.S., Europe, China, and other overseas areas, exchange rate fluctuations may affect our performance. Additionally, because the financial results of our overseas subsidiaries are denominated in local currency, our consolidated performance may be affected by the exchange rate that applies when we translate the results into Japanese yen.	• Use foreign exchange contracts to manage short-term fluctuations	Policy 2 Policy 3
Business operation	Food safety <i>Material risk</i>	If any of the following issues occur in the production and sale of our products, we may harm customers' health and lose our credibility, which may threaten our continued operation: • A serious quality issue • A prolonged quality issue • Allergen contamination	• Apply quality management standards (HACCP, ISO 22000, AIB, FSSC 22000) • Display accurate product information on packaging and on website • If an incident arises, notify the public immediately and take corrective and preventive action.	Policy 1 Policy 2
	Impairment of goodwill and fixed assets	Our performance and financial health may be adversely affected if we fail to produce the expected cash flows as a result of tangible or intangible fixed assets diverging from what was stated in the business plan. • A newly acquired subsidiary fails to perform as well as expected • Business assets diverge from figures stated in the business plan	• Discuss/decide purchase price at Executive Council • Establish procedures for managing recent acquisitions • Review performance of investments at Executive Council	Policy 2
	Regulatory compliance <i>Material risk</i>	A group business may be severely damaged if it commits a legal violation. • After violating the Food Sanitation Act or Food Labeling Act, a business is placed under administrative measures, resulting in reputational damage • After violating the cross-border trade laws, a business is placed under administrative measures, hurting its ability to produce and sell products • After violating the Antimonopoly Act, a business is placed under administrative measures, resulting in transaction restrictions and reputational damage • After violating labor laws, a business is placed under administrative measures, resulting in reputational damage • After violating environmental and recycling laws, a business is placed under administrative measures, harming its ability to recover and produce goods and causing reputational damage	• Observe quality management standards • Communicate code of conduct, use Compliance Committee to inculcate compliance culture, provide compliance training • Provide in-house rules, ensure directives are complied with, provide anti-bullying training • Ensure effective operation of environmental management system and Environment Committee	Policy 1 Policy 2
Environment emergencies	Natural disasters, accidents, incidents <i>Material risk</i>	If a natural disaster or accident harms the life, health, or property of a group company or one of our distributors, the affected entity may be forced to suspend supplies and rearrange production, distribution, and sales networks, resulting in severe damage to performance. • Natural disasters (e.g. earthquake, typhoon, major snowfall, tornado, volcanic eruption, torrential downpour) • Accidents (e.g. fire, explosion, traffic accident) • Incidents (e.g. terrorist incident, kidnapping, blackmail) • Armed conflict (e.g. civil unrest)	• Secure ample stocks • Buy extra supplies of key goods • Develop business continuity plans	Policy 1
	Infectious disease <i>Material risk</i>	If COVID-19 persists, we may be unable to continue business activities, resulting in severe damage to performance. • Forced to suspend non-critical workflows • Forced to suspend production lines and sale of products • Office or plant forced to suspend operations	◊ Measures to prevent infection among employees and their families • Encourage healthy behavior • Limit meetings, restrict travel ◊ Action for business continuity • Establish central task force headed by the president • Develop business management framework for each business location • Bring in staff from other departments to help in production • Provide work-from-home and staggered-hours schemes • Use videoconferencing for board meetings	Policy 1

Notes

1. In the Risk column, "Material risk" indicates that the risk in question is particularly dangerous.

2. The policies mentioned in the Plan Affected column refer to the critical actions in our Medium-term Business Plan (read more about this on page 17) that would be threatened by the risk in question.

### Special Report

#### Managing COVID-19 risks

On March 17, 2020, we responded to the growing threat of COVID-19 infection in Japan by initiating a business continuity plan. As part of this plan, we have established a central task force headed by the president and with the head of the General Planning Office as second in command. As our first priority, we act to safeguard the life and health of our employees and other related parties. We then take steps to prevent or limit infections at each business location so that we can continue to serve our role as a food manufacturer.

#### ■ Safeguarding employees and their families

Encourage healthy behavior (handwashing, gargling); instruct / advise / help employees to work from home and stagger their hours; cancel / restrict events such as conferences, workshops, and dining together; restrict or ban business travel; negotiate online instead of in person; provide non-contact thermometers (Head Office)

#### ■ Action in production sites

Monitor temperature and health of staff and their cohabitants; restrict outsider access; prohibit customer visits

#### ■ Action in IT Department

Prepare work-from-home environment (install TeamViewer, improve SSL-VPN, expand videoconferencing, digitize documents, lend PCs and Wi-Fi)