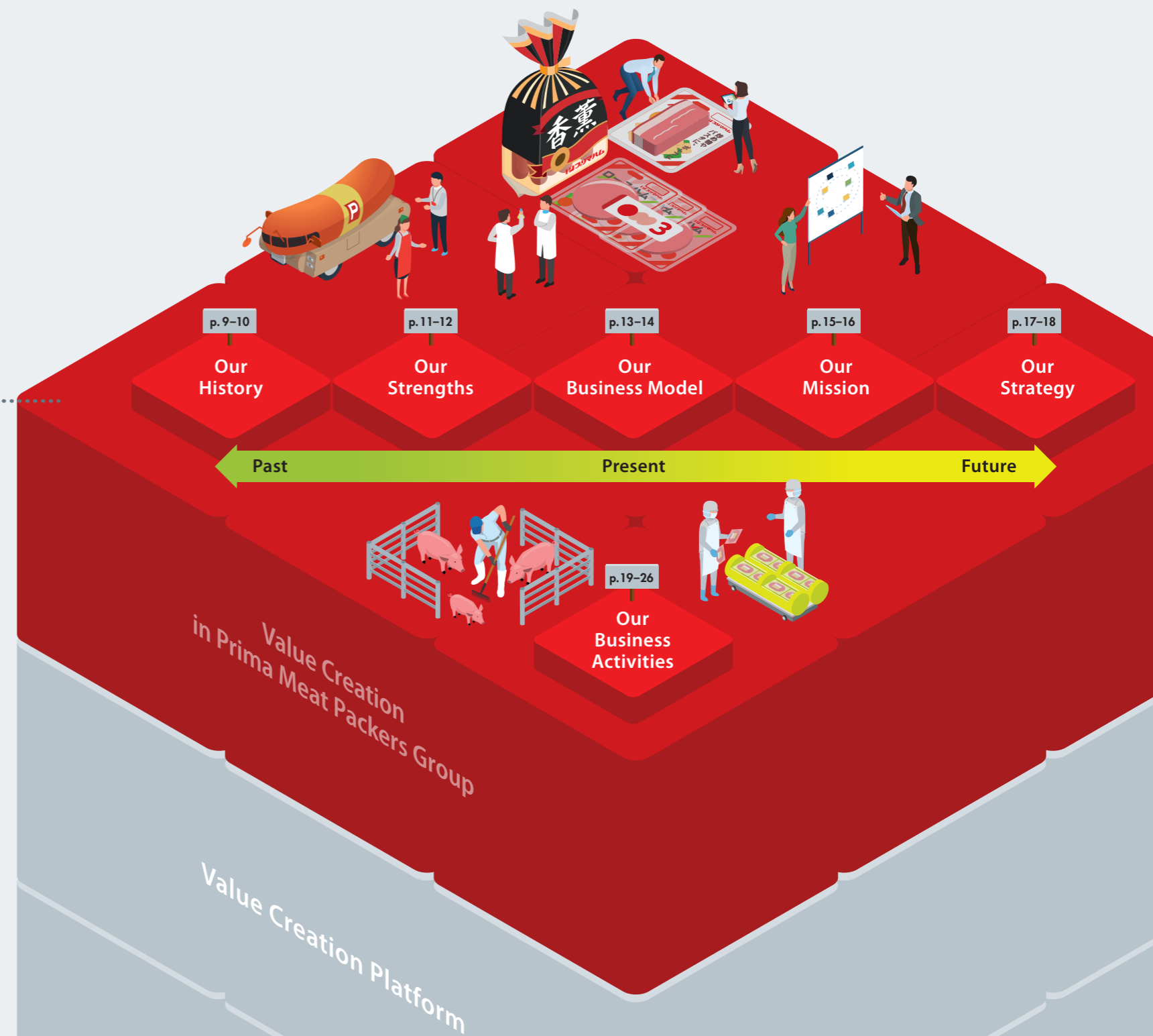


– Section 1

Value Creation in Prima Meat Packers Group

Since the Company was founded in 1931, we have taken on the challenge of continuously creating new products while meeting the needs of our customers. We have expanded our business domain from fresh meat to processed foods. Section 1 explains the value creation story of Prima Meat Packers Group, beginning with the strengths developed throughout our history and extending to the mission we are facing and our strategy aimed at future growth.



Prima Group has continued to provide food that adds value since our founding

The history of our Group began when our founder, Masanori Takegishi, started producing and selling ham and sausage in 1931, at a time when Japanese people customarily ate little meat. We have always challenged ourselves to produce food that adds value by making products and quality our No. 1 priority.



The origin of Prima Group

Our founder, Masanori Takegishi, firmly believed that Japan would prosper even more as a country if Japanese people increased their physical stamina. He began producing and selling ham and sausage, which were not common in the countryside, and spent the rest of his life working to streamline the meat industry and sell high quality meat at a reasonable price so that everyone could enjoy it. This spirit is still passed down today as the DNA of Prima Meat Packers Group.



Great strides made in the past 10 years

Net sales	Fiscal 2009: ¥252.6 billion	Fiscal 2019: ¥418.0 billion	Approx. 1.7 times
Operating income	Fiscal 2009: ¥5.6 billion	Fiscal 2019: ¥15.6 billion	Approx. 2.8 times

1950s: Contributing to Abundant Lives
"We sell what we make."

1970s: Global-level Food Safety
Ensuring safety and reliability

1980s: Products That Evolve with Lifestyles
Building a new management platform

2000s: Targeting Further Growth
Responding to customer needs and pursuing efficiencies

Prima Meat Packers was the first company in the Japanese meat industry to sell standard Japanese pork primal cuts, and developed innovative solutions in distribution channels to strengthen sales as well as manufacturing. The internal company slogan chosen at the time was "We sell what we make. We will sell our Prima brand by ourselves."

Prima Meat Packers built its own quality management system based on a partnership with an overseas company that was a leader in quality management. The Company developed innovative hit products that were safe and reliable one after the other. It also entered the hog farming business and built the foundation for an integrated domestic pork production process.

Prima Meat Packers established dedicated plants for convenience stores, food processing, and overseas production sites, and expanded the business domain. It obtained food safety certification for plants in Japan, and built an even stronger management platform.

The Company began selling Koukun Sausage, which became a core product. To respond to increasingly diverse consumer needs such as health consciousness and convenience, Prima Meat Packers has expanded its product line-up and introduced a series of ISO international standards to ensure food safety.

The endeavors of Prima Meat Packers Group

1956
Industry first Japanese standard pork primal cuts launched

To reduce distribution cost and improve processing efficiency at retail customer level, Prima Meat Packers launched the first Japanese style standard pork primal cuts in an era when traded pork in Japan was mainly consisted of whole carcasses.



1971
Subsidiary established to launch hog farming business

Challenged by a decline in small-scale hog farms, the Company launched its hog farming business by establishing Prima Farm Co., Ltd. (now Pacific Ocean Breeding Co., Ltd.) This is the starting point for the integrated domestic pork production business.



1974
First in the industry to include best before date on product labels

Prima Meat Packers partnered with Oscar Mayer, a processor and manufacturer of ham, bacon, and other products, and used innovative packaging technology to launch the first consumer pack product in the Japanese meat industry. The Company is also the first one to include best before date on its product labels in the industry.



1986
Dedicated plant for convenience stores established

Prime Delica Co., Ltd. was established to manufacture and sell prepared deli items for Japanese convenience stores. The subsidiary cleared the strict safety standards for the convenience store industry and expanded to the current 12 plants. A vegetable plant dedicated to prepared deli foods was completed in 2018.



1989
Processed food manufacturing launched

PrimaFineFoods Co., Ltd. was established to manufacturing hamburgers, Japanese style fried chicken and other processed products, which provided the expansion of processed foods business of Prima Meat Packers Group started from this point onward.



1992
Overseas business launched

The Group established manufacturing subsidiaries in China and Thailand, and ramped up its overseas business to full scale operations. We also established management systems for manufacturing, development, and quality control using the same standards as operations in Japan, and deepened trust with business partners.



2006
Plant equipment upgrades launched

The Company invested in upgrading plant equipment, beginning with the Mie plant in 2006 and were subsequently rolled out to all ham and sausage plants. This improved productivity, which led to greater cost-competitiveness, and developed innovative manufacturing methods.



2007
ISO 22000 certification obtained for production sites in Japan

The Company migrated from the HACCP system of manufacturing methods to ensure food safety to the ISO 22000 and FSSC 22000 systems in order to strengthen the comprehensive quality management framework. International food safety management protocols were proactively incorporated.



Proprietary technology and expertise developed over the course of our history

The technology and expertise we have developed over the course of past endeavors supports our value creation. This includes our product development capabilities and safety management system, our integrated domestic pork production process, our relationships of trust with suppliers, and plants with high production efficiency.

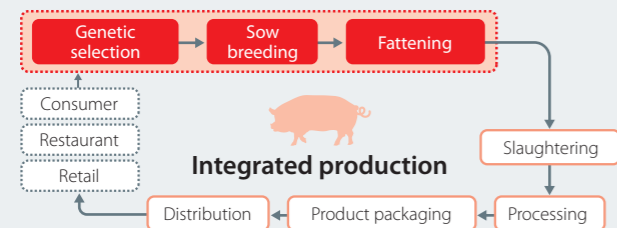
Strengths

Integrated Domestic Pork Production Process

Achieving safety, reliability, and great taste through the integration of all processes from genetic selection, sow breeding, hog production, and meat processing to distribution

To achieve safety, reliability, and great taste that is desired by consumers, Prima Meat Packers Group has built an integrated domestic pork production process that includes all processes, from development of genetic selection, breeding, fattening to slaughtering, processing, product packaging, and distribution. We have put particular effort into hog farming, which is the upstream part of the business, in recent years. Fifty hog farms handle live hog operations from breeding sows, through raising, fattening, and sale of hogs, with Pacific Ocean Breeding Co., Ltd. at the core of the operations. We have also partnered with Swine Genetics International, Ltd. in the U.S., the leading country in hog farming. The company provides us with the semen of hog breeds that Japanese people prefer. We also plan to achieve high productivity at the new farm that will begin operations in Miyagi Prefecture in 2022 (see page 21), based on scientific data derived from the state-of-the-art equipment installed in the plant.

Integrated Domestic Pork Production Process



State-of-the-Art Plant for the Processed Foods Business and Cost-Competitiveness

Achieving greater efficiency by automating and streamlining the production line

The Company has invested in packaging automation and production streamlining in the wiener plant (completed in June 2016) and the ham and bacon plant (completed in April 2019) of the Ibaraki Plant—the core production site of its processed foods business. The two plants achieved a combined production capacity of 4,500 tons per month through these efficiency improvements and steps taken to reduce production lead time. In addition to core products such as Koukun Sausage and pork loin ham, the plants have launched products with a longer shelf-life (see page 25) and meet other increasingly diverse consumer needs.



Domestic and International Procurement Networks

Sourcing raw meat that meet quality requirements backed up by trust relationship with suppliers



Prima Meat Packers Group procures raw meat for retail, ham, sausage, and other processed food production worldwide. For overseas procurement in particular, we utilize the strength of ITOCHU Group to import pork from Canada, the U.S., and Denmark; beef from the U.S. and Australia; and poultry from Brazil and Thailand. We also source high-quality domestic meat nationwide to answer the surging need for domestic products. The Group works to maintain close communication with our suppliers through importers or direct approach by our procurement staff. This ensures that sourced products meet our quality standards.

Collaborative Development of Products and Services

Collaborating with businesses, organizations and individuals in various industries to flexibly cope with consumer needs

Prima Meat Packers Group strives to provide the best products and services to answer consumer demands through collaborative efforts, including joint raw meat sourcing with ITOCHU Group, product development with business partners and suppliers, joint research with universities, and delighting customers with theme park sponsorship.



Plaza Pavilion Restaurant ©Disney

Proprietary Product Development Capabilities

Constantly keeping pace with market trends and responding to the changing needs of customers as lifestyles and preferences become more diverse.

In addition fresh and processed meats, Prima Meat Packers Group provides a wide variety of other processed food products, prepared deli items, filled pastries, and desserts. We develop products that add a high degree of value to respond to diverse changes in lifestyles and preferences by always staying informed on market trends and customer needs.



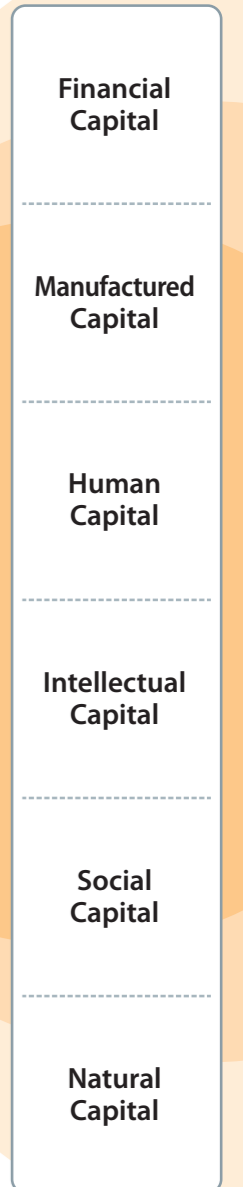
Food Safety Management System

Building and operating an integrated management system for the entire food chain

Prima Meat Packers Group has incorporated the FSSC 22000 and ISO 22000 international standards, and has built and operates an integrated management system for the entire food chain, from product development through procurement, production and distribution. The overseas plants of PRIMAHAM (THAILAND) Co., Ltd. and PRIMAHAM FOODS (THAILAND) Co., Ltd. have obtained certification of their manufacturing plants under the Japanese Agricultural Standards (JAS), and are manufacturing and selling products for Thailand, Singapore, and Hong Kong.



Various kinds of capital built using our strengths



Value chain for creating healthy, well-rounded dietary habits

Prima Meat Packers Group has accumulated many types of capital through our strengths in proprietary technology and expertise. We have used this capital to build a value chain in the fresh meats and processed foods businesses and enhance corporate value by working to create healthy, well-rounded dietary habits.



Material issues involved in achieving sustainable growth specified

To achieve the mission targeted by the Group, we determined what the risks and opportunities are for the Group from the medium and long-term perspectives and specified the material issues involved in taking steps to mitigate the risks and seize the opportunities. We will continue to engage the entire company in discussing these as we formulate the action plans and pursue them.

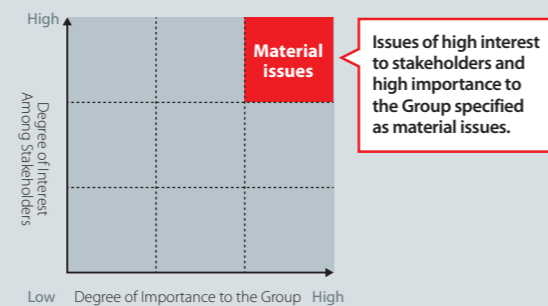
Process for specifying material issues

To achieve sustainable growth as a company, we must analyze the major risks and opportunities that will affect growth of the Group from the perspective of ESG. We then must outline a strategy for the management challenges from a long-term perspective. We therefore outlined the management strategy and specified the material issues that we should prioritize in September 2020. In the future, we will focus on both achieving sustainable growth of the Group and resolving social issues by setting goals aligned with the material issues and taking action to address them.

Specification Process

- STEP 1 Identify and categorize social issues**
Thirty-eight issues, consisting of 164 items, were selected based on the international sustainability standards set forth by the Global Reporting Initiative (GRI) and the Sustainability Accounting Standards Board (SASB), and the ESG items that the external rating firm, MSCI Inc., focuses on and which stakeholders are interested in. The issues selected were examined extensively and the Group selected and categorized 23 issues.
- STEP 2 Survey individual internal divisions**
To assess the degree of stakeholder interest, we conducted a survey of 12 divisions considered to have daily opportunities for dialog with stakeholders. The degree of importance to the Group was evaluated based on the relationship to our strategy and our business, and risks and opportunities.
- STEP 3 Prioritize**
The results of the survey in STEP 2 were plotted according to the degree of interest among stakeholders (vertical axis) and the degree of importance to the Group (horizontal axis), and issues of highest interest to the Group (upper right quadrant) were identified. These were then evaluated collectively to make the initial selection of material issues.
- STEP 4 Suitability confirmed by management and expert**
The president of the Company evaluated the material issues initially selected for suitability. An expert and taskforce members then exchanged opinions on them, actively debated them, and provided their opinions based on the latest knowledge. After they were approved by the Company president and Executive Council, the material issues were divided in five groups, and the final 10 material issues were specified.

Map of Material Issues



Main opinions from the external expert

- The position on addressing animal welfare conveys a good impression because this is a global trend.
- The corporate position of focusing on the employee workplace environment is worthy of evaluation.
- As a food manufacturer, contributing to the health food market is an important issue.
- It is important to anticipate water and flood damage from climate change when building a new plant or renovating one.

(From the opinion exchange with Makiko Akabane, Director of CSR Asia Japan Office in July 2020)

Profile of the external expert

Ms. Akabane has established divisions related to sustainability at Japanese and American companies, and has given numerous presentations for the Ministry of the Environment, the World Bank, and Toyo Keizai. She has written numerous third-party opinions concerning corporate CSR reports and other reports, and also served as the director of WaterAid Japan, and as a member of the Japan Football Association's Committee for Social Responsibility.



Makiko Akabane
Director of CSR Asia Japan Office

Changing social conditions

Megatrends

- Climate change
- Decline in Japan's population
- Population explosion
- Aging of society
- Resource depletion
- Technological innovation

Food needs

- Health-conscious
- Growth in in-home consumption of prepared deli items
- Budget-conscious
- Need for simplification

Material issues for Prima Meat Packers Group

Category	Material Issue	
Creating healthy, well-rounded dietary habits	Securing safe, reliable food	Ensuring that we provide safe, reliable products is naturally our responsibility as a food manufacturer. The Group works on this as a material issue. We will continue strict food safety management, primarily through ISO 22000 and FSSC 22000, to create products that are even safer and more reliable.
	Recommending health-conscious products	Health-consciousness is increasing as society ages. The Group provides health-conscious products such as reduced salt and carbohydrate products. We also develop uncured products that do not use color stabilizers and pursue other innovations to create healthy, well-balanced food.
Contributing to global environmental protection	Reducing greenhouse gas emissions	The issue of climate change is now a material issue stemming from the demands of the global community, including the Paris Agreement and sustainable development goals (SDGs). The Group also pursues business activities aimed at reduction in greenhouse gas emissions, in addition to targeting sustainable growth.
	Reducing the volume of waste output	Working to reduce food loss and recycling are part of a food manufacturer's mission. We are also reducing use of plastic packaging materials and switching to alternative materials because ocean pollution from plastic waste has become a global problem.
Strengthening supply chain management	Achieving sustainable procurement of raw materials	To ensure business continuity, we diversify procurement to reduce the risk in procuring raw materials and feed, and strive to achieve stable supply. Suppliers in the livestock industry impose a high burden on the environment. We therefore formulate procurement policies and consider auditing methods, and other mitigative measures.
	Addressing animal welfare	Acting from an ESG perspective is now demanded in Japan as well, and shareholders and investors are taking a greater interest in animal welfare. We reference practices in Europe and the U.S., which are leaders in animal welfare, in operating our hog farming business.
Creating a workplace that promotes job satisfaction	Respecting and promoting diverse workstyles	The decline of the working age population is now a serious issue in Japan, and it is important to establish an environment that makes it easy for employees to work. The Group naturally works to promote women to management positions and we also implement diverse workstyles for our diverse workforce.
	Hiring and developing outstanding human resources	To achieve sustainable growth of the company, it is essential to create an environment that enables employees to manifest their individual capabilities to the maximum extent and to foster a mindset of innovation. The Group actively hires outstanding talent and develops human resources to enhance corporate value.
	Occupational health and safety that focuses on mental and physical health	The Group regards employee health as an asset and we believe that we should continue to protect it. In addition to occupational safety activities in daily work, we take steps to protect the mental and physical health of employees and prevent harmful effects on health from mental health issues and overwork.
Strengthening the management platform	Strengthening corporate governance	Corporate governance is extremely important. It earns the trust of shareholders and other stakeholders in the Group and is essential for achieving sustainable growth. We strengthen and enhance the corporate governance structure and ensure transparency of Group management.

Formulation of a business plan aimed at long-term goals

To achieve sustainable growth of the Group and realize our mission, we have specified a three-point basic policy as our Medium-term Business Plan and have formulated a consolidated profit plan as the standard to achieve.

Medium-term Business Plan

Fiscal 2020–2022

Basic Policy

We will hone our sales capacity, development, and merchandising expertise to increase and strengthen sales and profits while promoting ESG management, to be **a company that customers always love and support.**



Strengthen corporate governance and promote CSR to achieve continuous innovation in management.

- Strengthen quality assurance system.
- Work to protect the environment, strengthen legal compliance and internal controls, and enhance financial and non-financial disclosure.
- Develop human resources, improve the work environment, and foster a mindset of innovation.



Further expand the domains of the two existing business segments and further strengthen their sales and profit bases.

- Strengthen the business platform (reform the cost structure and invest with an eye toward the future).
- Enhance sales capacity and achieve deeper penetration in growing sector.
- Promote customer-oriented product development (safe, reliable, great tasting, and healthy).



Create businesses and expand globally to capture growth markets.

- Expand business in Japan and overseas, mainly through collaboration with ITOCHU Corporation.
- Develop and introduce innovative production technology.
- Work with Group companies to strengthen consolidated management.



Consolidated Profit Plan (Rolling Plan)

	Fiscal 2019 results	Fiscal 2020 plan	Fiscal 2021 plan	Fiscal 2022 plan
Net sales	418	441	457	470
Operating income	15.6	14.5	15.6	16.3
Ordinary income	15.9	14.6	15.8	16.7
Net income	8.8	8.9	10.2	10.7
Return on equity (ROE)	10.0%	9.4%	10.1%	10.0%
ROIC	9.7%	9.0%	9.3%	9.5%
EBITDA	25.2	24.5	26.5	27.8

(¥ billion, %)

Equity ratio: **40% or higher** Return on equity (ROE): **10% or higher** Payout ratio: **30% or higher**

Business policy for each segment

Fresh Meat Business

- Strengthen sales capacities:**
Build a sales structure that reflects business partner changes
 - Clarify accountability for earnings and improve profitability.
 - Take steps to achieve deeper penetration in growing sectors.
 - Educate and train sales staff in sales skills.
- Strengthen merchandising expertise:**
Procure and develop products that can accommodate changes in the environment
 - Improve profitability and grow profits on original brands.
 - Promote customer-oriented product development.
 - Collaborate with the ITOCHU Group on developing business in Japan and overseas.
- Strengthen production:**
Expand the integrated domestic pork production process
 - Strengthen consolidated management of Group farms and processing plants, and promote scientific management.
 - Introduce innovative technologies (automation, digitization) in Group farms and processing plants
 - Improve human resource skills in upstream and midstream businesses.

Processed Foods Business

- Expand sales and market share:**
Expand sales volume and revenue by continuously planning events.
 - Select and concentrate strategic channels.
 - Strengthen relationship with business partners through regular promotional campaigns.
 - Expand revenues and sales volume through consumer-oriented product and sales strategies.
 - Expand mutual potential through business alliances.
 - Roll out new SMALL WORLDS TOKYO campaign.
- Ensure absolute quality and build trust in value:**
Continue to pursue innovative manufacturing and construct a production system that ensures safety and reliability.
 - Develop new technology and introduce line innovations.
 - Make a continuous concerted effort to ensure absolute quality.
 - Actively engage in environmental initiatives and enhance corporate value.
 - Improve safety and quality, and reduce costs by introducing Prima Innovation activities* aimed at improvements in food processing plants.
 - Centralize the organization and functions to strengthen product development. (Consider new manufacturing methods and new materials for use in products)

* Prima Innovation (PI) activities: Prima Innovation, or PI for short, is a method of pursuing daily improvements. This entails selection of a theme for improvement by the person in charge at a site. Quantitative KPI are then set for each targeted improvement, such as improving the equipment operating rate or operating efficiency. Improvements are then implemented and progress is confirmed on a timely basis at regular meetings.

Fresh Meat Business

In the fresh meat business, we are integrating the domestic pork production business from the development of sows for breeding to farming, processing, and sale. We plan to expand the upstream hog farming business as part of this. The Group is also working to expand the business, earn stable revenues, and improve business efficiency by strengthening alliances with overseas suppliers and creating products that meet the needs of business customers.

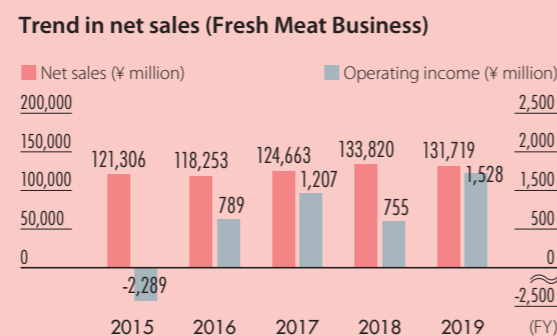
Masahiko Yano

Senior Managing Executive Officer
Head of Meat Business Division



Net sales
¥131,719 million
Down 1.6% YoY

Segment operating income
¥1,528 million
Up 102.2% YoY
(Fiscal 2019 results)



Business environment

- Supplier options expanded through TAG, TPP 11, the Japan-EU Economic Partnership Agreement, and other trade agreements
- Intensifying competition in procurement and disease issues have changed the balance between supply and demand and costs
- Global economic slump and market changes from the spread of COVID-19

SWOT Analysis

- S Strengths**
- Integrated domestic pork production
 - Relationship of trust with overseas suppliers as the ITOCHU Group
 - Original brands of fresh meats
 - Shared use of corporate brands developed for processed foods

- O Opportunities**
- Sales opportunities from world population growth and expansion of fresh meat demand in East Asia
 - Entrance into new businesses through collaboration with ITOCHU Corporation
 - Greater opportunities to import fresh meat due to changes in trade agreements
 - Acquisition of advanced technology via collaboration with universities and hog farm operators
 - Breaking into new markets by providing halal foods

- W Weaknesses**
- Small size of upstream businesses in integrated domestic pork production business
 - Few overseas sales and production sites
 - No production sites for livestock other than hog farms
 - Lagging in development of globally skilled human resources

- T Threats**
- Decrease in purchasing power from population decline in Japan due to a lower birthrate and aging population
 - Supply-demand balance and disease intensifying competition in domestic and overseas procurement
 - Shrinking supply network for domestic meats due to the decline in the number of domestic livestock farms
 - COVID-19 infections at suppliers' processing plants
 - Insufficient response if animal welfare standards in Europe and the U.S. become general practice in Japan

— Reflecting on This Past Fiscal Year

Operating income grew substantially. The growth resulted from stabilized revenues, improved productivity of Group company hog farms, and sales capacity, which had previously experienced challenges.

We also strengthened sales promotions of original brands through transactions with HyLife Foods LP of Canada and Prime Pork LLC of the U.S. (now, Hylife Foods Windom LLC) as part of the effort to improve merchandising. ITOCHU Corporation acquired HyLife Group Holdings Ltd. and Prime Pork as group companies and this will enable the Group to strengthen alliances even more.

The spread of COVID-19 from the end of fiscal 2019 had virtually no impact on the Company's performance. While we took a temporary hit in transactions with food service businesses during the state of emergency declaration, sales to supermarkets and other main business customers grew.

Meanwhile lockdowns resulted in reduced operating rates of 50% to 60% at overseas suppliers. Despite the initially anticipated shortage in imported raw meat for two to three months in fiscal 2020, continued close communication with suppliers on long-term business goals has led us to believe that there will not be a major impact on imports.

— Business Strategy

<Strengthening production> Construction of new farms and renovation of existing facilities

The Group decided to invest around ¥40 billion in strengthening the domestic pork production business over the next 10 years, beginning in fiscal 2020. We are building new hog farms in the towns of Watari and Yamamoto in Miyagi Prefecture to expand the hog farming business (see page 21). We plan to ship market-weight hogs produced by around 1,000 breeding sows at the end of 2022, and plan to expand the scale of the business to 2,000 breeding sows in 2025. In addition to building a feed mill on the farm, we also plan to install the latest equipment for quarantine, sound insulation and deodorization. Free access stalls and measures to provide for animal welfare will be employed.

Kamifurano Farm, Ltd., Nikushitsu Kenkyu Farm, Ltd. and other existing farms will be renovated to improve the production capacity of the hog farming business.

<Strengthening sales capacities> Adding profit by product to the profit management system

To manage operating income more precisely, we will manage profit by product in addition to managing profit by business partner.

In the past, we prioritized balance and procured fresh meats based on sales results and the weather. In the future, we will shift to a procurement method of order by sales. This will make it possible to place orders several months in advance, so this will make it easier to forecast performance and formulate annual plans. It will also lead to strong relationships with suppliers.

<Strengthening merchandising expertise> Proposing original brands for each business partner

The Group is strengthening proposals for business partners to sell Prima's original fresh meat brands as their own brands. This will help us run an efficient operation.

We also expanded retail-ready product lineup for direct delivery from production sites to partners. This resolved the problems of insufficient processing centers to process fresh meat and a workforce shortage in the partners' backyards. Poultry is cleaned at the production site and then shipped as a vacuumed packed product. Vacuum packing is favored by consumers because it preserves freshness longer and reducing packaging waste. In the future, we will increase the number of products matched to demand.

<Strengthening governance and promoting CSR> Strengthening overall Group management of fresh meats production

The Group has expanded the fresh meat production business through new investments or increased investment ratio in existing businesses over the past few years.

Group companies overseen by the Meat Production Dept. are revising their rules and we are monitoring progress on this. We have also increased the number of employee training sessions. The entire Group will work as one team to strengthen governance and improve awareness.

In addition to having a company-affiliated veterinarian, we also consult external veterinarians to facilitate quarantine management of each hog farm and the strategy of expanding the hog farming business.

TOPIC of the Fresh Meat Business

Building state-of-the-art farms and expanding the hog farming business

The Group is expanding the hog farming business, the upstream part of the fresh meat business, to grow the fresh meat business. We will build a large new farrowing facility and fattening farm of 13 hectares each in southern Miyagi Prefecture as a part of the expansion. They will begin operating in 2022. The two-site method^{*1} will be adopted at these farms to lower the risk of a chain of disease transmission.

The Group is aiming to bring its hog farming business to the top tier level in the Japan industry by introducing state-of-the-art equipment that provides scientific data for productivity enhancement. Stronger management indicators and financial analysis will be introduced to establish a virtuous business cycle of profit generation and investment.

This will also contribute to the recovery of Miyagi Prefecture, which was devastated by the Great East Japan Earthquake, and will facilitate co-existence with the community.

^{*1} **Two-site method:** This is a method of livestock farming that divides breeding and fattening into two separate farms to reduce the risk of the intrusion of diseases into the breeding operation and prevent the risk of horizontal transmission within a farm. This method enables quick recovery of operations if one of the farms becomes infected.

Using the new hog farms as growth drivers to make the Group the best hog farming company in Japan

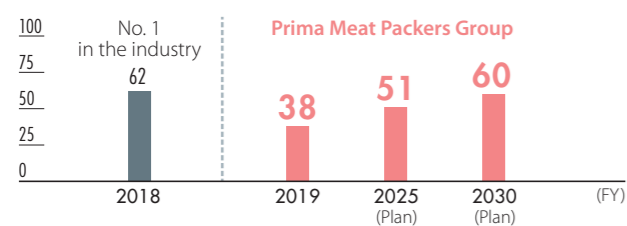
The nuclear power plant accident caused by the Great East Japan Earthquake in March 2011 still affects the area. The hog farm operated in the Fukushima area by the Group company Pacific Ocean Breeding Co., Ltd. was forced to cease operations when the area was designated as a hazard zone that would be difficult to return to. The Group subsequently searched for an alternative site for the hog farm. We found an ideal site in southern Miyagi Prefecture, which was also struck by the same disaster, and began negotiations with the local government around 2018.

The Group launched VISION 2030 as a strategic project to grow the fresh meat business in 2018. We aim to be the No. 1 hog farming company in Japan by 2030. The Group therefore decided to build a new, highly efficient hog farm with state-of-the-art equipment as one strategy to achieve this goal.

The search for a new hog farm site and the policy of VISION 2030 together rapidly advanced concrete plans. The local governments were positive about making progress on land use in the affected coastal area, so we were able to conclude site agreements in April and May 2020.

VISION 2030 goals for the number of hogs shipped

(10 thousand head)



Working to create an advanced hog farming system based on best practices learned from predecessors

The Group gathered information from a wide range of partners, including top farmers, breeders, feed and equipment manufacturers before building our farms. We also researched European hog production technologies. Similar to European countries, livestock farming areas are adjacent to urban areas in Miyagi prefecture. The advanced farm management technologies and methods of Europe are environmentally friendly and cordial to the local community, and are well suited for our new hog farming site.

The latest information and communication technologies (ICT) will be adapted to manage feed intake and optimal barn environment including temperature, humidity, wind direction etc. ICT will also be used to manage farm performance, analyze production indicators, monitor hog growth, and improve productivity. We will increase the degree of hog barn isolation from the environment, use in-house transport, and build truck washing facilities to strengthen biosecurity controls. We will also install deodorization equipment and waste processing systems which are rare in Japan, to

prevent odor issues and reflect our consideration for local communities. To produce delicious pork, we will raise healthy hogs with a proprietary blend of fresh feed produced at the Company's feed mill. We also plan to collaborate with local businesses and establish a brand for our pork that features local characteristics.

The Group is also researching feed blends and nutrient additives and is planning a joint proof-of-concept trial on breeding with Hiroshima University.

Future schedule for the new farms

Apr–May 2020:	Conclude site agreements
Jan–Sep 2021:	Build farrowing facility
Sep 2021–Sep 2022:	Build fattening farm
Apr 2022:	Begin sales/processing of market-weight hogs
Apr 2025:	Begin sales/processing of market-weight hogs after expansion

Addressing animal welfare

Putting sows in gestation crates that are roughly the same size as the sow's body for breeding is a mainstream practice in Japan. However, this breeding method is problematic from the perspective of animal welfare.

The new farms have also met the guidelines^{*2} of the World Organisation for Animal Health (OIE), and we will also evaluate facility design and farming methods to ensure that

they meet animal welfare requirements. In Europe, the standard is to house sows in free-access stalls from four weeks after mating to one week prior to parturition. We plan to adopt a hog barn design and farming method that meets animal welfare requirements at the new farms, in accordance with OIE guidelines^{*2}.

^{*2} **OIE guidelines:** 1) Freedom from hunger, thirst, and malnutrition, 2) Freedom from fear and distress, 3) Freedom from physical and thermal discomfort, 4) Freedom from pain, injury, and disease, and 5) Freedom to express normal patterns of behaviour.

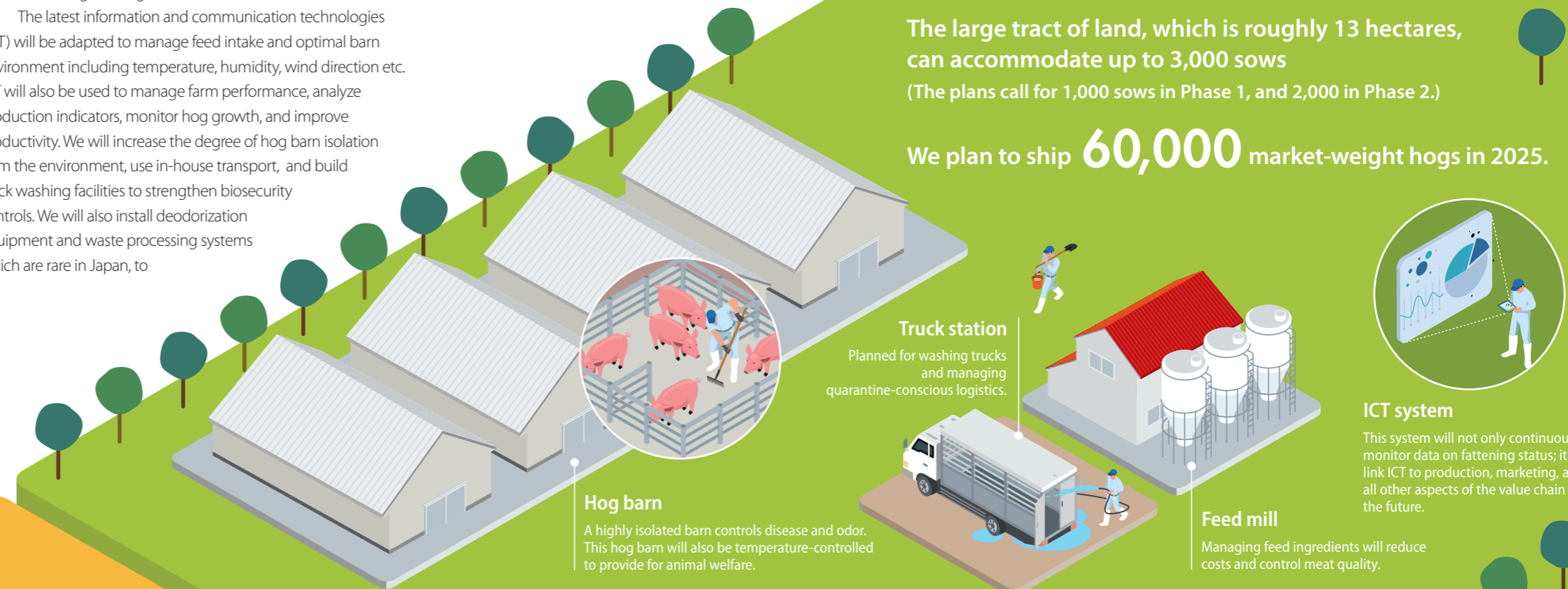
Co-existing with the local community while striving for recovery and mutual growth

The Group is also emphasizing co-existence with the local community in building the new farms. The tract of land on which we plan to build the farms suffered catastrophic damage from the Great East Japan Earthquake, and the salt damage from the tsunami seawater has also been a nagging concern for farmers. We are therefore planning to produce high-quality fertilizer from hog manure generated by the new farms and provide it to local farmers. The local governments also desire employment of local residents, and the Group plans to proceed with that intention.

The hog farming business in Miyagi Prefecture is also a collaborative process of recovery for both the Group and the local community. We want to build a win-win relationship with members of the local community and grow with them. We will continue to implement various measures to make this happen.

The large tract of land, which is roughly 13 hectares, can accommodate up to 3,000 sows (The plans call for 1,000 sows in Phase 1, and 2,000 in Phase 2.)

We plan to ship 60,000 market-weight hogs in 2025.



Hog barn

A highly isolated barn controls disease and odor. This hog barn will also be temperature-controlled to provide for animal welfare.

Truck station

Planned for washing trucks and managing quarantine-conscious logistics.

Feed mill

Managing feed ingredients will reduce costs and control meat quality.

ICT system

This system will not only continuously monitor data on fattening status; it will link ICT to production, marketing, and all other aspects of the value chain in the future.

Processed Foods Business

In the processed foods business, we are developing products that add value, such as products with an extended shelf-life, and products matched to the diverse lifestyles of customers. We are also striving to increase plant production efficiency, support business partners, and enhance name recognition among customers through TV commercials and social media.

Hisashi Sasaki
Senior Managing Executive Officer
Head of Production Division



Haruo Yoshino
Senior Managing Executive Officer
Head of Sales Division



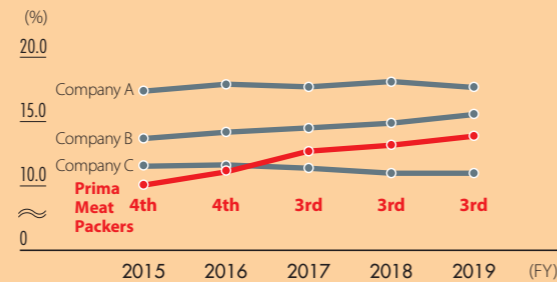
Net sales
¥285,795 million

Up
2.5%
YoY

Segment operating income
¥13,857 million
(Fiscal 2019 results)

Up
13.6%
YoY

Trend in ham and sausage market share



Source: Value-based share of the Ham, Sausage, Bacon, and Roast Pork market from 2015 to 2019, INTAGE Inc. SCI Data

Business environment

- Spread of consumer budget-mindedness and low-price strategy
- Intensifying competition in the distribution market and among companies
- Global economic slump and market changes due to the spread of COVID-19

SWOT Analysis

S

Strengths

- Greater improvements in productivity and cost competitiveness from the new Ibaraki plant
- Creating differentiable products with the latest technology and equipment
- Strong collaboration between production and sales
- Ability to develop products matched to market needs
- Strengthening relationships of trust by presenting proposals to business partners and supporting them.

W

Weaknesses

- Most products are refrigerated and have a short product shelf-life
- Few sales opportunities via e-commerce
- Aging production plants (obsolescence)

O

Opportunities

- Changes in markets and distribution due to the new normal for the COVID-19 pandemic
- Use of e-commerce to strengthen sales
- Expansion of demand for health-conscious products
- Overseas market expansion

T

Threats

- Intensification of competition in international procurement due to supply-demand balance and animal disease
- Intensification of cost competition in the ham and sausage industry
- COVID-19 infections at production plants and reduced restaurant and food service demand
- Steep rise in logistics costs

— Reflecting on This Past Fiscal Year

The Company completed construction of a new ham and bacon plant at the Ibaraki plant in April 2019. It was a challenge to expand sales channels to maximize production capacity before beginning operations, but this plant and the wiener plant are operating at a combined 4,150 tons/month as of March 2020. We were able to deliver products without running out of stock during the COVID-19 state of emergency declaration because the plant operations covered the greater than expected orders from supermarkets, and other stores. Every employee recognizes the essential role that we play as a food manufacturer and will continue to work to prevent the spread of COVID-19 and perform individual duties. We have two major investment projects in new product development. One is for the installation of high pressure processing (HPP) to extend product shelf-life, and the other is installation of individual quick

frozen (IQF) freezer capable of flash freezing products (see page 25). Some products have already been commercialized and will be rolled out full-scale in the future. We have also installed a packaging line that enables consumers to heat the products up in the microwave and eat them in the packaging (see page 25). In the future, we will work to expand sales channels for products produced by introducing new technology. On the sales side, we focused on expanding market share for Koukun Sausage in each prefecture. These efforts resulted in No. 1 market share in eight prefectures as of March 2020. We will expand market share further in the future by analyzing the number of stores that carry it, SCI data, and other data. One of the issues of direct concern for the Group is the risk of a steep rise in raw meat prices due to rising international demand. However, prices are stable at present.

— Business Strategy

<Value-added product proposals > Developing products using HPP will help reduce food waste

We are currently developing uncured products to meet the need for health-conscious products. The shelf-life of uncured processed items is normally around two weeks, but using HPP to extend shelf-life will make it possible to expand sales of uncured products from limited sales channels to supermarkets and other stores.

The Group is also targeting market share expansion for bacon. *Shinsen Tsukaikiri Half Bacon* (small packs of half-sized slice bacon) has already captured No. 1 market share in SCI data, and production has reached 700 tons/month for all varieties, including cubed and thick-cut bacon. We are targeting 1,000 tons of branded products alone in the future.

<Improving productivity > Consider renovation of each plant

Because some of our plants were built more than 50 years ago, we are considering renovation based on the cost and return on the investment, demand for production capacity, and site location characteristics, while also considering what sort of investment we can make to deliver products of value. We also have plans for capital investment to reduce environmental burden. The first of these is preparing to install three in-house power generators in the Ibaraki plant from the perspective of BCP. Another project planned is to begin a trial in using the sludge generated from the plant to produce fertilizer on the plant grounds.

<Strengthening sales capacity > Roll-out of key measures to new businesses

We achieved the sales expansion goal for Koukun Sausage in fiscal 2019 one year ahead of schedule, so a new goal was set for fiscal 2020. The Group will also work to set clear goals for other key measures and achieve them. Teams of young employees will participate in brainstorming sessions targeting the growing e-commerce market. They will propose sales activities to expand sales channels based on our vision for five and ten years from now. We will also work to strengthen Prima brands and product brands through cross-industry collaboration such as the sale of *Sea Chicken x Chicken*, which is a combination of Sea Chicken tuna from Hadoromo Foods Corporation and Prima Meat Packers' *Salad Chicken*, steamed chicken breast.

<Group alliances > Using Group resources to expand business

We have partnered with NIPPON ACCESS, INC. of the ITOCHU Group on development of frozen food products, and will use Group resources in other ways to expand business. We have also entered a business alliance with Takizawa Ham, Inc., in which ITOCHU Corporation has invested. This business alliance covers a broad range of production, sales, and procurement, and we are pursuing mutual contract production and joint product development. We will also strengthen alliances with Prima Meat Packers Group companies such as Prime Delica Co., Ltd. to pursue efficiencies and enhance profitability.

TOPIC of the Processed Foods Business

Extending product shelf-life and reducing food loss

Product differentiation and adding value are becoming increasingly important as competition in the ham and sausage industry intensifies. Prima Meat Packers Group produces original products that add another dimension of flavor. In fiscal 2019, we succeeded in our long-term quest to extend product shelf-life. In the future, we will expand the line-up of products with an extended shelf-life. This will contribute to reduction of food loss.

We have finally put products with an extended shelf-life into stores after many years of research.

Our goal is to increase product competitiveness and we propose great tasting products that meet a wide range of customer needs such as healthy products and easy to eat products. Our research on extending product shelf-life is part of that effort. Succeeding in this will not only reduce food loss; it will make it easier for consumers to plan shopping.

Prime Delica Co., Ltd., which sells products to Japanese convenience stores, has already succeeded in extending the shelf-life of salads and prepared deli items to keep them fresh longer. However, we have not yet succeeded in extending the shelf-life of ham, sausage, and other products. We have nevertheless persisted in scientifically based development and are finally nearing commercialization. A substantial amount was invested in fiscal 2019 to achieve this.

High pressure processing technology quickly deactivates bacteria without heating.

Shelf-life of gift products



HPP advantages

- Quickly inactivates E.coli, salmonella, and many other bacteria
- Can be processed in the package after packaging
- Prevents loss of various vitamins that degrade with heat

Individual quick frozen

enables flash freezing and prevents the loss of food freshness and flavor.

Shelf-life



High pressure processing technology substantially extends shelf-life

The Group invested a substantial amount in high pressure processing (HPP), a technology that inactivates bacteria by processing food at ultra-high pressure. HPP technology itself has been well-known since the 1990s, but the use of HPP in production plants finally began around 2013. It is used mainly in the beverage sector in the U.S. to process milk.

We installed the latest HPP equipment in our Ibaraki plant in October 2019 and have begun testing it. We started with testing *Sliced Ham*, a gift product, because customers appreciate a gift that lasts longer. Testing showed a substantial 25-day extension in shelf-life, from the usual 35 days to 60 days. We released these gift products for sale in 2019 and released more products with an extended shelf-life in 2020.

Individual quick frozen process maintaining freshness and flavor

We also pursued another type of research on extending shelf-life using the individual quick frozen (IQF) method, a technology for flash freezing products. People asked why ham and sausage are not found in the frozen foods section in Japan. This led us to begin research. We felt that if our Group established the technology for freezing ham and sausage, we could capture the sales market before other companies in Japan. Japanese convenience stores are also expanding the frozen foods they carry and this is also spurring research.

Conventional frozen products are frozen after they are put into a pack. This makes it easier for the water content of the food to leak out when thawed. In the IQF method, food is individually quick frozen before putting it into a pack. This reduces the amount of water content released when the food is thawed, and enables the freshness and flavor of the food to be retained longer. Our Ibaraki plant therefore installed an IQF freezer in September 2019 to make use of that advantage. This was a first for our ham and sausage plant. We then

incorporated the IQF process into the production line and improved production efficiency.

IQF extended the shelf-life of bacon, wieners, and other products to 180 days, compared to 40 days for conventional refrigeration.



Products frozen using IQF

Uncured products being developed to extend the shelf-life of light meals paired with drinking

The Group is also using HPP and other technologies to develop uncured* products. These types of products are usually only handled in certain sales channels because they only keep for around two weeks. However, demand for uncured ham and sausage products in Japan is currently estimated at 700 tons/month, and demand is also expected to grow in the future.

The opportunities to enjoy alcoholic beverages at home instead of going out to a restaurant that serves alcohol have increased recently. This is increasing the demand for light meals that can be eaten while drinking. The Group sells products that meet those needs. For example, we have products that can be heated in the microwave and eaten in their own tray. We are also working to extend the shelf-life of these products. We have now installed six packaging lines in our Kagoshima plant and at Akita Prima Foods Co., Ltd. to meet this demand.

* **Uncured:** Meat that has been salted without using nitrates to stabilize color in the ham and sausage manufacturing process



Product that can be heated in a microwave in their own trays