



Business Overview

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Processed Foods Business

Aiming for the top spot with compelling products and high productivity

Enhancing talent development and taking a hybrid approach that leads with the body and the head

In the processed foods business, we have adopted a new sales approach for the post-pandemic transition. This approach combines action-centered leadership (the body) with thinking-centered leadership (the head). In other words, the idea is to both act with conviction and speed, but also to keep thinking about how we can do better, drawing on the insights we gained during the pandemic years.

Crucial to achieving this balance is talent development. No organization can succeed without adequate talent. The key to talent development is communication. With active communication, you foster mutual understanding, allocate talent effectively, and increase job satisfaction. Amid the rise in remote working during the pandemic, many employees started learning skills and gaining qualifications through webinar programs. By exercising authentic leadership, supervisors will build an organization that empowers employee growth.

Yuji Shinkawa

Senior Managing Executive Officer
Head of Sales Division

Yuji Shinkawa has extensive expertise in marketing and sales. He previously headed the Company's Chubu Branch and East Japan Branch, and has headed the Sales Division since April 2021. Since joining the Company, Shinkawa has devoted himself to sales, forging relations with numerous business partners.



Using our own knowhow to boost productivity of plants and survive a future labor crunch

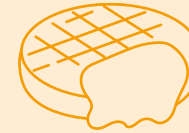
In April 2023, our new Kagoshima plant entered service [see p. 19](#), boosting our production capacity. Over the years ahead, we'll be working to boost productivity and to survive a future labor crunch. For this task, we'll use automation and labor-saving technology. We'll also combine a range of other techniques, including the initiatives in Prima Innovation [see p. 26](#), a project with a long and impressive track record.

One such innovation is collaborative robots (or cobots). We'll use cobots to lighten the load for human workers and contribute to a more employee-friendly workplace and to higher job satisfaction. Whatever action we take, the bottom line is always safety and confidence in the workplace. In the Production Division, we emphasize continuous improvement in quality and safety. For example, four times a year, we award teams that improved their quality and safety performance. We also provide training opportunities that increase employee motivation.

Toshihiro Tago

Managing Executive Officer
Head of Production Division

Toshihiro Tago has extensive expertise in the Company and in the industry. Tago has worked in frontline production and at the Corporate Strategy Department. He has also served as foreperson at the Ibaraki plant. He has headed the Production Division since April 2021.





Support richer, healthier diets

Future vision

Set KPIs for sales and production and work toward them with a PDCA cycle

Increase market share*

We will increase the Japanese market share for ham and sausages and get the top spot for sales revenue and sales volume.

Strengthen sales

We will increase the number of stores stocking our key products.

Boost productivity

Every year, we set specific quantitative targets for production capacity. By boosting capacity, we aim to get Koukun® Sausage into the top spot for sales revenue and sales volume.

* We base market share on data from SCI, a Japan-wide consumer panel survey (which reveals who is buying what, when and where they buying it, and how much they are buying). Key metric: Average monthly amount spent per 100 people Sample: Men and women aged 15–79 across Japan

Business strategies

Koukun® as number one: Make Koukun® Sausage the top-selling sausage brand in Japan

As part of our marketing efforts, we organize joint promotional campaigns with theme parks that we sponsor. We also use our presence on social media platforms such as X (formerly Twitter) and Line.

Food services: Restructure and expand business in the food service sector

To expand sales to commercial clients such as family restaurants and fast-food chains, we are enhancing the sales team's knowledge about fresh meat by taking in meat experts from the Meat Business Division.

Next 10: Looking toward our centenary and building new mainstay businesses for the next ten years

We are expanding sales of delicatessen and frozen items in West Japan. To facilitate this expansion, our West Japan Branch Mass (sales) Department opened a section dedicated specifically to such items. Alongside this, we are launching our own e-commerce site. The online store will sell a range of delicious products that customers love.

Installing cutting-edge tech to boost productivity and production capacity

The completion of our new Kagoshima plant has boosted the overall production capacity of Prima Meat Packers Group. Besides this, our Ibaraki plant uses cutting-edge technology to boost productivity. For example, the plant has a transporter robot that can peel a chilled leg of ham* and then transport the ham and place it on a machine for further processing all by itself.

* This process removes the casing used in filling and thermal processing.

SWOT analysis

S trengths

- The Ibaraki plant and others boast superior productivity and competitiveness.
- Our cutting-edge tech and equipment allow us to differentiate our products.
- We have an integrated system of development, production, and sales.
- We have deepened our client relations through our pitching and through top-to-top selling (when the top executive sells directly to the buyer's top executive).
- The new Kagoshima plant has boosted our production capacity.
- We use our sponsorships to promote our products.
- We have a flexible production system in which we monitor trends among our vendors and then quickly launch products tailored to these trends.

W eaknesses

- Most of our products, by their nature, have a short life and require refrigeration.
- We have few e-commerce opportunities.
- Some of our plants are aging.
- We face higher costs in procuring raw materials and products from overseas suppliers.
- Swine disease can impact supply and market conditions.

O pportunities

- In the post-pandemic transition, demand for eating out and leisure has risen.
- Markets and distribution networks could change in our favor as we enter the new normal.
- We could boost sales by embracing e-commerce.
- The health-conscious market is growing.
- Overseas markets offer rich opportunities.
- Technological innovation could transform production processes.

T hreats

- Raw material prices, oil prices, and distribution costs are soaring amid turbulent exchange rates (the low yen).
- Supply crunches and outbreaks of swine disease could drive up competition in procurement in Japan or overseas.
- Price wars can easily occur in our industry.
- We may struggle to negotiate price increases.
- Japan's shrinking population is creating a labor shortage and diminishing domestic demand.

Looking back on fiscal 2022

Improving production capacity and productivity, building brand awareness and loyalty



Net sales

¥300.7 billion

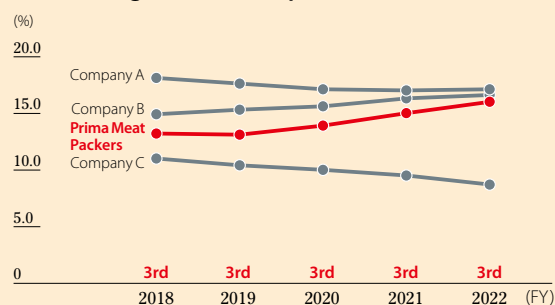
Change from previous year: Up ¥15.1 billion

Segment's operating profit

¥10.2 billion

Change from previous year: Down ¥3.8 billion

Ham, sausage: Annual comparison in market share



Source: Results of SCL consumer panel (a national consumer panel survey provided by Intage) on the amount consumers spend on ham and sausage products (the sample consisted of people aged 15–69 before fiscal 2021 and people aged 15–79 in and after fiscal 2022)

Growing sales volume further in the ham and sausage market

In the ham and sausage market, our sales volume in fiscal 2022 was 101% of that in fiscal 2021. Most notably, Koukun® Sausage's sales volume reached the top level for the market.

We aim to further increase sales volume in fiscal 2023. This goal is possible because our production lines expanded in April, when our new Kagoshima plant entered service. By increasing production and expanding our share in ham and sausage market, we will further increase customer loyalty.

Boosting productivity through Prima Innovation

In fiscal 2022, we faced soaring raw materials prices and rising energy costs, creating an urgent need for action. Amid these circumstances, our Prima Innovation project continued delivering results. We have committed to quantitative targets for cutting waste, including operation rate and work efficiency rate. Supervisors hold weekly meetings to report the latest developments and discuss improvements that could be made. We also provide meetings for production engineering managers to share examples of best practices. In this way, we have used a PDCA cycle of analysis, testing, evaluation, and improvement to keep boosting productivity in fiscal 2023 too.

Campaigns for growing our fan base

In April 2022, we became an official partner of Ghibli Park, a park that represents the world of Studio Ghibli. We will use this partnership to promote our products. To commemorate the 20th anniversary of Koukun® Sausage, we invited 2,500 customers to private theater event. The event, held in September 2022, was a performance by the Takarazuka Revue, a famous musical theater troupe.

We also have campaigns to win new fan base. We are an official sponsor of Small Worlds Tokyo, Asia's largest indoor miniature theme park. Using this sponsorship, we organized a Koukun® Sausage event in the theme park in May 2022. We will continue using a wide range of promotional activities to grow our fan base and improve brand recognition.

Offering exciting experiences at Tokyo Disney Resort®

We have served as an official sponsor of Tokyo Disneyland® and Tokyo DisneySea® since the parks first opened. We use the sponsorship to organize events held at the parks that create opportunities for direct interaction with our customers. Since fiscal 2014, we have organized a Private Evening Party every year for our customers and downstream supply-chain partners. The parties have proved a big hit.

In fiscal 2022, we organized a raffle in which we invited five thousand winners to the party held at Tokyo Disneyland in October 2022. We also ran a campaign that gave customers the chance to win a ticket to Tokyo Disneyland complete with an overnight stay at Tokyo Disney Resort's Toy Story® Hotel, which had opened in April 2022. The campaign, too, proved popular.

Looking ahead

Strengthening mainstay businesses and building new growth drivers



Medium-term business plan



Strategies for the processed foods business

- **Koukun® as number one: Make Koukun® Sausage the top-selling sausage brand in Japan**
- **Food services: Restructure and expand business in the food service sector**
- **Next 10: Looking toward our centenary and building new mainstay businesses for the next ten years**
- **Installing cutting-edge tech to boost productivity and production capacity**

In the processed foods business, we are working to increase the market share of Koukun® Sausage, our key growth driver. We are also strengthening our food service business and expanding into new areas such as delicatessen and frozen food and e-commerce. Alongside these efforts, we are installing cutting-edge technology in production facilities to boost productivity and production capacity.

Koukun® as number one: Make Koukun® Sausage the top-selling sausage brand in Japan

In fiscal 2022, Koukun® Sausage a sales volume rose 7% year on year. Despite raising our prices to reflect the high raw material prices, our products remain as popular as ever. We will keep promoting the brand to gain an even larger market share. Our marketing strategy includes promotional campaigns that tie in with theme parks that we sponsor. It also includes social media engagement through our official accounts on social media platforms such as X (formerly Twitter) and Line.



Food services: Restructure and expand business in the food service sector

In the food service business, we sell fresh meat and processed meat products to commercial clients. For example, we sell sandwich fillings and bento (lunchbox) items to convenience store chains. We also sell foodstuffs to family restaurants, fast-food chains, and other eateries. Japan's food service industry is worth around ¥24 trillion as of 2022.* We can still do much more to grow in this sector, so we will step up our efforts.

One way we are doing this is to enhance our sales team's knowledge about fresh meat. In fiscal 2023, we started taking in meat experts from the Meat Business Division. They will help energize and level-up the sales team's activities.

* Source: Economic Analysis Office of the Ministry of Economy, Trade and Industry, Inshoku kanren sangyō no dōkō (Fūdo bijinesu indekkusu 2022 nen) [Trends in the food service industry: Food business index 2022].

Next 10: Looking toward our centenary and building new mainstay businesses for the next 10 years

One candidate we have as a future mainstay businesses is delicatessen and frozen foods. With that in mind, our West Japan Branch Mass (sales) Department opened a section dedicated to delicatessen and frozen foods in fiscal 2023. The section will expand this new food business in West Japan. Supermarkets are increasingly devoting space to frozen fresh meat and growing their sales as a result. We need to capitalize on this opportunity.

In autumn 2023, we will open our own e-commerce site. The online store will delight customers with a range of delicious products. For the brand name, we will use the name of our organization when it was first founded: Takegishi Hamu Shokai (Takegishi Meat Packers Ltd.).

Installing cutting-edge tech to boost productivity and production capacity

In Kagoshima, we opened a new plant [see p. 19](#). Its productivity exceeds that of the existing plant there. Our Ibaraki plant uses robot transporters that we developed ourselves, thereby relieving human workers of these tasks. The robot can automatically peel a chilled leg of ham and then transport the ham and place it on a machine for further processing all by itself. The technology can be used in other processes too, including supplying, heating, and packing the materials. We will therefore roll the technology out to other plants. We are also designing our own AI-powered facilities and equipment with a view to automating more processes and saving labor further.

We are planning on using cobots—robots that can work alongside human workers with no safety concerns. We will continue investing in the latest technology for our meat processing plants.

Fresh Meat Business

Our new flagship hog farm aiming to become the leading hog farming company in Japan

Japanese pork production is the future for our fresh meat business

In fiscal 2022, our fresh meat business faced severe cost pressures in production and purchasing. International meat prices trended upward, while grain prices remained high, resulting in high animal feed prices. The low yen made this situation worse. Meanwhile, Japan experienced inflation and consumers tightened their belts. This trend made it difficult to increase sales prices enough to fully absorb the higher raw meat prices. All these circumstances made for a very tough year.

Unbowed by the challenges, we'll keep pressing on in our efforts to grow the business. These efforts include developing our Japanese pork production business. They also include efforts to penetrate new sectors and make the business more competitive. Examples include using vacuum packing (which seals in the freshness longer) at the site of production, forging new online sales channels, and providing frozen meat products that are compatible with a new defrosting technique. Alongside these business activities, we'll keep working on sustainability and ESG measures such as safeguarding animal welfare, protecting the environment, and assuring quality.

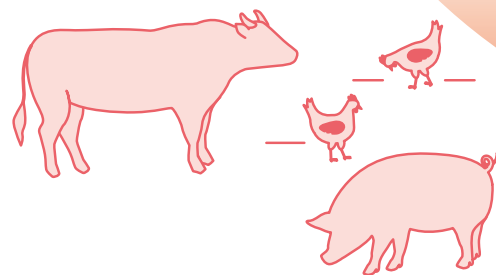
No dream, no ideal. No ideal, no plan. No plan, no action. No action, no success. These are the words of Yoshida Shōin, a Japanese educator active in the mid-19th century. We will follow our dream to forge a new future for our fresh meat business.

Makoto Amino

**Managing Executive Officer
Head of Meat Business Division,
and Meat Procuring Department**

Makoto Amino has extensive experience in general trading and Prima Meat Packers' fresh meat business. Amino became Head of Meat Production Department in April 2021. He assumed his current post in April 2023.





Become the leading hog farming company in Japan



Future vision

Set metrics and targets for breeding performance and optimum feeding regimen and work toward these targets using a PDCA cycle.

Raise pig shipments

Using highly productive sows, we aim to have farms shipping 600,000 pigs a year by fiscal 2030.

Expand sales

We will coordinate with the processed foods business to improve sales strategy and increase sales volume.

Improve inventory turnover

We will improve inventory turnover by integrating and refining planning for production, shipment, and sales.

Reduce incident rate

We will reduce the incident rate by providing an optimum environment for the animals on our farms.

Business strategies

Boost sales growth

While improving our bottom line by reducing production and purchasing costs, we will focus on strengthening sales and procurement capacity. We will also penetrate new sectors. For example, we will develop an e-commerce business, use vacuum packing at the site of production, develop frozen meat products, and trade lamb and mutton.

Expand Japanese pork production, work closer with partners

We want to develop Japanese pork production into a core business. This task requires us to work closer with our partner farms and with other upstream and downstream supply-chain partners. Through such partnerships, we will integrate production and sales operations, thereby developing the Japanese pork production business into a core business. We will also continue focusing on animal welfare, one of our material issues.

ESG initiatives (improving quality assurance)

We want to improve our system of quality assurance. This task requires us to increase our quality management talent for fresh meat—talent who understand quality management architecture such as the Safe Quality Food (SQF) management system, hazard analysis and critical control point (HACCP), export certification, and ISO standards. To that end, we will strengthen on-the-job training and practice job rotation to improve long-term talent development.

SWOT analysis

Strengths

- We have integrated all operations in domestic pork production.
- As a member of the ITOCHU Group, we have solid relations with overseas suppliers.
- We have our own fresh meat brands.
- We have plants for processing meat.
- We can extend our processed meat brands to fresh meat products.

Weaknesses

- Overseas, we have few sales channels and suppliers.
- In Japan, our downstream operations are overly dependent on certain partners.
- We have a workforce skills gap (in management, strategic planning, development, quality assurance, and global expansion).
- We have been late in using digital technology.
- Pigs are the only animal farmed in our upstream supply chain.

Opportunities

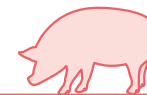
- World population growth is creating more sales opportunities, particularly in Asia.
- Our membership of the ITOCHU Group gives us access to new business sectors.
- Recent trade agreements have opened up more meat import opportunities.
- We have an opportunity to upgrade our freezing, defrosting, and refrigeration technologies.
- Advances in AI technology are creating business opportunities.
- We can use academic-industrial partnerships to introduce technology into our farms.
- If we produce halal foods, we could tap into a large market.

Threats

- Japan's shrinking and aging population means less purchasing power in the domestic market.
- Supply crunches, caused by outbreaks of animal disease or other factors, could drive up competition in procurement in Japan or overseas.
- A decline in livestock farming in Japan means smaller procurement networks for domestically produced meat.
- Suppliers may experience COVID-19 outbreaks at their processing plants.
- We are ill-prepared for the case that Japan introduces Western standards in animal welfare.
- Higher prices for meat imports and animal feed create cost pressures.

Looking back on fiscal 2022

Expanding hog farming in line with the plan, despite tough conditions



Net sales

¥129.6 billion

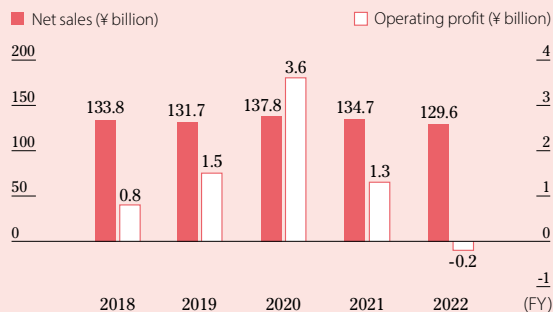
Change from previous year: Down ¥5.1 billion

Segment's operating profit

Loss ¥0.2 billion

Change from previous year: Down ¥1.5 billion

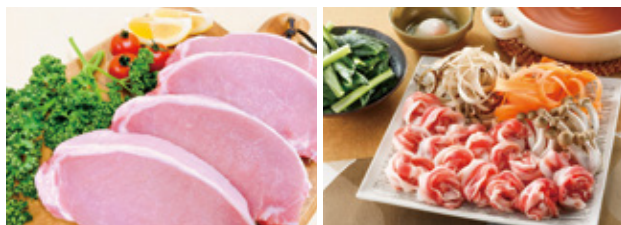
Fresh meat business:
Annual comparison in net sales and operating profit



Miyagi farm launches shipments, marking a step forward in our growth strategy

Fiscal 2022 proved tough for our fresh meat business. We faced higher purchasing costs, with the low yen, high meat prices overseas, and high animal-feed prices. Grain prices trended high too, amid the Russian invasion of Ukraine. These circumstances prevented us from growing sales volume, resulting in a decline from the previous year.

Despite the difficulty, we have remained on course in our plan to expand hog farming, a key pillar of our growth strategy for the fresh meat business. In particular, our new farm in Miyagi Prefecture, completed in fiscal 2022, made its first shipments in summer 2023. Prima Meat Packers Group's pig shipments in fiscal 2023 are likely to reach a total of 470 thousand. Our target for fiscal 2030 is 600 thousand.



A range of measures to meet consumer needs

We are adapting to consumer needs in a number of ways. For example, consumers told us that they want more information about our original meat brands, Megumi no Kurobuta, Three Herb Pork, and Komedori. In response to this feedback, we created a dedicated webpages on our corporate website to showcase the products and provide some recipe suggestions. We plan to add more webpages for original brands. We also use our official Instagram account to share meal ideas so that consumers can enjoy the products all the more.

In fiscal 2022, we started supplying halal lamb and mutton and other halal products to family restaurants. We also have a pork product from pigs reared on farms operated by Group company Pacific Ocean Breeding. These farms avoid the use of antibiotics and use animal feed free of genetically modified organisms (GMOs).



Boosting competitiveness and protecting the environment at the same time

We are working to develop our own products and sales channels to insulate our earnings from the effects of market fluctuations and price wars. For example, in November 2022, we launched a product that is vacuum-packed at the site of production. In other words, once the animals are slaughtered and the carcasses processed, the meat is packed on the very same site using gas flushing. This technique seals in the freshness longer. We also have a plan to use skin packaging, a packaging technique that avoids the use of a plastic tray.

We are also developing frozen meat compatible with a new defrosting technique, and will distribute the meat to our supermarket sales channels. This technique defrosts frozen meats imported from Europe, allowing us to supply the pork at a cost lower than the cost of supplying chilled pork from the USA. All these initiatives—packing on site, skin packaging, and the new defrosting technique—reduce our environmental impact, in that they reduce food loss and use less packaging materials.

Looking ahead

Strengthening three aspects: Sales growth, operational efficiency, ESG



Medium-term business plan



Strategies for the fresh meat business

- Boost sales growth
- Expand Japanese pork production, work closer with partners
- ESG initiatives (improving quality assurance)

In the Japanese pork production business, we will boost our capacity for sales growth with rigorous cost control. We will work closer with partner farms to unlock more synergy and optimize our network of production sites. In connection with this, we will coordinate production and sales operations to increase revenue growth. Alongside these business activities, we will commit to ESG initiatives such as safeguarding animal welfare and assuring quality.

Boost sales growth

In the Japanese pork production business, we will tighten cost controls. We will further impress upon employees the importance of controlling costs. Employees will work harder in minimizing production and purchasing costs, in setting prices that ensure decent margins, and in making profit on sales of parts of meat.

We will also double our efforts to penetrate new sectors. Our efforts in this area include growing sales on The Meat Guy (an e-commerce site for fresh meat), using vacuum packing at the site of production to seal in the freshness longer, providing frozen meat products that are compatible with a new defrosting technique, and trading in lamb and mutton.

These actions will be underpinned by more effective sales and procurement.

Expand Japanese pork production, work closer with partners

We want to develop Japanese pork production into a core business. Our past actions to build this business include the following: We developed Pacific Ocean Breeding Co., Ltd., which previously focused on pig breeding, into an integrated production system that includes to shipments. We then purchased Japanmeat Co., Ltd., a meat sales company. After that, we absorbed Yukizawa Co., Ltd., a hog farming business. Because of these circumstances, the entities all act independently, with little coordination between them. We concluded that by increasing coordination between the farms, we could unlock synergies and increase operational efficiency. To optimize pork production, we will take more of a wide-angled view of the farm network and build a new strategy detailing what we need, where we need it, and how we will make it.

We will also integrate farm shipments more closely with meat processing, distribution, and sales. With greater coordination between production and sales, we can increase earnings growth.

Another area we will focus on is animal welfare, one of our material issues. In 2022, we established our own criteria for farm conditions in line with the standards of the World Organisation for Animal Health. We use this criteria to improve rearing practices on the farms. For example, the new farm complex in Miyagi will install free-access stalls for feeding after the start of the expansion works (phase 2). On other farms, pig sheds will be rebuilt to allow for the installation of free-access stalls.

ESG initiatives (improving quality assurance)

As part of our commitment to ESG, we are also strengthening quality assurance. Workplaces in the fresh meat business have a shortage of staff versed in quality management, so some experts will be assigned there from the processed foods business. We plan to encourage more inter-segment communication and interaction as a way to encourage the learning of techniques and expertise. In this way, more of our employees will gain fluency in quality management architecture such as the SQF management system, HACCP, export certification, and ISO standards. Consequently, we will have more quality management experts who can work in fresh meat workplaces.

To develop the business over the long term, we will need to train up our younger employees. Employees in Group companies too, including those based overseas, will need to master a wide range of skills. To that end, we will undertake a multi-year project to develop our talent. This project will involve strengthening on-the-job training and making effective use of job rotation.