

President's Message

Looking beyond conventional solutions in pursuit of a goal and a dream

Creating the value the world wants

Nothing happens unless first a dream.

This was a phrase I encountered during a business trip in New York, when I worked for ITOCHU Corporation. I noticed the phrase on a billboard from a taxi that I was riding to the airport. It left a lasting impression and has inspired me in my career ever since.

My dream today is to achieve Prima Meat Packer's goal: contribute to food culture and society through great taste and excitement. When I became a managing director in 2016, I started visiting workplaces and asking employees what "great taste" means to them as food industry professionals. They told me that taste depends on the person and that there is no universal standard for taste. This got me thinking: Could we come up with our own definition of tastiness and enshrine in the public's mind the Prima standard? We soon got to work on a scientific analysis for quantifying and visualization of tastiness. The project has gained momentum and we are now ready to apply the standard in our product development and marketing operations.

Questioning prevailing wisdom in this way marks the start line for transforming the status quo and creating new value. Dreams and goals are the driving force for breaking through the status quo.

But the value we create must be something that people want. We cannot impose our values on others. Take, for example, processed pork products such as ham and sausages, a critical product category for us. In this category, most of the world-class brands are American and European—Japanese brands barely feature. Prima products do match



Naoto Chiba
President and CEO



Mission

▶ p. 08

Special Feature 2

▶ p. 20

President's Message

Value Creation Story

Growth Strategy

Corporate Governance

Data Section

Special Feature 1

▶ p. 19

*1
A PEST analysis is a method for identifying how external factors (political, economic, socio-cultural, and technological) are influencing the company's operations and evaluating how they will influence such in the future.

Special Feature 1

▶ p. 18

Medium-Term Business Plan

▶ p. 13

the needs of the Japanese market, but they align less well with the expectations and values in other countries. Meanwhile, overseas markets for processed and fresh meat offer bright prospects for sales growth, especially with the population growth in Southeast Asia. We have acted to capitalize on these growth opportunities. In 2021, we acquired Rudi's Fine Food Pte Ltd, a Singapore-based company that processes and sells meat. To step up our overseas businesses, we will foster global market awareness in our employees and take on the challenge of developing products of world-class quality.

Back in Japan, the shrinking and aging population poses a huge concern. This is one of the "society" factors—the S in the PEST analysis^{*1} (an analysis we regularly conduct to monitor external factors affecting our business prospects). To address this situation, we are leaning into online retail, or e-commerce. In our processed foods business, we have sold consumer products online for some years, but last year we launched a new online store called Takegishi Meat Packers. The store offers a choice range of meat products prepared using good old-fashioned methods. As for our fresh meat business, group company TMG International runs an online meat store called The Meat Guy and is building a strong brand presence on social media. We will continue to develop e-commerce in this way.

I also keep a close eye on technology, the T in PEST. When it comes to developing products for overseas markets (something I mentioned earlier), innovations such as Chat GPT can help in research. Our production sites have started using AI-powered quality testing equipment. We will continue to make active use of new technology in our efforts to develop business.

Medium-term business plan from fiscal 2024 to 2026: Three strategic tasks

Our current medium-term business plan, covering fiscal years 2024 to 2026, sets out three priority tasks: 1) make the business foundation

more sustainable, 2) adapt earnings base to changes in external environment, and 3) invest in growth and expand globally.

For the first task (make the business foundation more sustainable), our strategy is to inculcate a greater awareness of cost of capital. We are building up the earning power of our businesses to improve our return on equity (ROE) and give shareholders a greater return. In fiscal 2024, we increased consolidated dividend payout ratio from 30 percent to 40 percent.

Regarding the second task (adapt earnings base to changes in external environment), the "changes" we have identified include higher production and distribution costs brought by high meat prices and the low yen. To adapt our earnings base to these changes, we will, in addition to providing tasty products, use effective sales campaigns and promotional events along with sales price revisions to keep growing our market share. One proactive measure we have taken this fiscal year is to create the Marketing Department as part of a move to organizationally integrate product development with sales and marketing. We will keep taking fresh measures such as this with an eye on what the market needs and how we should sell it to the market.

Another strategy for this task is to make our fresh meat business more profitable. Part of this strategy involves analyzing the changes in the external environment and learning from competitors that excel in earning power to clarify where we are falling short. Guided by the findings, we will channel into the fresh meat business our longstanding competencies, such as our close connections with retailers, and develop new measures to improve profitability.

For the third task (invest in growth and expand globally), the "growing markets" we are targeting include those in Southeast Asia (I mentioned this market already) and the Middle East. Critical to this task, then, is the question of how we penetrate these markets. We will offer these markets poultry, fish, and other products that are less likely to offend the religious dietary restrictions there. This task will also require

investment to expand our plants and farms, develop new technologies, and develop products for overseas markets and for e-commerce.

Addressing an age imbalance and increasing diversity at the top

Critical to the competitiveness of any company is the ability to attract and nurture talent. For traditional Japanese recruitment (hiring new graduates in spring), we are increasing touchpoints with students by providing internships and organizing company briefings. We have also

defined innovation themes for making our plants greener and more productive with a view to increasing candidate interest in our employment opportunities and attracting a broader spread of graduate talent, spanning academic interests and business categories (sales, manufacturing, R&D). Then, there is the internal training we provide to recruits. We have separate training programs for freshly recruited graduates, employees who have been with us for some years, and for manager-class employees. Each program supports employees' professional growth. As part of our efforts to cultivate a globally fluent

Talent
p. 40

PEST analysis (as of December 2023)

Politics Political factors <ul style="list-style-type: none"> ● Rising geopolitical tensions: US–China tensions, Russia, Mid East, East China Sea (Taiwan), North Korea ● Prolonged conflict, new conflicts: Ukraine–Russia, Israel–Palestine ■ Progress in international treaties (TPP, RCEP, COP28, Paris Protocol, IPEF) ▲ Curbs on trucker overtime in Japan (streamlining distribution, modal shift) 	Economy Economic factors <ul style="list-style-type: none"> ● Global stagflation: US, Europe, and China in economic decline, developing countries at risk of defaulting ▲ Trends in monetary policy and exchange rate: Concerns about higher interest rates in Japan, dollar in isolated gain against yen ◆ Concern about downturn in corporate performance in Japan (Acquisitions of SMEs) ● Widening gap between Japan's corporate goods price index (CGPI) and its consumer price index (CPI)
Society Socio-cultural factors <ul style="list-style-type: none"> ● Demographic changes in Japan: Shrinking population, aging population, increase in single-person and dual-income households, rise of Gen Z (as a share of total population) ● Increasingly complex demand landscape (growing health consciousness, emphasis on simplicity, fandom marketing, small pleasures) ● Securing stable supply channels: Higher procurement costs, infection risk, opening new procurement channels ■ Growing global concern for sustainability: The need to meet societal expectation and build reputation for sustainability (TCFD) 	Technology Technological factors <ul style="list-style-type: none"> ▲ Information and communications technologies (6G, AI, IoT, VR) ■ Alt-protein (soy, cultured meat, algal proteins) ◆ Technological innovations related to halal certification ◆ Labor saving innovations ◆ Food preservation innovations ◆ Diversified and hyper-accelerated communications (social media)

Measures to address anticipated risks and potential issues

- Reinforcing existing businesses: Strengthen existing business segments by reforming cost structure or passing on the cost increases and by pinpointing target markets.
- ◆ Engaging with society: Engage in efforts to address socio-environmental problems (carbon transition, reducing food waste, going plastic-free, animal welfare).
- Sowing seeds of future growth: Leverage technological innovations. Improve existing products and develop new products. Expand overseas businesses. Scrutinize investment strategy.
- ▲ Laying organizational foundations: Manage exchange rate risk and inventory risk more effectively. Deploy digital technology. Attract, identify, and groom future leaders (including non-Japanese people).

workforce, we have program in which employees can learn a foreign language in North America. The age composition of our workforce is somewhat unbalanced: few of our employees are aged in their 30s and 40s. This is because we scaled back recruitment during a sluggish period. Consequently, we lack talent in production technology who could take on roles such as foreperson at production sites or a plant maintenance supervisor. To plug this gap, we need to recruit candidates in this age group (as opposed to just recruiting new graduates). Other plans include hiring more non-Japanese candidates and providing more opportunities for dynamic networking between group companies in Japan and overseas.

One of our medium- to long-term strategic tasks is to nurture talent for top leadership. Executive officers who head up a division (but who are not directors) are now invited to observe board meetings so that they can gain strategic insights. Employees aspiring to senior leadership roles can, by observing what goes on during board meetings, learn important perspectives related to board roles such as monitoring and strategic



planning. Another part of this task concerns board diversity. One of our directors, one of our auditors, and one of our executive officers are women, and we want to increase gender diversity in the future.

Committing to material issues and pursuing our dream

We have defined material ESG issues, and in fiscal 2023 we added three environmental issues (the E in ESG): reducing water usage, reducing plastic usage, safeguarding biodiversity. We added these three issues in consideration of feedback from our dialogues with overseas institutional investors and ESG rating agencies and in consideration of how these issues impact our prospects of sustainable business growth. We added “reduce water use” because this is an important theme in Europe and other regions around the world and because our business activities are water-intensive. We added “reduce plastic use” because, while we have made some progress in reducing plastic waste, we need to reduce our use of plastic. As for safeguarding biodiversity, we added this to signal our commitment to complying with the Taskforce on Nature-related Financial Disclosures (TNFD), which has garnered global attention along with the Taskforce on Climate-related Financial Disclosures (TCFD).

We have also expressed our commitment to social performance (the S in ESG). In 2023, we established the Prima Meat Packers Group Human Rights Policy and Prima Meat Packers Group Procurement Policy. In 2024, we published the Supplier Code of Conduct.

In conclusion, with the external business environment growing ever more challenging, it is imperative that our employees have a dream and goal and that they think and act creatively to overcome the challenges. I always impress upon employees the importance of having a challenge-taking mindset that looks beyond conventional solutions and of being prepared to change yourself. That is how we, as an organization, will achieve our vision.

Sustainability

▸ p. 29

Measures to comply with TCFD Recommendations

▸ p. 35