

Prima Meat Packers Group

Integrated Report 2020

PRIMA MEAT PACKERS, LTD.

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Prima Meat Packers Group is tackling a new stage of growth.

We have strengthened our business platform and expanded our business domain as we have passed down our DNA from the past to the present, based on the founding philosophy of “Create quality products that sustain Prima Group.”

Prima Meat Packers Group aims to transform into a corporate group that is capable of further sustainable growth and work to solve social challenges through its business activities to ensure that customers continue to love and support it.

TOPIC

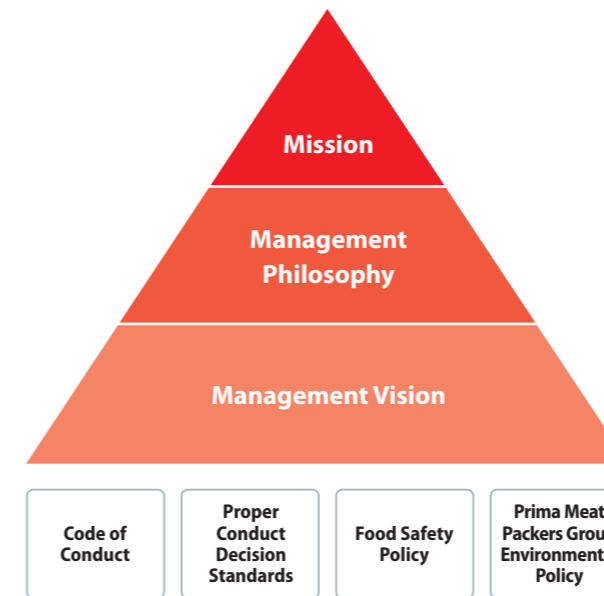
Building state-of-the-art farms and expanding the hog farming business

See p. 21

TOPIC

Extending product shelf-life and reducing food loss

See p. 25



Mission:

We create healthy, well-rounded dietary habits and contribute to communities and a hearty food culture by providing safe, reliable products.

Management Philosophy:

- Be candid and sincere.
- Create quality products that sustain Prima Group.
- Provide value to customers through continuous innovation.

Management Vision:

1. We will each demonstrate our creative and persuasive skills and ability to act swiftly.
2. We will contribute to healthy, well-rounded dietary habits by combining our outstanding product development and technical skills and using our integrated strengths to provide safe, great tasting food and related information.
3. We will boldly transform Prima Group into a highly profitable integrated food business.

Editorial Policy

Prima Meat Packers Group produces the Integrated Report to give our shareholders and stakeholders a deeper understanding of the Group, and to help them understand the medium and long-term strategy aimed at enhancing corporate value and the process for implementing the strategy. In September 2020, we assessed the risks and opportunities for the Group from a long-term perspective and identified the material issues for the Group for shaping policies. These material issues are included in this Integrated Report. The report is also written in a manner that is easy to understand. It explains what type of initiatives in value creation the Group has undertaken in the past, what actions it is taking now, and what types of activities it is working on to prepare the foundation for those actions. In the future, we intend to reflect the opinions of stakeholders as we develop the Integrated Report further.

Scope of Report and Contact for Inquiries

Time period covered: April 1, 2019 to March 31, 2020
(includes some information from outside of this time period)

Organizations covered: Prima Meat Packers, Ltd. and
Prima Meat Packers Group* companies

Contact for inquiries regarding the Integrated Report:
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* Prima Meat Packers Group is referred to as Prima Group in some parts of this document.

Disclaimer on Projections

The data and projections in this Integrated Report are based on information available at the time this report was published. Actual results may differ substantially from these projections due to various factors. The Company assumes no obligation to update these projections based on new information and future events.

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

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

Naoto Chiba
President and Representative Director

Sharing Prima Group products with even more people

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

Food preferences have become increasingly diverse in recent years. Accordingly, it has become increasingly important to develop products based on scientific data and use innovative technology, instead of relying solely on human intuition. Good examples of products developed in this manner are beginning to emerge in our company. We began producing products with an extended shelf-life in fiscal 2019.¹ The shelf-life of these products is extended by using high pressure processing (HPP) technology. This reduces food waste, which is a social problem. It also reduces sales loss for our business customers and enables consumers to plan shopping better. We are also using HPP to develop products that meet the needs of health-conscious consumers.

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

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

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

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

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

 Please refer to following pages for more details

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

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

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

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

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

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

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

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

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

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

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

Material issues involved in achieving sustainable growth specified

Prima Meat Packers Group aims to provide safe, reliable products to help people create healthy, well-rounded dietary habits and enrich society and food culture.⁶ To achieve those goals, we must determine what the risks and opportunities are for the Group from the medium and long-term perspectives, and take steps to mitigate the risks and seize the opportunities. Prima Meat Packers Group therefore specified 10 material issues in September 2020.⁷

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

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

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

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

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



Being a company that customers will always love and support

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

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

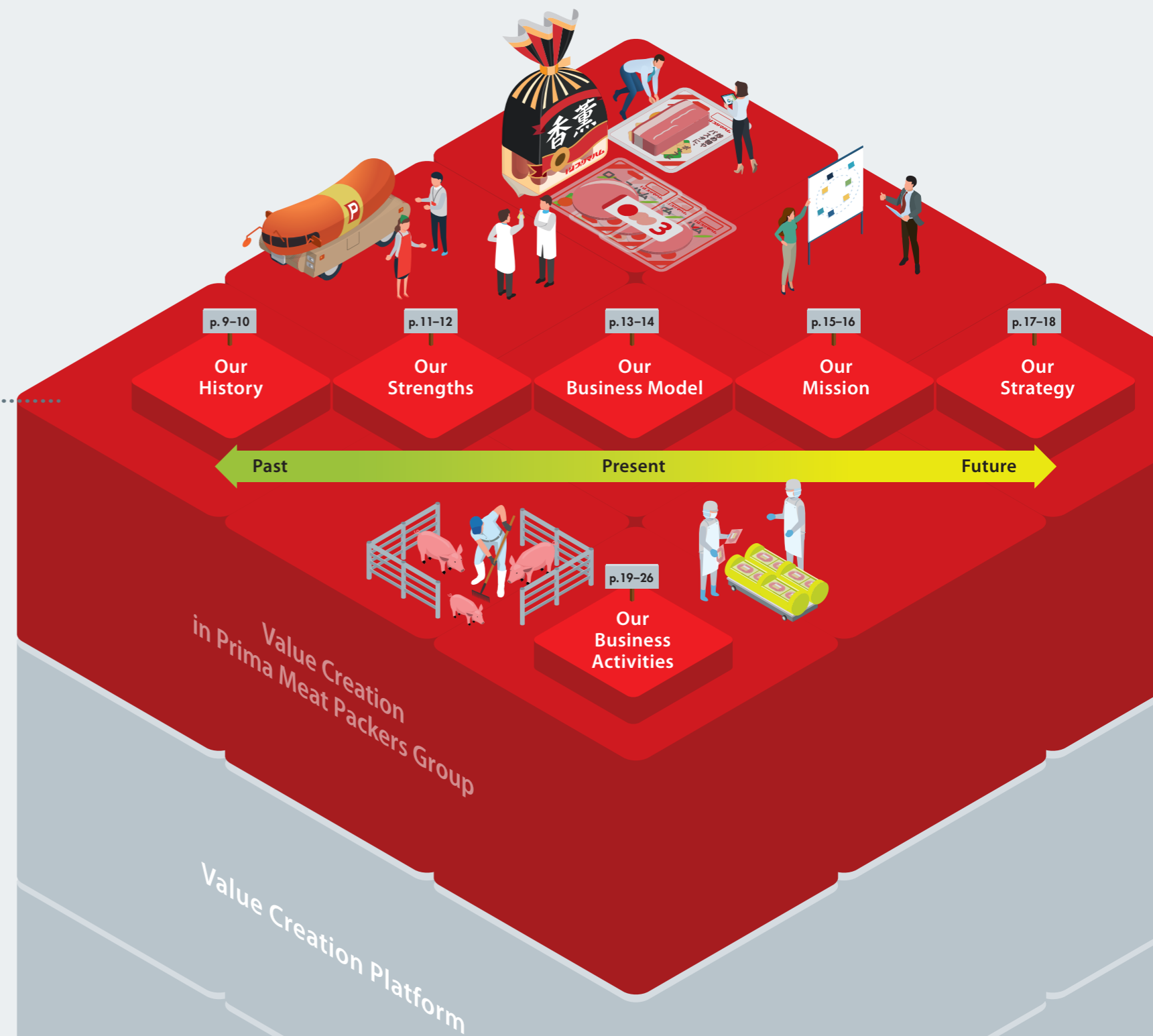
🔍 Please refer to following pages for more details

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

– 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.

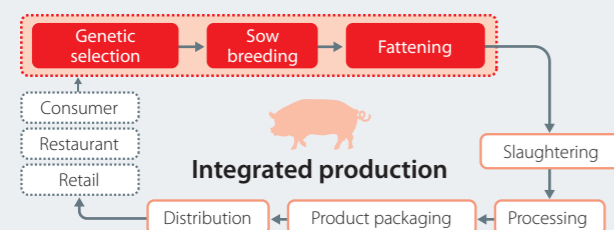
Strengths

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

Financial Capital

Manufactured Capital

Human Capital

Intellectual Capital

Social Capital

Natural Capital

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.

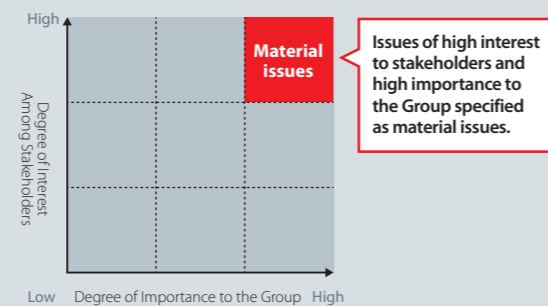
Process for specifying material issues

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

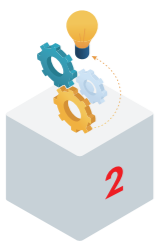
Basic Policy

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.**




1. 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.



2. 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).



3. 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.

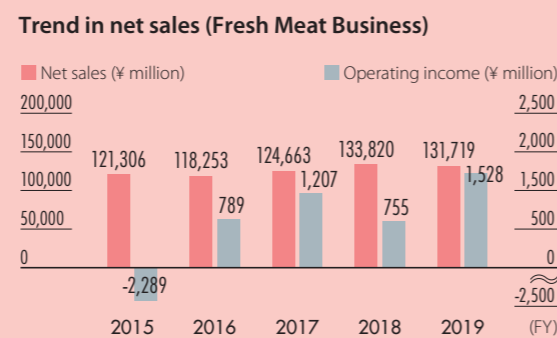
Masahiko Yano

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

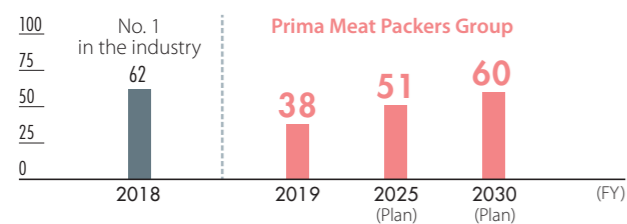
The nuclear power plant accident caused by the Great East Japan Earthquake in March 2011 still affects the area. The hog farm operated in the Fukushima area by the Group company Pacific Ocean Breeding Co., Ltd. was forced to cease operations when the area was designated as a hazard zone that would be 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.

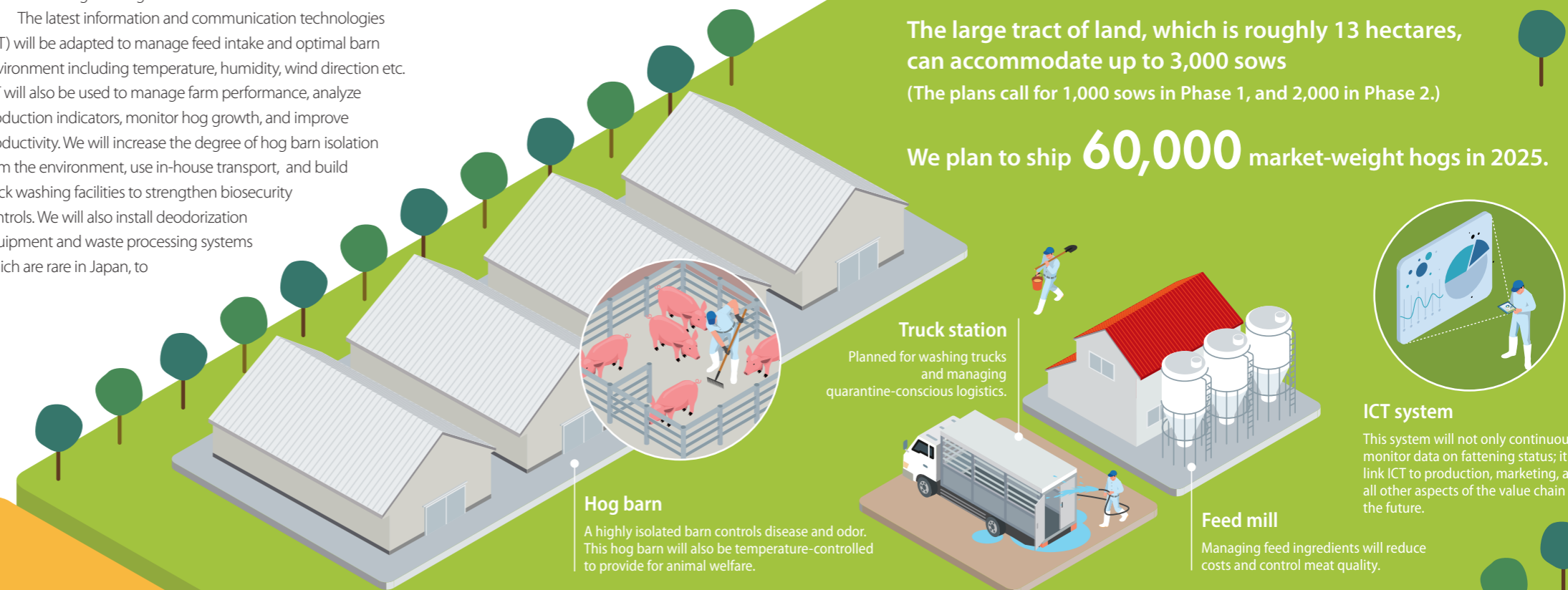
Co-existing with the local community while striving for recovery and mutual growth

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

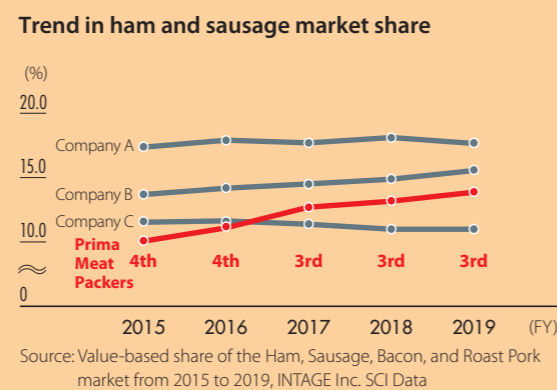


Haruo Yoshino
Senior Managing Executive Officer
Head of Sales Division



Net sales
¥285,795 million
Up 2.5% YoY

Segment operating income
¥13,857 million
Up 13.6% YoY
(Fiscal 2019 results)



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

Prima Meat Packers Group will invest in strategic growth while maintaining a sound financial structure

Fiscal 2019 performance and underlying factors

In fiscal 2019, the Group achieved profit growth by strictly managing sales and profits by customer and refraining from excessively forceful marketing in the fresh meat business. We also revised our sales policy to maintain appropriate inventory. In the processed foods business, we achieved stable revenues from growth in key products such as Koukun Sausage and *Salad Chicken*. Sales at Prime Delica Co., Ltd., which produces and sells products to convenience stores, were also strong.

The spread of the COVID-19 pandemic in 2020 led to substantial growth in sales of processed foods for home use due to increased stay-at-home demand, while sales of processed foods for commercial use and premium fresh meats fell.

As a result, overall net sales rose to ¥418,060 million (up 1.2% YoY). Operating income surged to ¥15,636 million (up 18.7% YoY), ordinary income increased to ¥15,959 million (up 15.4% YoY), and net income rose to ¥8,823 million (up 6.5% YoY), thereby achieving growth in both sales and profit. The business generated operating cash flow of ¥22.3 billion and interest-bearing debt decreased.

The COVID-19 pandemic increased concerns over sufficient liquidity on hand, but the cash and deposit balance for the period was ¥13.9 billion, a sufficient level compared to last fiscal year. The Group also established a commitment line of ¥15 billion on March 31, 2020. We therefore judge the current financial structure as sound, and the liquidity on hand as sufficient.

Considering global expansion along with fortifying existing businesses

The Group established basic policies in the Medium-term Business Plan. One of these policies is to "Further expand the domains of the two existing business segments and further strengthen their revenue bases," and we are accelerating investment in growth based on that policy.

We continued to put effort into hog farming in the fresh meat business and plan to invest around ¥40 billion by 2030. In the processed foods business, we completed construction of the ham and bacon plant in April 2019, which had been underway for some time at the Ibaraki plant. This plant boasts

a production capacity of 2,500 tons of ham, bacon, and other products a month. We are strengthening the quality control and sanitation management structure, while also taking steps to improve efficiency and achieve energy savings with the latest equipment. In the future, we plan to improve efficiency and pursue energy savings at other plants, including renovation of deteriorating plants.

In addition to expansion of existing businesses, we view business creation and global development aimed at growth markets as necessary to achieve further growth in sales and profit. The Board of Directors and the Management Committee are already discussing M&A and other means of business and overseas expansion, and we are considering use of the commitment line mentioned above to engage in agile M&A and avoid opportunity loss.

The Group is also continuing to focus on environmentally aware capital investment. In addition to the solar power generation system that was already installed at the Ibaraki plant to establish an environmentally friendly production system, we are also installing high pressure processing (HPP) technology (see page 25), and working to reduce food waste by extending the shelf-life of products. In the hog farming business, we are designing the new farms in Miyagi Prefecture as model cases of taking the community and the environment into consideration by implementing measures to ensure animal welfare, reduce odor, and insulate sound. The plants will begin shipments in the summer of 2022.

Further strengthening the revenue base and expanding cash flow, keeping capital cost in mind

The Group is planning aggressive investment in production plants and hog farming to invest in strategic growth. However, to achieve ROE of 10% or higher, it is important to invest efficiently and exceed the capital cost, which is the rate to clear in investment decisions. We have established financial indicators such as ROIC and NPV and are rigorously selecting investments based on these. We are also analyzing multiple scenarios of changes in performance and linking this to ongoing operation of the post-investment PDCA cycle. We perform a comparative verification and monitoring of capital costs and financial indicators such as ROIC and ROE as part of our annual Group company review system. To be more specific,



Takahiro Uchiyama

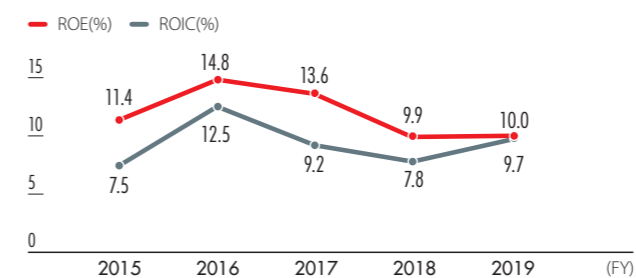
Senior Managing Executive Officer in charge of Human Resources, Finance, General Affairs/Public Relations Departments

the Group is working as one team to verify investment efficiency at Group companies responsible for production and sales, on a consolidated P/L basis. This enables us to understand and promote capital cost management on the frontlines of sales and optimize investments for the Group as a whole.

As part of the Group's financial strategy, we will also diversify sources of financing by obtaining external credit ratings to demonstrate creditworthiness and will control the cost of debt by maintaining an equity ratio of 40% or higher. These efforts are aimed at reducing weighted average cost of capital (WACC) costs and maintaining them at a current level of around 5%. In addition to this, the Group produced results from the sales expansion of main products and improvements in production efficiency over many years, and has the ability to generate more than ¥20 billion in operating cash flow a year. We recognize the need to generate capital for future investments and enhance shareholder return. To accomplish this, we verify the cash conversion cycle (CCC) for generating and expanding stable operating cash flow, and monitor the capital recovery period for the entire process from raw materials procurement to manufacturing and sales on an ongoing basis to optimize the use of capital within the Group.

In the Medium-term Business Plan, we established a

Trend in ROE and ROIC



Financial Highlights [See p. 29](#)

dividend policy of targeting a payout ratio of 30% or higher, using free cash flow as the source of funds for dividend payments. In fiscal 2019, we paid ¥60 per share in annual dividends, resulting in a payout ratio of 34.2%, and are also planning to declare dividends of ¥60 per share in fiscal 2020, for a payout ratio of 33.9%.

In the future, we will continue to maintain stable dividends and will strengthen the financial structure to enable even greater shareholder returns, based on collective consideration of consolidated performance and investments in strategic growth.

Active investment in human capital, branding, technology, and other non-financial assets

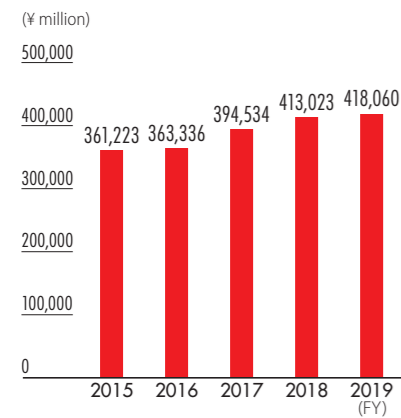
Securing and developing outstanding human resources is essential to achieving such growth, and the Group is therefore focusing on investment in human capital. The overseas study and training system has been temporarily suspended due to the COVID-19 pandemic, but we continue to send employees to food processors in Germany to undergo practical training in manufacturing and acquire Meister (master) credentials.

Language skills and knowledge of other countries in operations have not been a priority up to this point, except for those responsible for procuring fresh meat. However, the potential for greater global expansion in the future is increasing. We are therefore dispatching employees to the fresh meat procurement team in the U.S. and to Hylife Foods LP in Canada to develop global human resources. We have not changed our basic policy and will continue to focus on investment in human capital, despite the persistence of the COVID-19 pandemic.

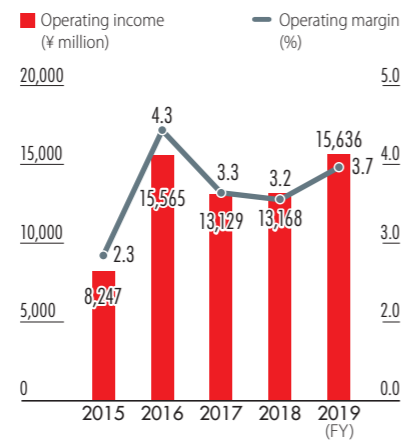
Technology is essential for providing safe, reliable, great tasting products and services, and the Group will also focus on R&D to create new products that will form a second pillar for our business.

Financial highlights

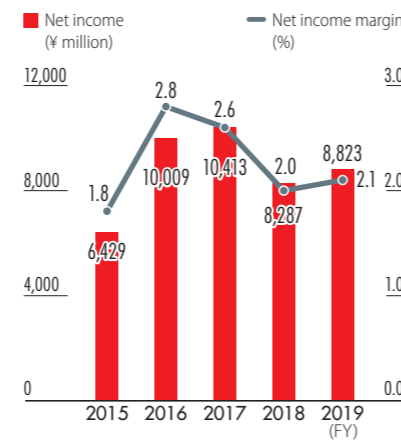
Net sales



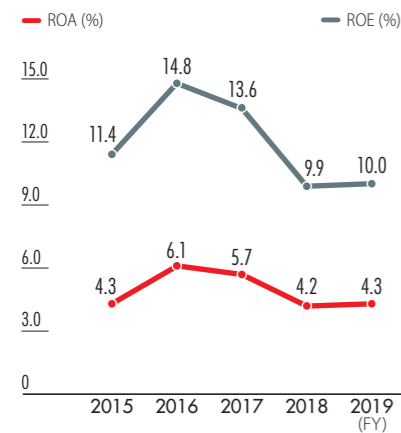
Operating income / Operating margin



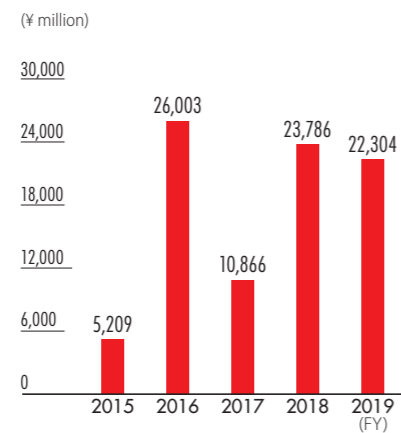
Net income / Net income margin



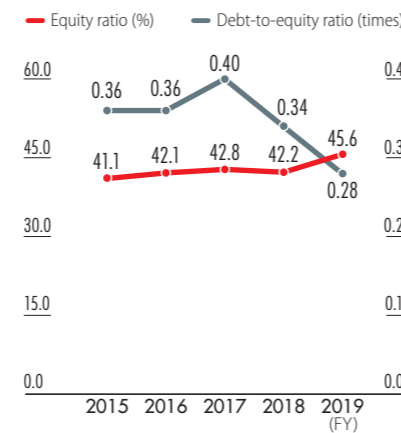
Return on assets (ROA) / Return on equity (ROE)



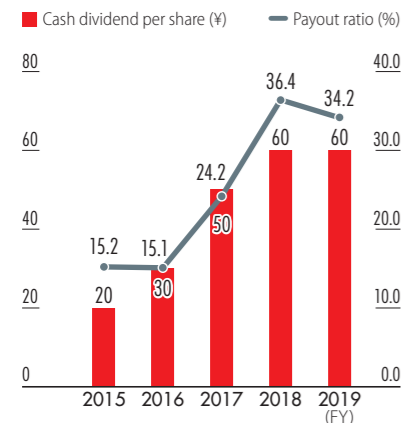
Cash flows from operating activities



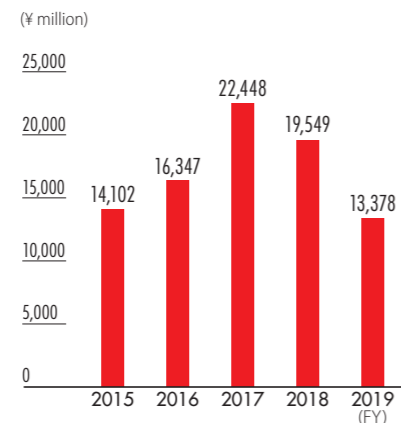
Equity ratio / Debt-to-equity ratio



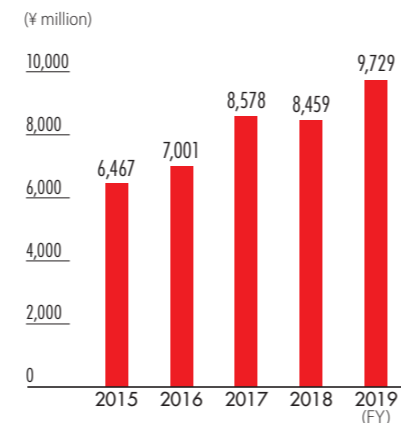
Cash dividend per share / Payout ratio



Capital expenditure



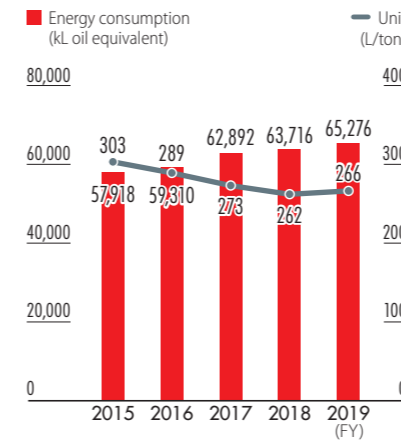
Depreciation and amortization



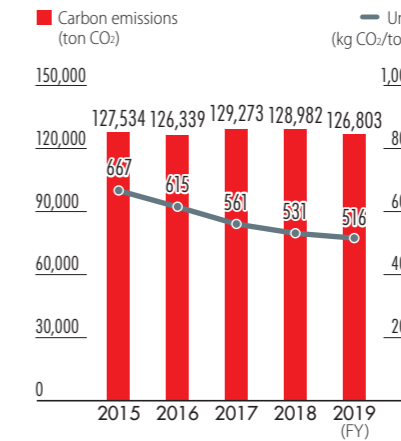
Non-financial highlights

E Environment
S Society
G Governance

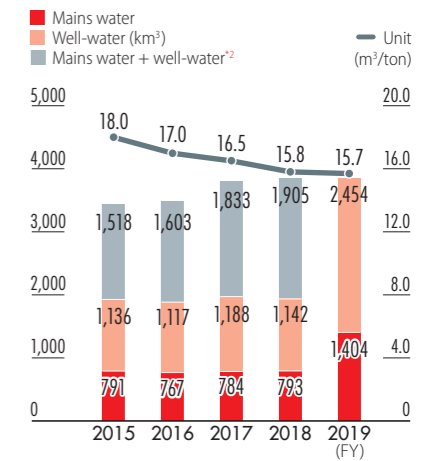
Energy consumption (22 plants^{*1})



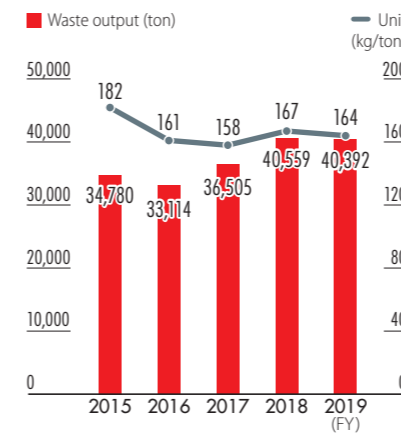
Carbon emissions (22 plants^{*1})



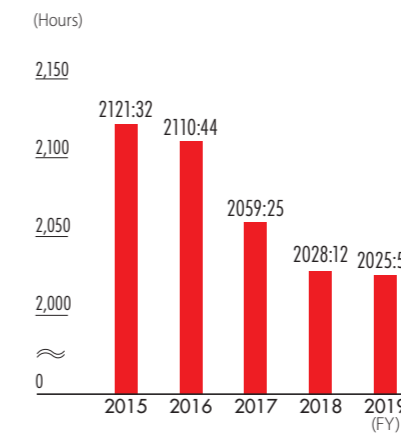
Water consumption (22 plants^{*1})



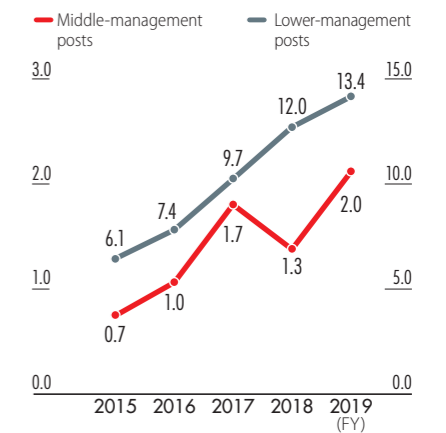
Waste output (22 plants^{*1})



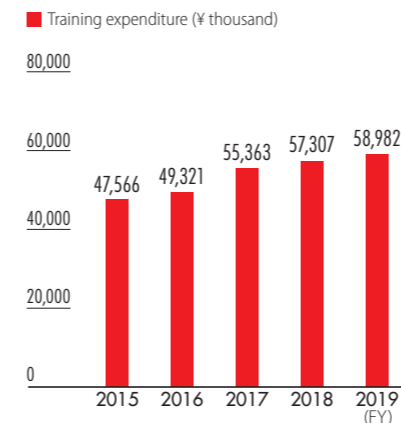
Annual work time (unconsolidated: average output per worker)



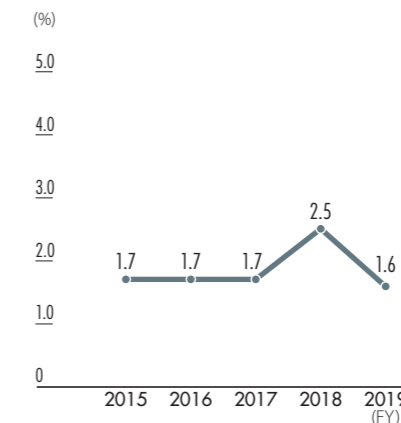
Percentage of women occupying middle- or lower-management posts (unconsolidated)^{*3}



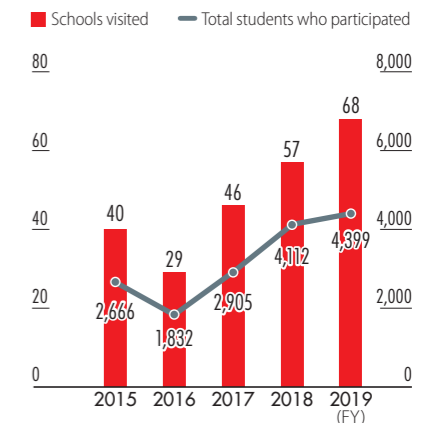
Training expenditure (unconsolidated)



Turnover rate^{*4} (unconsolidated)



Number of schools and students visited in food education program



^{*1} The 22 plants were as follows: Prima Meat Packers' four plants, Prime Delica Co., Ltd.'s 12 plants (including Sagami-hara plant 2 from fiscal 2017), Akita Prima Foods Co., Ltd., PrimaFineFoods Co., Ltd., Prime Foods Co., Ltd., Shikoku Foods Co., Ltd., Prima Luca Co., Ltd., and Nishi-Nippon Best Packers Co., Ltd.
^{*2} The "mains water + well-water" portion pertains to 11 of Prime Delica's plants. For the fiscal years 2015 to 2018, the 11 plants provided no breakdown by type of water consumed.
^{*3} Excludes secondments
^{*4} The turnover rate represents the percentage of employees who leave for personal reasons.

– Section 2

Value Creation Platform

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



Rigorous quality management

Initiatives and achievements in fiscal 2019

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

— Food Safety Management

In-house quality standards that exceed regulatory requirements

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

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

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

Developing a system of food safety management

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

Food safety management system certifications

(as of May 31, 2020)

FSSC 22000	JFS-C	ISO 22000
13	1	5

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



Internal audit of food safety

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

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

Establishing traceability

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

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

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

Inspecting overseas suppliers to reduce food contamination

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

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

Special Report

Thai Plant obtains JAS certification

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

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



Our booth space at food expo ThaiFex 2019

— Tackling Allergens

Rigorous checks

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

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



Machinery parts are cleaned thoroughly

Clear, user-friendly labelling

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

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



Allergen information displayed on product packaging

アレルギー物質				アレルギー物質										
アレルギー物質				アレルギー物質										
「○」 含まれます 「-」 含まれません														
特定原材料 (7品目)				特定原材料に準ずるもの (21品目)										
卵	乳	小麦	そば	あまぎ	いか	いくら	オレンジ	カシューナッツ	キウイフルーツ	牛肉				
-	-	-	-	くるみ	ごま	きび	そば	大豆	鶏肉	バナナ				
落花生	えび	かに		豚肉	まつたけ	もも	ゆずいも	りんご	ゼラチン	アーモンド				
-	-	-		○	-	-	-	-	○	-				

Allergen information displayed on Japanese-language webpage

— Employee Training

Food safety training

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

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

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



Food safety training session

Improvement in development capabilities

Initiatives and achievements in fiscal 2019

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

— Product Development

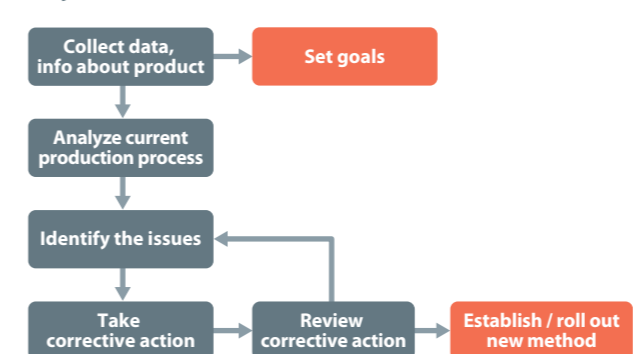
Inter-departmental collaboration

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

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

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

Project flow



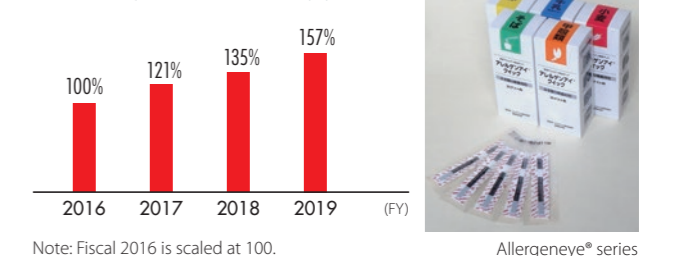
Marketing food allergens detection kit

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

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

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

Allergeneye® series sales by year



Note: Fiscal 2016 is scaled at 100.



Allergeneye® series

Marketing our bone-cleaning reagent kit

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



Bone-cleaning reagent kit

Developing products to capture diversified consumer preferences

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

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



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

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

Innovating the packaging

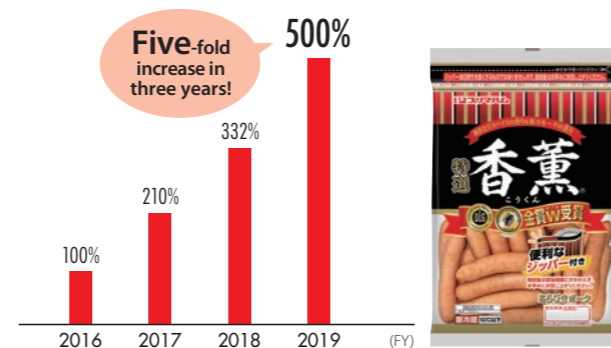
We upgrade our packaging whenever we launch new products or revamp existing ones.

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

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

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

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



Note: Fiscal 2016 is scaled at 100.



— Production Technology

In pursuit of the optimal production line

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

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

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

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



Ham and bacon plant in Ibaraki plant

Special Report

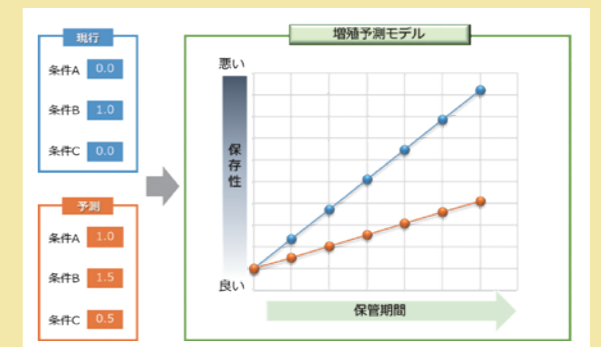
In the pipeline: a model for predicting microbial growth

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

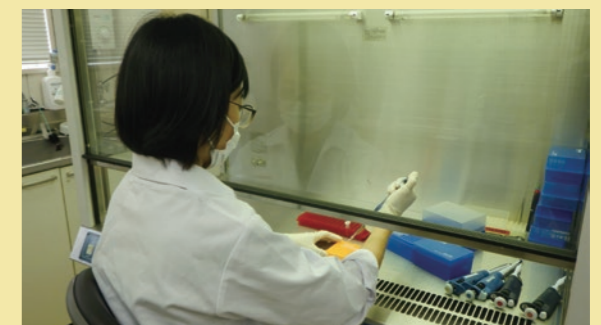
Our R&D team is currently working on a model for predicting microbial growth in meat during storage. This model will reduce the time for storage testing, shortening the product development cycle.

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

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



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



Microbiological test using genetic analysis

Expanding and maintaining continuity of the procurement network

Initiatives and achievements in fiscal 2019

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

— Stable Procurement, Stable Supply

A globally dispersed supply chain with strong trust

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

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

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

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

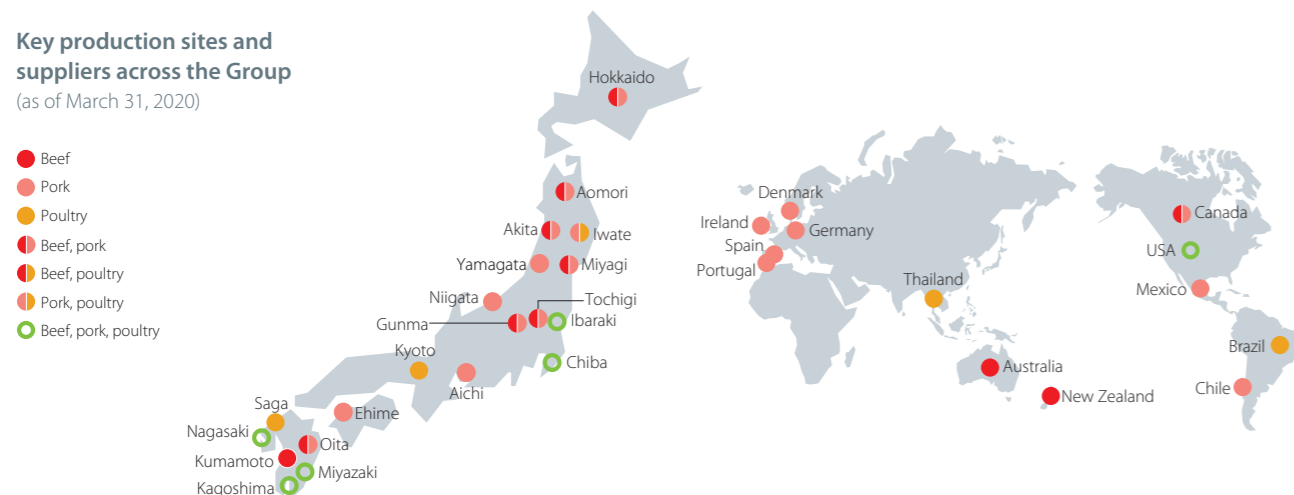
Sustainable procurement

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

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

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

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



Protective fencing in domestic farms

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

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

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

— Joint-Development with Suppliers

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

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

trust between us and them.

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

Original brands for imported meat products



— Communicating with Suppliers

Ongoing information sessions for suppliers

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

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

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

Special Report

New artificial insemination center in Kagoshima

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

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

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

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

Strengthening the customer base

Initiatives and achievements in fiscal 2019

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

Building Relationships with Customers

Customer relations strategy for each product category

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

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



Tao Tsuchiya stars in our advertisements



Brand mascot featuring in our LINE account

Incorporating customer feedback

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

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

Customer inquiries by category

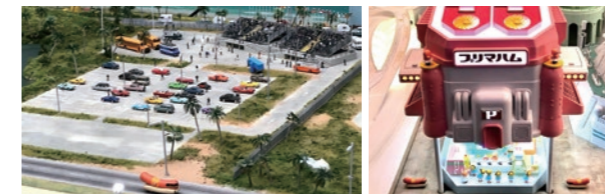
Total	6,436
Top 5	
Safety, quality	1,593
Sales	1,043
Cooking method	799
Shelf-life	560
Storage, handling	313

Building a Strong Brand Image

Official partner of SMALL WORLDS TOKYO

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

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



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

Promotional campaigns across Japan

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

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

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



LEGOLAND® Japan Hotel
©2020 The LEGO Group

Live comedy show

Special Report

Giving customers memorable experiences at Tokyo Disney Resort®

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

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



Private event at the Diamond Horseshoe
©Disney/Pixar



Precious Night ©Disney

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

Supporting Our Business Partners

Helping retailers create attractive shopping spaces

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

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

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

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



The winner of the Halloween-themed store display contest

Community Engagement

Engaging with schools across Japan

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

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

Non-financial information See p. 30

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



A Prima Meat Packers employee delivering a class

Working with JAWFP to eradicate hunger

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

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

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



Walk the World: A WFP charity event



Human resource development

Initiatives and achievements in fiscal 2019

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

Basic Approach

Talent management strategy

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

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

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

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

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

Training

Training for leadership

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

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

Nurturing global talent

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

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

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

Training System

All employees

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

Job-specific Training

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

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

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

Performance management, self-evaluation reports

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

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

— A Motivated Workplace

Workplace diversity

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

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

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

Supporting work-life balance

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

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

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

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

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

Talent retention

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

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

Better wages

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

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

Honoring workplace dignity and human rights

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

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



Workshop for preventing workplace bullying and discrimination

Workplace health and safety

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

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

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

Special Report

Employee opinion survey

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

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



Employee-satisfaction revolution project

Minimization of negative environmental impact

Initiatives and achievements in fiscal 2019

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

Environmental Management

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

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

output and reducing greenhouse gas emissions.

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

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

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

Main ISO 14001-certified businesses^{*1}

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

EcoAction 21-certified businesses

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

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

*2 On April 1, 2020, Kumamoto Prima merged with Prime Delica and became Prime Delica Kumamoto plant.

Reducing the volume of waste output

Innovation to reduce food waste

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

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

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

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

Reducing and recycling plastic waste

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

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

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

Key actions at production sites

Reducing food waste

Ibaraki Plant

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

Kagoshima Plant

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

Prime Delica Co., Ltd.

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

Reducing plastic waste

Hokkaido Plant

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

Prime Delica Co., Ltd.

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



Reducing Greenhouse Gas Emissions

Rearranging production machinery for better energy efficiency

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

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

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

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

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

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

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

Key actions at production sites

Hokkaido Plant

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

Ibaraki Plant

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



Central control room

LP gas boiler

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

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

Akita Prima Foods Co., Ltd.

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

Prime Delica Co., Ltd.

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

Green Products and Services

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

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

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

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

In-house standards for green products

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

Key actions in fiscal 2019

(1) Thinner film

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



(2) Smaller packaging

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



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

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

(4) More recycled PET resin

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



Key Environmental Objectives and Performance

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

Key environmental objectives and targets for ISO 14001-certified businesses^{*1}

Quantitative objectives

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

Qualitative objectives

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

*1 Applies to businesses with ISO 14001-certified EMS (see page 47)

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

*3 Applies to Prima Meat Packers' Shinagawa Head Office and Kinki Center

Performance in fiscal 2019

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

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

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

Key environmental objectives and targets for EcoAction 21-certified businesses^{*4}

Quantitative objectives

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

*4 Applies to businesses with EcoAction 21-certified EMS (see page 47)

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

Performance in fiscal 2019

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

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

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

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

Corporate governance

Directors and Corporate Auditors

Directors



Naoto Chiba
President and Representative Director

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

Reason for nomination

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



Hidefumi Suzuki
Director
In charge of Compliance, Legal and Environmental Affairs

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

Reason for nomination

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



Kenichi Tai Director

Part-time

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

Reason for nomination

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



Takeshi Yamashita Director **Outside**

Part-time

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

Reason for nomination

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



Yuzo Ide Director **Outside**

Part-time

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

Reason for nomination

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

Corporate Auditors



Kenichiro Soma
Corporate Auditor

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

Reason for nomination

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



Koichi Sato
Standing Corporate Auditor **Outside**

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

Reason for nomination

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



Hideki Shimozawa
Standing Corporate Auditor **Outside**

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

Reason for nomination

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

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

Executive Officers

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

Messages from Outside Directors



Outside Director
Takeshi Yamashita

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

Advising on ESG to help the company succeed

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

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

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



Outside Director
Yuzo Ide

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

— Basic Approach

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

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

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

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

— Corporate Governance Structure

Board of Directors

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

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

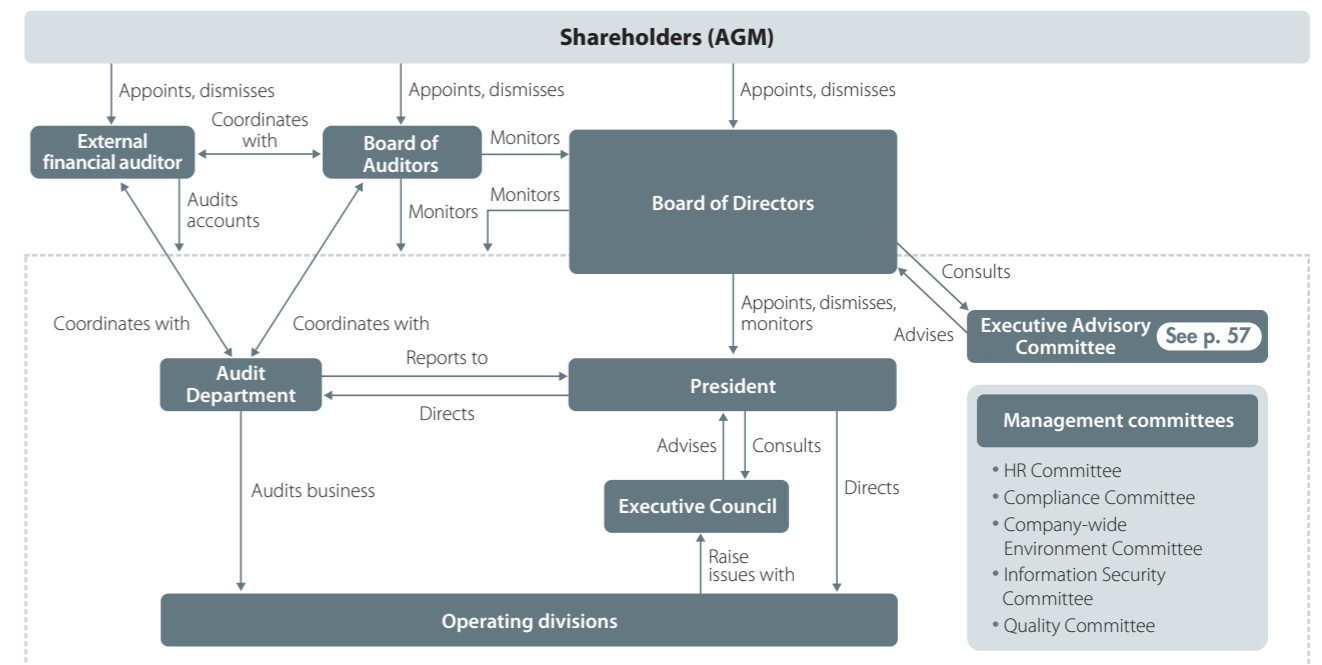
Board of Auditors

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

Executive Council, management committees

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

Corporate Governance Structure



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

Training and support

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

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

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

Executive Advisory Committee

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

Main Roles



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



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

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

Previous meetings

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

Record of management meetings

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

Improvements in governance

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

— Cross-shareholdings

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

In fiscal 2019, the board decided to end three

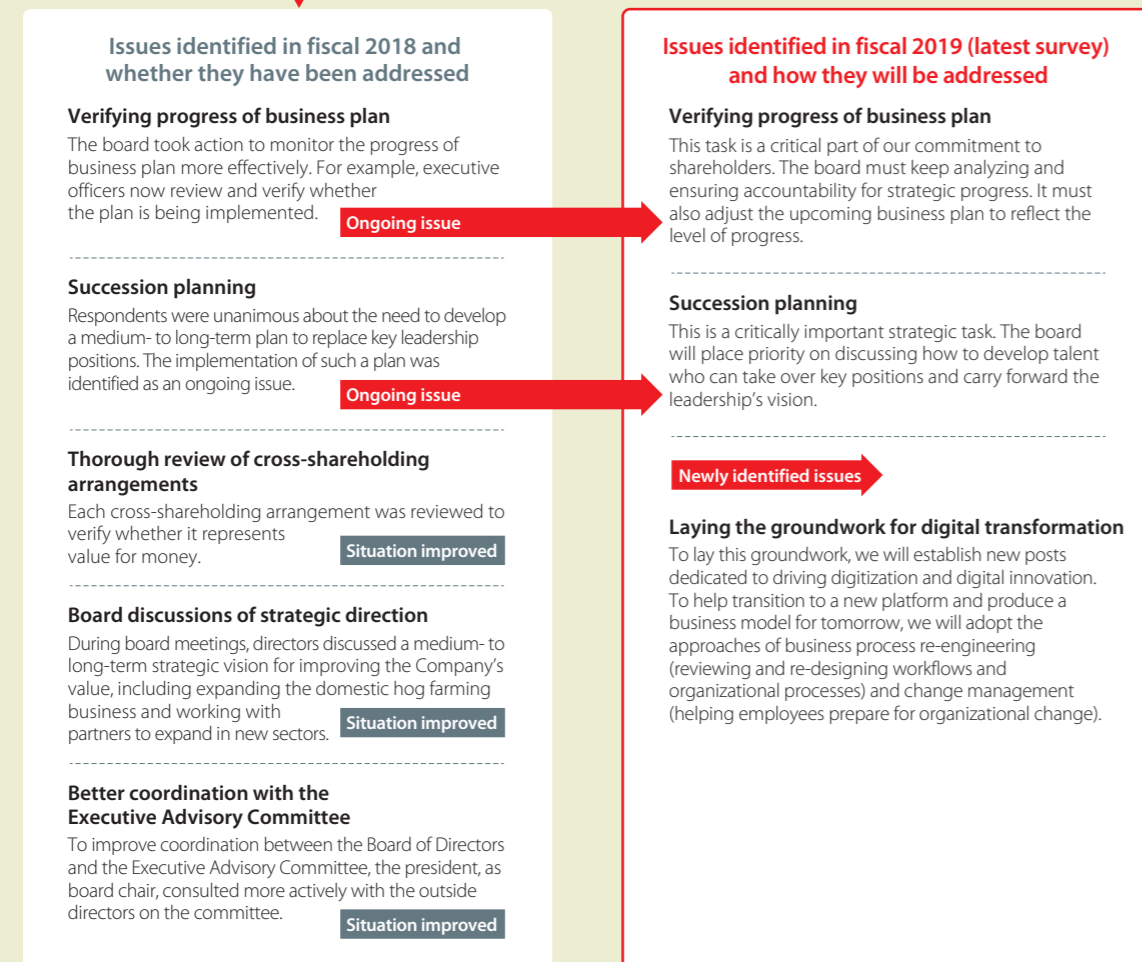
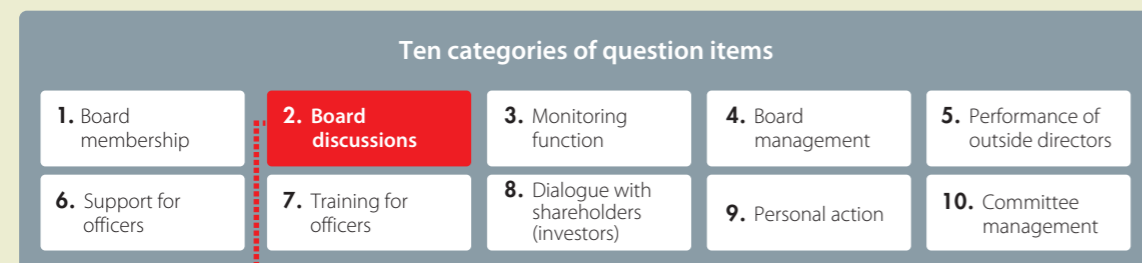
cross-shareholding arrangements that no longer represented value for money. The shares held as part of one of these arrangements were sold off in the same year. The other arrangements were continued, as the board concluded that their benefits still outweigh the capital cost. The next review is scheduled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

Evaluating the effectiveness of the Board of Directors

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

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

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



Nominating and Remunerating Officers

Nomination process

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

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

Selecting outside director and outside corporate auditor candidates

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

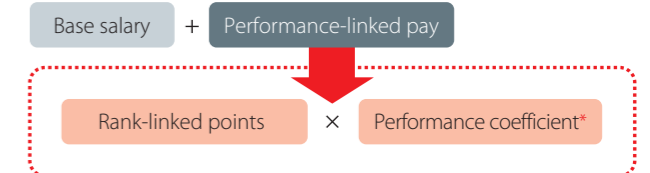
Remuneration for officers

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

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

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

Remuneration structure



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

Table showing remuneration amounts

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

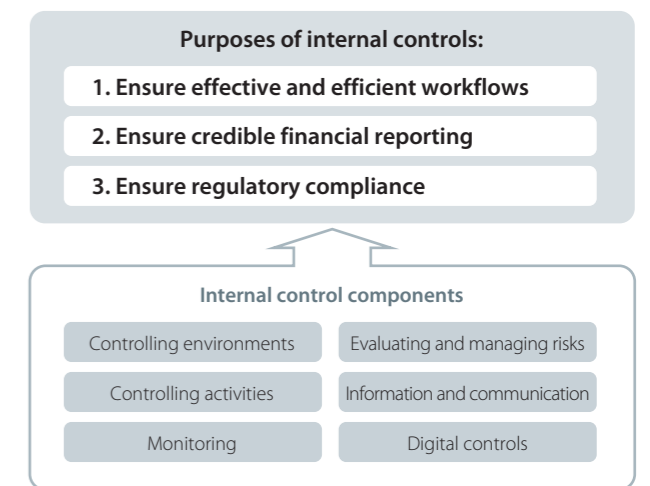
* The recipients indicated above include five directors and one outside corporate auditor who retired upon the close of the AGM held on June 27, 2019. * Kenichi Tai lost his status as an outside director on August 2, 2019, when ITOCHU Corporation (where he works) became the parent of Prima Meat Packers.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

Internal Controls

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

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

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



Compliance management

Basic Approach

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

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

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

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

Compliance Program

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

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

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

Training Programs to Foster a Culture of Compliance

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

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



Training provided to new directors of group companies

Whistleblower Hotline

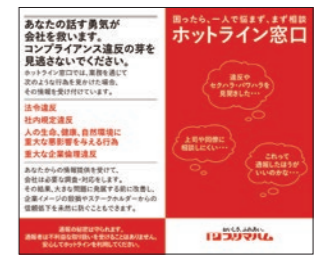
We provide an internal and external whistleblower hotline for raising compliance concerns related to group operations, such as a legal violation, violation of an in-house rule, malpractice, or a serious breach of corporate ethics.

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

who experience mental health problems.

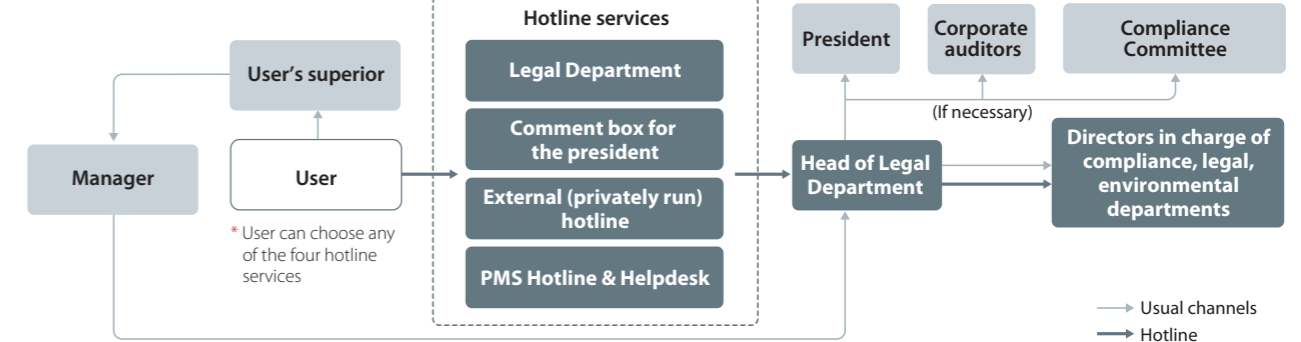
Reports and inquiries can be made anonymously. Whistleblowers’ privacy will be safeguarded, and all efforts will be made to ensure that whistleblowers are not penalized for using the hotline.

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



Employees carry a card containing the hotline information

Hotline services



Preventing Insider Trading

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

Managers from division heads upward are registered on

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

Information Security Management

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

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

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

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

Risk management

Basic Approach

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

The kind of risks we face

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

Risk Management

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

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

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

Business Continuity Planning

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

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

Monitoring Risks

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

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

Risks Affecting Performance

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

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

Notes

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

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

Special Report

Managing COVID-19 risks

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

■ Safeguarding employees and their families

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

■ Action in production sites

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

■ Action in IT Department

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

Company information

(As of March 31, 2020)

Company name	Prima Meat Packers, Ltd.
Head office	Shinagawa Seaside West Tower, 4-12-2 Higashi-Shinagawa, Shinagawa-ku, Tokyo 140-8529, Japan Tel: +81-3-6386-1800
Representative	Naoto Chiba, President and Representative Director
Detail of business	Manufacture and sale of hams and sausages, fresh meats, processed foods, and other products
Founded	September 1, 1931
Established	July 9, 1948
Capital	¥7,908 million
Number of employees	1,895 Note: The figure includes executive directors and the weighted-average number of temporary employees.
Branch offices	Tohoku (Miyagi Pref.), Kanto (Tokyo Pref.), Chubu (Aichi Pref.), Kansai (Osaka Pref.), Chugoku / Shikoku (Hiroshima Pref.), Kyushu (Fukuoka Pref.)
Plants	Hokkaido, Ibaraki, Mie, Kagoshima
Logistics centers	Kanto (Ibaraki Pref.), Mie, Fukuoka
Research institutions	R&D Center (Ibaraki Pref.), Manufacturing and Technology Department. (Technical Development Div.) (Ibaraki Pref.)

Number of group companies 33 (As of August 1, 2020)

- Consolidated subsidiaries
○ Associates accounted for using the equity method

Fresh Meat Business

● Pacific Ocean Breeding Co., Ltd.	Futaba-gun, Fukushima	Live hog operation business
● Nikushitsu Kenkyu Farm, Ltd.	Shibushi-shi, Kagoshima	Live hog operation business
● Kamifurano Farm, Ltd.	Sorachi-gun, Hokkaido	Live hog operation business
● Japanmeat Co., Ltd.	Miyakonojo-shi, Miyazaki	Slaughter, meat processing, meat sales, animal feed wholesale
● Clean Farm Co., Ltd.	Miyakonojo-shi, Miyazaki	Live hog operation business
● Yukizawa Co., Ltd.	Odate-shi, Akita	Live hog operation business, meat sales
● Kamifurano Kobo Co., Ltd.	Sorachi-gun, Hokkaido	Slaughter, meat processing
● Nishi-Nippon Best Packers Co., Ltd.	Ichikikushikino-shi, Kagoshima	Slaughter, meat processing
● Tacky Foods Co., Ltd.	Komaki-shi, Aichi	Slaughter, meat processing, meat sales
● KANTO PRIMA MEAT SALES CO., LTD.	Kawasaki-shi, Kanagawa	Meat sales
● KANSAI PRIMA MEAT SALES CO., LTD.	Osaka-shi, Osaka	Meat sales
● Prima Logistics Co., Ltd.	Shinagawa-ku, Tokyo	Meat distribution

Processed Foods Business

Production

● Prime Delica Co., Ltd.	Sagamihara-shi, Kanagawa	Manufacture of products for convenience stores
● PrimaFineFoods Co., Ltd.	Hiki-gun, Saitama	Manufacture of processed foods
● Akita Prima Foods Co., Ltd.	Yurihonjo-shi, Akita	Manufacture of processed foods
● Prime Foods Co., Ltd.	Maebashi-shi, Gunma	Manufacture of processed foods
● Shikoku Foods Co., Ltd.	Marugame-shi, Kagawa	Manufacture of processed foods
● Prima Luca Co., Ltd.	Unzen-shi, Nagasaki	Manufacture of processed foods
● Prima Environment Services, Ltd.	Tsuchiura-shi, Ibaraki	Facility cleaning, environmental protection
○ Prime Bakery Co., Ltd.	Fuji-shi, Shizuoka	Manufacture of products for convenience stores

Sales

● Hokkaido Prima Meat Packers, Ltd.	Sapporo-shi, Hokkaido	Sales of meat, ham/sausages, and processed foods
● Hokuriku Prima Meat Packers, Ltd.	Imizu-shi, Toyama	Sales of meat, ham/sausages, and processed foods
● Primaham Meat Factory, Co., Ltd.	Osaka-shi, Osaka	Manufacture and sale of meat products; slaughter, meat processing
● Essen House Co., Ltd.	Kasuya-gun, Fukuoka	Sale of meat/deli (bento) and processed foods
● Toei Foods Co., Ltd.	Shinagawa-ku, Tokyo	Sale of meat/deli (bento) and processed foods

Other Business

● Prima System Development Co., Ltd.	Shinagawa-ku, Tokyo	System development, information security management
● Prima Management Service Co., Ltd.	Shinagawa-ku, Tokyo	Staffing, wage accounting, and insurance services
● Tsukuba Food Evaluation Center Co., Ltd.	Tsuchiura-shi, Ibaraki	Food inspection
● PRIME TECH LTD.	Tsuchiura-shi, Ibaraki	Development, manufacture, and sale of scientific instruments

Overseas

● PRIMAHAM (THAILAND) CO., LTD.	Thailand	Manufacture of processed foods
● PRIMAHAM FOODS (THAILAND) CO., LTD.	Thailand	Manufacture of processed foods
○ KANG PU (SU ZHOU) FOOD CO. LTD.	China	Manufacture and sale of ham/sausages
○ Swine Genetics International, Ltd.	The U.S.	Live hog operation business

Stock information

Major shareholders

(As of March 31, 2020)

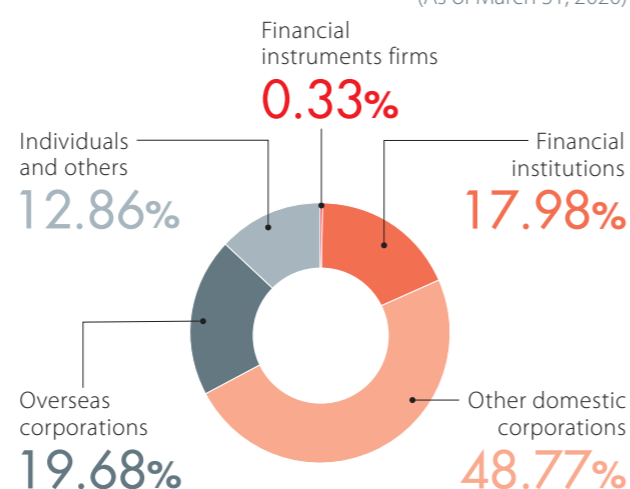
Name	Number of shares held (thousand shares)	Ownership ratio (%)
ITOCHU Corporation	20,188	39.95
ITOCHU-SHOKUHIN Co., Ltd.	2,262	4.47
The Master Trust Bank of Japan Ltd. (trust account)	2,034	4.02
Japan Trustee Services Bank, Ltd. (trust account)	1,646	3.25
SSBTC CLIENT OMNIBUS ACCOUNT	1,300	2.57
BBH FOR FIDELITY PURITANTR: FIDELITY SR INTRINSIC OPPORTUNITIES FUND	1,250	2.47
Takegishi Gakuen Educational Corporation	908	1.79
Sanshoku Co., Ltd.	800	1.58
The Norinchukin Bank	713	1.41
Japan Trustee Services Bank, Ltd. (trust account 5)	638	1.26

Shares and shareholders

Number of shares authorized	70,000,000
Total number of shares issued and outstanding	50,524,399 (incl. 183,649 shares of treasury stock)
Number of shareholders	16,584

Stock distribution by type of shareholder

(As of March 31, 2020)



Note: Number of shares excludes 183 thousand shares of treasury stock.

Trends in share price and trade volume (TSE)

