

**PRIMA MEAT PACKERS, LTD.**

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# Who we are

Prima Meat Packers Group traces its origins back to 1931, with the founding of Takegishi Hamu Shokai (Takegishi Meat Packers Ltd.). Over the years, we have developed pioneering businesses in fresh meat and processed foods. Our businesses have grown in tandem with the increasing popularity of red meat and poultry in Japan. We recently established a presence in Thailand as part of a strategy to expand into overseas Asian markets.

## Year founded

 1931

## Number of group companies

33 

## Consolidated net sales

¥433.6 billion 

## Net sales breakdown (consolidated)


Fresh meat business  
32.2% 

## Consolidated number of employees

Japan 13,961

Processed foods business  
(includes ham and sausage business)  
67.7% 

Overseas 1,482 

Other  
0.1% 

## Consolidated number of patents

Japan 59 

Overseas 9

## Share of Japanese market

Ham and sausage market  
3<sup>rd</sup> As of fiscal 2020. Source: SCI 

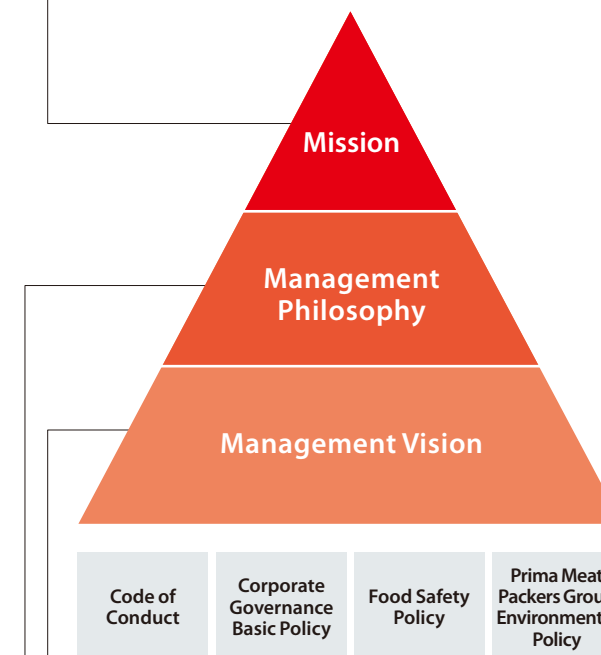
As of March 2021

## Corporate ethos

On April 1, 2021, we restated our mission to make it clearer and easier to remember.

### Mission

Contribute to food culture and society through great taste and excitement



### 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.

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### Editorial Policy

We have published this integrated report to give our shareholders and stakeholders a deeper understanding of our organization, and to help them understand our medium- to long-term strategy for enhancing corporate value and how we are implementing the strategy. The report has two broad themes: growth strategy and materiality. This structure should help clarify what our long-term vision is, how we will achieve it, and what actions we are currently taking. We value your feedback and we will incorporate it into future integrated reports. To provide further clarity, we have also published the ESG Data Book (see page 74). We recommend you read it alongside this report.

### Scope of Report and Contact for Inquiries

Time period covered: Fiscal 2020 (April 1, 2020 to March 31, 2021)  
(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: Tel: +81-3-6386-1800

\* 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.



## Clarity and commitment in a time of uncertainty

The world remains in the grip of COVID-19. How will Prima Meat Packers Group navigate this landscape? And what is its future vision?

Naoto Chiba, the President of Prima Meat Packers, explains.

A handwritten signature in black ink, appearing to read 'N. Chiba', written in a cursive style.

Naoto Chiba  
President and Representative Director

### Adapting to sweeping changes, restating our mission

The fiscal year ended March 2021 (fiscal 2020) will always be remembered as the year of the pandemic. It was a year that brought sweeping changes, both to our business activities and to people's daily lives. For our organization, the pandemic brought mixed blessings. We certainly benefited from the demand for eating at home. But on the downside, we faced a protracted slump in the food service business. The pandemic also disrupted our domestic and global supply chains. To sustain operations, we acted to prevent infections among staff and trading partners. We also worked to maintain a stable supply of safe products to clients, thereby fulfilling our essential mission as a food manufacturer.

The pandemic also served as an acid test of our organization's ability to adapt and innovate. As President, I have worked to enhance this ability by leading a business transformation program with the support of all employees. I was therefore heartened by our success in adapting to the unexpected circumstances. Crucially, we kept supply stable. While our corporate culture had been steeped in old habits, the need to embrace remote work and videoconferencing prompted the workforce to start replacing the old habits with new ones. Beyond the pandemic, we face even greater challenges, including a shrinking and aging population, economic globalization, and environmental concerns. These challenges will require resolute decisions and firm leadership over the next 10 to 20 years. Communication will be key here: the management must cascade the message down so that everyone throughout the Group identifies with our mission and values.

Some time ago, I asked employees to tell me what kind of business mantras inspire them in their work or guide their decisions. I found that they identify well with Prima Meat Packers' corporate philosophy, but are less clear about our corporate mission. This is worrying. For an organization to make the best decisions, the workforce must be clear about, and committed to, its mission. After all, the kind of challenges we face call for farsighted thinking.

To address this problem, the management listened to staff feedback and updated the organization's mission statement. I decided that the new mission should do one thing in particular: it should clearly express what our organization is all about (what it aspires to and what its role is) in a way that resonates with employees. A hundred people advancing one step is better than one person advancing a hundred steps. I would prefer a hundred employees to take a step forward by identifying with the mission statement, than for me to charge a hundred paces ahead of the rest.

In April 2021, we adopted our new mission statement: "Contribute to food culture and society through great taste and excitement."

As the US poet Carl Sandburg said, "Nothing happens unless first a dream." Though more than just a dream, the restated mission statement is the start of greater things. It will inspire greater clarity and greater commitment to sustainable corporate development in everyone across the Group.



Mission  
See page 2.



## Year-on-year growth

Let's now take a closer look at how our businesses fared in the pandemic year.

To start with the business landscape, in the food industry, demand for eating out and entertainment dropped, while demand for home cooking rose. Food companies launched many products catering to emerging customer needs, particularly health-focused food. Supply chains experienced some disruption from outbreaks of swine disease and from the pandemic impact overseas. Meanwhile, prices remained high for Japanese pork and poultry.

What actions did we take against this backdrop? In the fresh meat business, we focused resources on promoting original brands and negotiated with business partners online. Additionally, our sales teams adopted a more profit-focused mindset and managed inventories more effectively to maximize earnings. Regarding the production side of this business—hog farms—the Meat Production Department stabilized profits by boosting the production capacity and capitalizing on the high prices for Japanese pork. Thanks to these efforts, the fresh meat business posted year-on-year growth in sales revenue and profit.

As for the processed foods business, our big-hitter brand, Koukun Sausage, gained even more recognition, proving popular among all age groups. Following closely behind, bacon products, dried sausage, and cured ham also sold well and gained a greater market share.

We did struggle to sell to restaurants and other corporate clients, as the food service industry remained in a slump. However, sales to consumers fared better, particularly sales of hamburger steaks, steamed chicken breasts, and spring rolls.

On the manufacturing front, despite the challenges of operating under the COVID-19 safety measures, our plants managed to meet the pandemic-driven surge in demand. We also progressed further in transforming operations for better productivity. Specifically, we increased hourly worker productivity and reduced utility costs, making the plants more cost-competitive. Consequently, the processed foods business posted year-on-year growth in sales revenue, sales volume, and profit.

## Gearing up to capture new opportunities

We went into fiscal 2020 with three strategic priorities for enhancing our enterprise value. The first priority was to strengthen corporate governance and promote CSR to achieve continuous innovation in management. The second was to further expand the domains of the two existing business segments and further strengthen their sales and revenue bases. The third was to create businesses and expand globally to capture growth markets.

To strengthen corporate governance, we continued to enhance the Board of Directors and Board of Auditors. Back in June 2019, we reduced the size of the Board of Directors from nine to five and set aside two of these five places for company outsiders. The purpose of this action was to better delineate the role of monitoring management and the role of executing business. These

**Fresh Meat Business**  
See page 29.

**Processed Foods Business**  
See page 35.



changes have made the board more effective: members engage better in board meetings, enabling a stronger system of checks and balances. In June 2021, the Board of Auditors welcomed its first female member. The appointment marked a step toward greater board diversity, an essential requirement for the creation of value.

Regarding the second strategic priority (to expand and strengthen existing businesses), although we have progressed well on this task over the past decade, we recognize the need for more investment. Specifically, we need to keep production capacity up to the level of demand, but this may prove difficult given that our farms and plants are aging. Without boosting investment, we may struggle to succeed amid tough global competition.

Accordingly, for the fresh meat business, we will invest ¥40 billion up to 2030 into our farm network. Focusing on our new farm in Miyagi, we will raise the production capacity of the farms, further strengthen our integrated domestic pork production process, and build a system to ensure that we deliver pork of the same quality, prices, and quantities, regardless of market fluctuations.

In the processed foods business, we have already invested in technology to produce foods that stay fresh longer and thus reduce food loss. We have also started investing in alternative production methods and alternative ingredients.

One example is soy meat. Soy meat and other kinds of plant-based meat have gained popularity around the world. People increasingly get their protein from non-animal sources out of a desire for more sustainable diets. Environmentalism is one motivator. Others may see plant-based meat as a solution to famines that result from global population growth. In 2021, we launched our own range of soy meat to great success. With this soy meat range, we are contributing to a more sustainable world.

To boost production capacity even further, we will build a new plant in Kagoshima. Costing ¥13 billion, this plant should be completed around the end of 2022. Once up and running, it will double the output for Koukun Sausage. It will also produce value-added products, including products that use locally sourced chicken to support the “buy local, eat local” trend.

As for the third strategic priority (create businesses and expand globally to capture growth markets), we started selling high-protein, low-calorie seafood to convenience stores and restaurant chains to capture the growing demand for healthier diets. I reckon—and this is only my opinion—that we will in time evolve from an organization that deals only in red meat and poultry into one

**Focus:**  
**Fresh Meat Business**  
See page 33.

**Focus:**  
**Processed Foods Business**  
See page 39.

## President's Message

that provides all manner of protein sources. As the world population continues to grow, our organization can play a valuable role in meeting global protein needs, from meat, poultry, fish, and plant sources.

We also concluded an agreement to acquire a Singaporean meat manufacturer, Rudi's Fine Food Pte Ltd. The acquisition will mark a step forward, albeit a small one, in our journey to penetrate growing Southeast Asian food markets. After joining our group, Rudi's Fine Food will procure meat from Japan, Thailand (where we have local subsidiaries), and other countries, and sell the products in Singapore and neighboring countries. We will work to achieve synergies from the acquisition by improving supply chains and productivity. In this way, Singapore will serve as our hub in Southeast Asia's promising markets. Extending our focus from the Japanese market, we will launch local, independently operating entities in Southeast Asia that will help us gradually expand in this region.

To underpin and expedite these strategies, we need a better operational infrastructure. Since fiscal 2019, we have worked on a digital transformation project, called Prima Next Project. The project has three components: upgrading of internal systems, business process re-engineering, and change management.

That was last year, but what are our strategic priorities for enhancing our enterprise value in fiscal 2021? They are similar. The first priority is to engage in ESG and integrate sustainability into our business practices. The other two are the same as last year: further expand the domains of the two existing business segments and further strengthen their sales and revenue bases, and create businesses and expand globally to capture growth markets.

## Addressing material issues for sustainable corporate development

The key to success in the long run is to adapt to changing market needs and to address challenges for social and environmental sustainability. With that in mind, we conducted a materiality analysis in fiscal 2020 to identify the issues that matter most to our group and to our stakeholders. We then drew up an action plan outlining how we address these issues through initiatives or routine business activities.

Much of the materiality analysis concerned our hog farming business. We have big plans to expand this area, but we must first identify the risks and opportunities and then establish the right techniques and metrics for managing them. Crucially, we need a more sustainable approach to hog farming. Animal welfare is one example. We will avoid using traditional gestation crates in favor of free-access stalls on Nikushitsu Kenkyu Farm, Ltd. and, once they are completed, the new farm in Miyagi. We will also use mobile farrowing crates. Other actions include installing facilities to protect community from noise pollution and odors, and facilities to protect the pigs from disease outbreaks.

Climate disclosures are another focus. Management takes seriously the recommendations of the Task Force on Climate-related Financial Disclosures (TCFD). Our internal communications, including my own messages to staff, have made this point clear to employees. Many companies

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**Prima Next Project**  
See page 59.

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**Medium-term Business Plan**  
See page 13.

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**Material Issues**  
See page 43.

around the world have applied the TCFD recommendations, but the recommendations are yet to permeate throughout our own organization. Official company policy is important, but the real change will come by cascading the message down to employees, so that everyone in our organization identifies with the policy and feels responsible for implementing it.

## Building talent, accelerating to attack speed

One business mantra states that a legacy of money is third-best, a legacy of business is second-best, and a legacy of talent is the best of all. This saying resonates powerfully with me. The most important task for a business leader is to build talent and to create a workplace where everyone can fulfill their potential.

That being the case, a big concern for me is that our company has very few employees in their 30s when workers typically give their best performance. This shortfall is the result of reducing the hiring rate for around 10 years, amid a slump in performance. To address this problem, we need to actively train up employees and give them more opportunities to develop themselves. Last autumn, I met with such employees to share my experience. As requested by the employees, I discussed what managers need to know to cope with the scenarios they face and what decisions they need to make. I plan to hold more such meetings and to include junior employees too. These meetings should encourage employees to reflect on their work and think about what they can do to help transform our organization.

We had ambitious plans for the previous fiscal year, but COVID-19 forced us to take a more conservative approach. The pandemic impact should ease with the vaccine rollout, but other challenges continue to shroud the business outlook, including Japan's shrinking and aging population and environmental concerns. Amid these challenges, we will continue contributing to food culture and society through great taste and excitement. As part of this, we will support people's diverse dietary and lifestyle choices, including the trend toward more ecologically sustainable diets. Compared to the previous fiscal year, we will accelerate to attack speed. Under my leadership, management will act expeditiously and make bold decisions, rather than playing it safe. I believe this approach will increase our enterprise value.

I wish to thank all our investors and stakeholders for their confidence in us, and I look forward to continuing our journey together.

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**Creating a Workplace that Supports Job Satisfaction**  
See page 51.





# Since our foundation, we have always striven to deliver great taste and excitement.

## The origin of the 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 the Prima Meat Packers Group.



### Fresh meat business



1956

An industry first, Prima Meat Packers launches standard primary cuts of pork



To reduce distribution cost and improve processing efficiency at the retail customer level, Prima Meat Packers launched the first Japanese-style standard primary cuts of pork in an era when traded pork in Japan 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 became the starting point for the **integrated domestic pork production business**.

Strengths **Integrated Domestic Pork Production Process** > See p. 11.

2000

Original brands launched



During the first decade of the 21st century, Prima Meat Packers launched **original pork, beef, and chicken brands**. In each case, the suppliers produced the meat in large farms. Following a succession of improvements to meat quality, the Company now has eight original brands, each embodying the same uncompromising commitment to quality.

Strengths **Original Brand Meat** > See p. 11.

2021

Construction of new hog farms begins



As part of its strategy to **expand the hog farming business**, Prima Meat Packers started building large farms for breeding and fattening in Watari, a district situated along the Pacific coast in Miyagi Prefecture.

Focus: Fresh Meat Business **The new farm: Leading the way in productivity and sustainability** > See p. 33.

## The endeavors of Prima Meat Packers Group

1950s Contributing to Abundant Lives

**"We sell what we make."**

Prima Meat Packers was the first company in the Japanese meat industry to sell standard Japanese primary cuts of pork, and it 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."

1970s Global-level Food Safety

**Ensuring safety and reliability**

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.

1980s Products That Evolve with Lifestyles

**Building a new management platform**

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.

2000s Bouncing back

**Tight cost management**

In the early years of this century, we experienced tough business conditions and had to make hard decisions, such as closing down some business locations. Aiming to turn performance around, we tightened cost management. Through such efforts, we have bounced back stronger than ever. See "Interview with the Senior Managing Executive Officer in Charge of Finance" on page 27.

2020 and beyond Toward Further Growth

**Making the mission a reality**

As consumer needs continue to diversify, Prima Meat Packers continues to expand its lineup and invest in initiatives to unlock further growth. These initiatives include expanding the hog farming business, building a new food processing plant, penetrating overseas markets, and transforming workflows.

2021 Prima Meat Packers celebrates 90th anniversary

### Processed foods business



1974

Prima Meat Packers becomes first in industry to introduce best-before dates

In partnership with Oscar Mayer, a processor and manufacturer of ham, bacon, and other products, Prima Meat Packers innovated its packaging technology and launched the first consumer pack product in the Japanese meat industry. The Company also became the first in the industry to include best-before dates on its product labels.



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.

Strengths **Excelling at In-house Product Development** > See p. 12.

2002

Koukun Sausage launched

In 2002, Prima Meat Packers launched Koukun Sausage, which became a mainstay brand. The brand includes pork sausages and ground-pork steaks, and it remains cherished among customers.

See page 68 for details.



2016

Prima Meat Packers starts upgrading production facilities

Prima Meat Packers started upgrading its plants, which were over 50 years' old. Between 2016 and 2019, the Company upgraded its Ibaraki plant. It is now investing in a new plant in Kagoshima. With **cutting-edge facilities, the new plant** will play a role in delivering value-added products and reducing carbon footprint.

Strengths **Modern, Cost-Competitive Plants** > See p. 11.



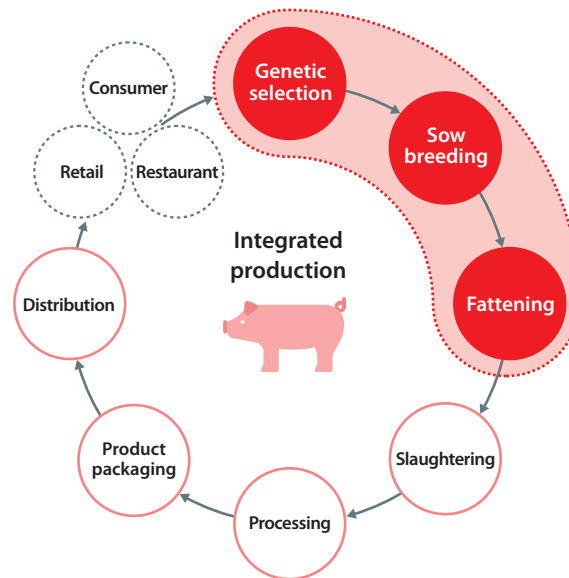
# Proprietary technology and expertise with a 90-year heritage

## Fresh meat business

**Strengths** Integrated Domestic Pork Production Process

### Integrated production that ensures safety, reliability, and great taste

To achieve safety, reliability, and great taste, we have integrated all operations throughout the pork supply chain. These operations include hog farming (genetic selection, breeding, and fattening), as well as slaughtering, processing, product packaging, distribution, and sales. Recently, we have focused on expanding the hog farming portion of the supply chain with the support of group company Pacific Ocean Breeding Co., Ltd., which handles live hog operations at 54 hog farms. As part of this expansion, we partnered with US company Swine Genetics International, Ltd., to get frozen semen samples from pig breeds that produce pork appealing to the Japanese palate. We also invested in the new farm in Miyagi (see page 33). Scheduled to launch in 2023, this new farm will achieve high levels of production by using advanced technology and science-based practices. This integrated system ensures top-level safety and quality from the farm to the plate.



**Strengths** Original Brand Meat

### Joint development of original brands that suit the Japanese palate

We work with suppliers to provide original meat brands. Our suppliers' livestock, which include cattle, swine, and poultry, enjoy wide-open pastures, and the brands delight customers. For example, we teamed up with HyLife, a leading pork producer in Canada, to develop a tender, juicy brand of pork. The pork is derived from crossbreeding the three Landrace, Large White, and Duroc breeds, and is appealing to the Japanese palate. Additionally, the feed for the pigs includes herbal extracts.



## Processed foods business

**Strengths** Modern, Cost-Competitive Plants

### Raising the production capacity of our plants

In Ibaraki (the hub for our processed foods business), we have a sausage plant (completed in June 2016) and a ham and bacon plant (completed in April 2019). With their automated packaging and efficient production lines, as well as their staff's commitment to reducing lead times, the plants boast a combined capacity of 4,500 tons per month. We are going to build a plant in Kagoshima, which will raise production capacity by 10 thousand tons per year.

As well as boosting the production capacity for Koukun Sausage, the Kagoshima plant will produce locally sourced chicken products, helping people to "buy local and eat local."



## Groupwide

**Strengths** Food Safety Management System

### Integrated food quality management

We conform to FSSC 22000 and ISO 22000, which are international standards for managing food safety. This means we follow an integrated approach to quality management, extending from product development through to procurement, production, and distribution. Our Thailand-based suppliers, Primaham (Thailand) Co., Ltd. and Primaham Foods (Thailand) Co., Ltd., conform to the Japanese Agricultural Standards (JAS). They produce products destined for sale in Japan, Thailand, Singapore, and Hong Kong.



Plaza Pavilion Restaurant ©Disney

**Strengths** Collaborative Development of Products and Services

### Embracing collaboration to respond flexibly to demand

We embrace collaboration to respond swiftly to the needs of customers. For example, we procure raw meat jointly with the ITOCHU Group, develop products jointly with suppliers and other partners, conduct joint research with universities, and invite customers to thrilling private events co-organized with a theme park operator.

**Strengths** Domestic and International Procurement Networks

### Working with suppliers to meet strict quality standards

Leveraging our membership of the ITOCHU Group, we have secured international supply sources for raw meat. We source pork from Canada, the US, and Denmark, beef from the US and Australia, and poultry from Brazil and Thailand. The Japanese public increasingly desires Japanese-sourced meat, so we also source high-quality meat from within the country. We engage with all suppliers via an importing company, to ensure their commitment to our strict quality standards.



**Strengths** Excelling at In-house Product Development

### Keeping pace with diversifying diets

Alongside fresh and processed meats, we produce other processed food products, as well as a range of deli items, filled pastries, and desserts. We monitor market trends and needs so that the finished products will match consumers' lifestyles and preferences and add value to their lives.





# A medium-term business plan for long-term growth

### Looking back on fiscal 2019

- We revised our basic approach to corporate governance.
  - We launched Prima Next Project.
  - We reduced greenhouse gas emissions by using natural coolant for refrigeration at the new Ibaraki plant and the Kanto logistics center.
- We enhanced our supply network in Kanto with the completion of the new Ibaraki plant.
  - We introduced high-pressure processing and individual quick freezing.
  - We progressed with a new farm construction plan that will expand the hog farming business.
- We entered a business partnership with Takizawa Ham Inc., enabling us to expand our lineup and increase sales volume.
  - We expanded sales collaboration by opening a new channel with ITOCHU-SHOKUHIN Co., Ltd.
  - We started preparations to launch a video recipe service.

### Looking back on fiscal 2020

- To help prevent infections and maintain operations amid the pandemic, we implemented a work-from-home policy, provided more laptops, and used a new video conferencing tool.
- We launched the Employee-satisfaction Revolution Project.
- We introduced energy-efficient equipment to reduce carbon emissions.

- With people spending more time at home amid the pandemic, we strengthened sales of food for home consumption.
- We launched a soy meat range, Try Veggie.
- We used high-pressure processing to extend shelf lives for ham and sausage gift items.
- We used licensed anime characters on the packaging of food products.

- We strengthened the Group by acquiring a company that deals in chicken breeds that are popular in Japan.
- We continued developing original brands in partnership with the ITOCHU Group.
- We signed an agreement to acquire a Singaporean meat producer.



### Prima Meat Packers Group's Medium-term Business Plan (Fiscal 2021–2023)

#### 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 Implement ESG strategy and make business foundation more sustainable.

  - Ensure food safety under a strong quality management system.
  - Protect the environment, comply with the law, establish effective internal controls, and provide useful disclosures.
  - Develop human resources and boost job satisfaction to 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.
  - Achieve deeper penetration in growing sector.
  - Promote customer-oriented product development.
- #### 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 2020 results	Fiscal 2021–2023 plan (¥ billion)		
				Fiscal 2021 plan	Fiscal 2022 plan	Fiscal 2023 plan
Net sales	418.1	441.0	433.6	437.7	452.7	468.9
Operating profit	15.6	14.5	21.5	16.6	18.7	19
Ordinary profit	16	14.6	22.4	16.8	19	19.2
Profit attributable to owners of parent	8.8	8.9	14.2	10.5	11.7	12.3
Return of equity (ROE)	10.0%	9.4%	14.6%	10.1%	10.3%	10.0%
ROIC	8.9%	9.0%	13.5%	9.7%	10.4%	9.9%
EBITDA	25.3	24.5	32.1	26.9	29.9	31.2

#### Net sales hit all-time high Earnings far surpass target

For fiscal 2020, we posted our highest ever net sales, with the bulk of the sales growth in the processed foods business. Although net sales still fell short of our target due to a decrease in business-to-business sales in the food service industry, consolidated net income far surpassed our target. Earnings increased thanks to higher sales of mainstay products along with more efficient production, among other factors. Consequently, we posted year-on-year increases in return on equity and return on invested capital, and ¥32.1 billion in earnings before interest, taxes, depreciation, and amortization.

Our strategy for the fiscal 2021 to fiscal 2023 period is to expand existing businesses with a view to cultivating overseas markets for the processed foods business. As part of this strategy, we are building a new plant in Kagoshima to expand supply of differentiated and value-added products. Another part of this strategy is to enhance supply chains in the fresh meat business. This plan will involve capital expenditure, which will lead to a temporary increase in depreciation and amortization. Consequently, consolidated net income will decline year-on-year.













# Aiming for sustainable growth by considering the whole value chain

## INPUTS See pp. 21–22.

- Financial capital 
- Manufactured capital 
- Human capital 
- Intellectual capital 
- Social capital 
- Natural capital 

<b>Fresh Meat Business</b> See p. 29.	Value chain	<b>R&amp;D</b> <ul style="list-style-type: none"> <li>Genetic selection</li> <li>Feed development</li> <li>Gender selection technology</li> </ul>	<b>Procurement</b> <ul style="list-style-type: none"> <li>Supplier quality management</li> <li>Joint development of original brands</li> </ul>	<b>Production &amp; Manufacturing</b> <ul style="list-style-type: none"> <li>Hog breeding and fattening</li> <li>Processing</li> <li>Product packaging</li> </ul>	<b>Distribution</b> <ul style="list-style-type: none"> <li>Temperature management</li> <li>Efficient transport</li> </ul>	<b>Sales</b> <ul style="list-style-type: none"> <li>Sale of fresh and processed raw meat</li> <li>Sales channel expansion</li> <li>Sales campaigns</li> </ul>
	Segment strategy (based on medium-term business plan)	<b>Enhance merchandise</b> Make procurement and product development more adaptive		<b>Enhance production</b> Integrate domestic pork processes	<b>Enhance sales</b> Build sales network suited to today's retail environment	

<b>Business strategy</b> See pp. 29–40.	<b>Material issues</b> See p. 43.	 Addressing animal welfare					
		 Securing safe, reliable food					
		 Reducing greenhouse gas emissions	 Reducing the volume of waste output				
		 Achieving sustainable procurement of raw materials					
		 Respecting and promoting diverse workstyles	 Hiring and developing outstanding human resources		 Occupational health and safety that focuses on mental and physical health		
		 Strengthening corporate governance					
		 Recommending health-conscious products					

<b>Processed Foods Business</b> See p. 35.	Segment strategy (based on medium-term business plan)	<b>Ensure watertight quality controls to build trust in brand</b> Concentrate product development functions and strengthen development process Make production system more efficient in producing safe, quality-assured products			<b>Expand sales, enlarge share</b> Strengthen marketing, improve customer communication	
	Value chain	<b>R&amp;D</b> <ul style="list-style-type: none"> <li>Product development</li> <li>Inspection technology</li> <li>Microbe research</li> </ul>	<b>Procurement</b> <ul style="list-style-type: none"> <li>Supplier quality management</li> <li>Inspector dispatch</li> <li>Traceability</li> </ul>	<b>Production &amp; Manufacturing</b> <ul style="list-style-type: none"> <li>Improvements in operational efficiency</li> <li>Development of production technology</li> <li>Increasing the value added to products</li> </ul>	<b>Distribution</b> <ul style="list-style-type: none"> <li>Joint delivery</li> <li>Modal shift</li> </ul>	<b>Sales</b> <ul style="list-style-type: none"> <li>Sales of key products</li> <li>Sales channel expansion</li> <li>Sales campaigns</li> </ul>

## OUTPUTS

## OUTCOMES

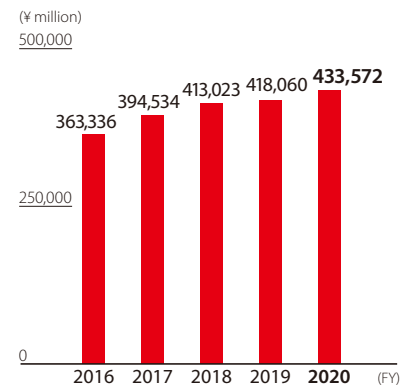
- Fresh meat 
- Ham, sausage 
- Safe, reliable products
- Processed food 
- Convenience store food 

- Social outcomes**
  - Great taste, time to enjoy
  - Building a healthy body
  - Employee opportunities for self-actualization
  - Co-existing with local communities
- Contribute to food culture and society through great taste and excitement**
- Environmental outcomes**
  - Protecting the global environment
  - Reducing food waste
- Economic outcomes**
  - Sustainable, stable shareholder return

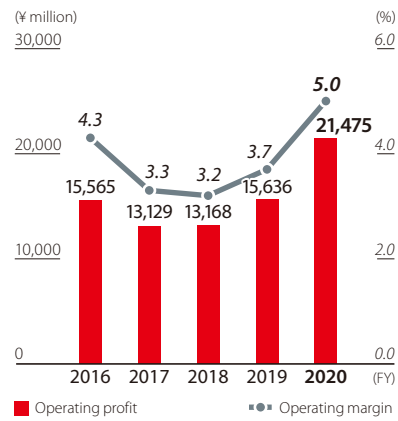
Circulate the value created to continually enhance capital and improve corporate value.

# Financial highlights

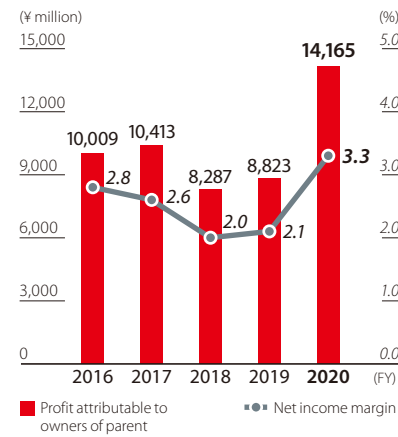
## Net sales



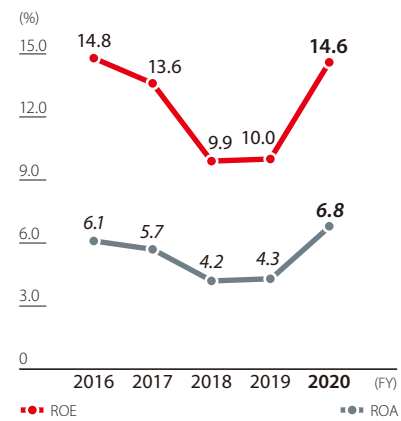
## Operating profit / Operating margin



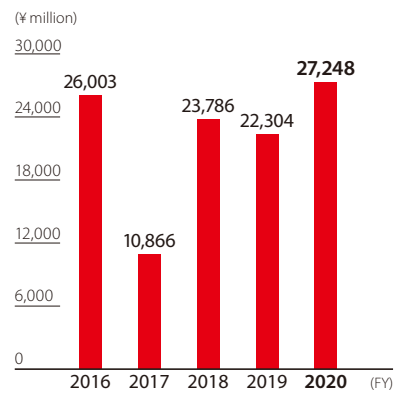
## Profit attributable to owners of parent / Net income margin



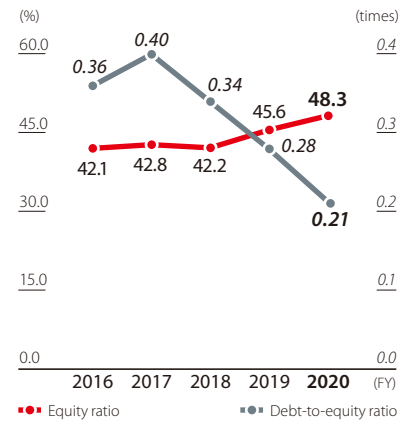
## Return on equity (ROE) / Return on assets (ROA)



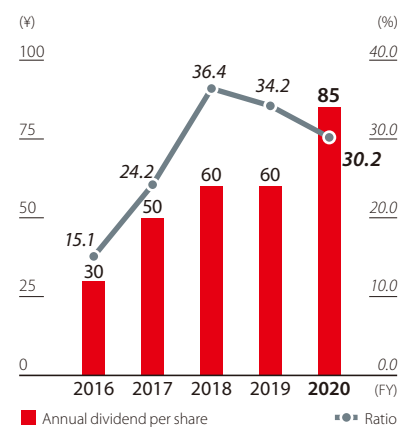
## Cash flows from operating activities



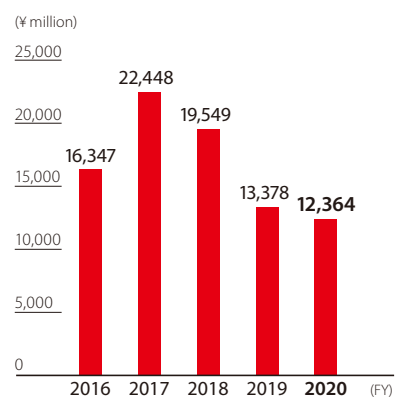
## Equity ratio / Debt-to-equity ratio



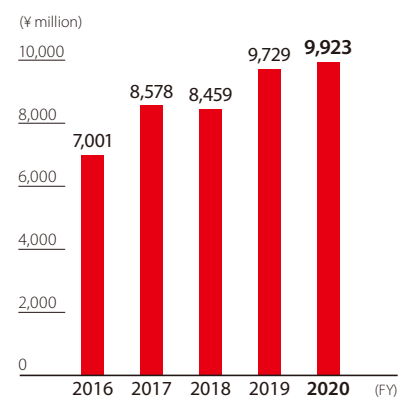
## Annual dividend per share / Ratio



## Capital expenditure



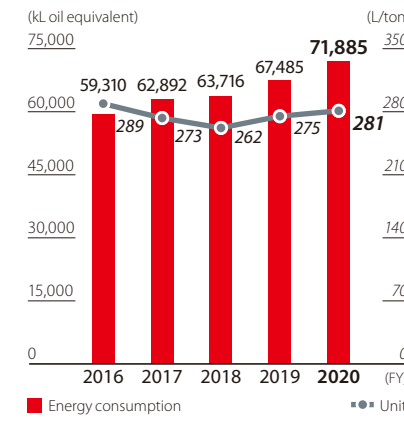
## Depreciation and amortization



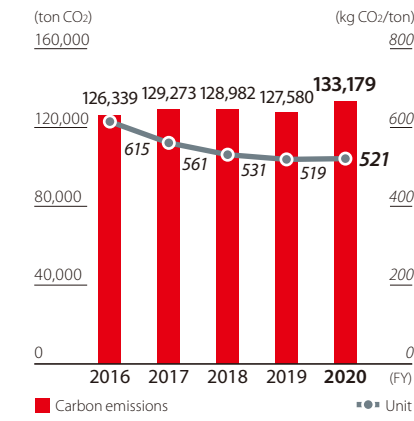
# Non-financial highlights



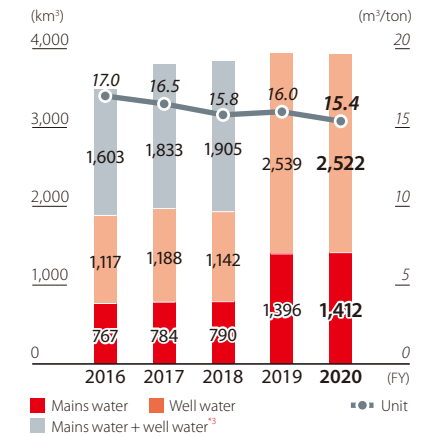
## Energy consumption (22 plants<sup>\*1</sup>)



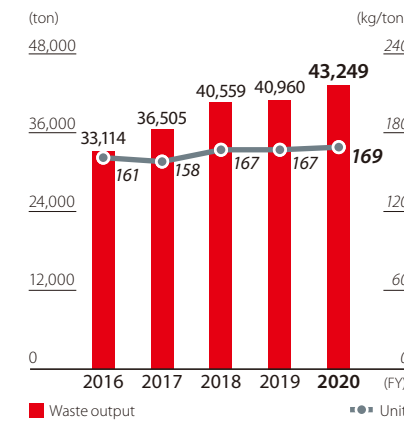
## Carbon emissions (22 plants<sup>\*1</sup>)



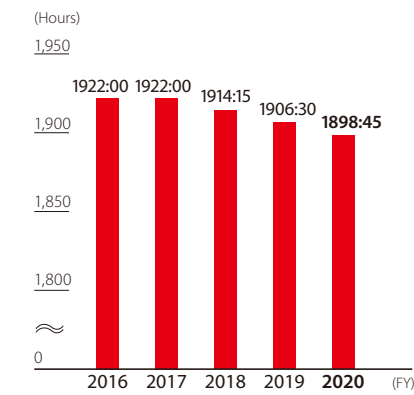
## Water consumption<sup>\*2</sup> (22 plants<sup>\*1</sup>)



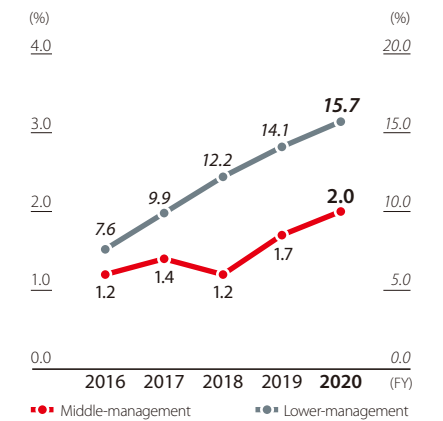
## Waste output (22 plants<sup>\*1</sup>)



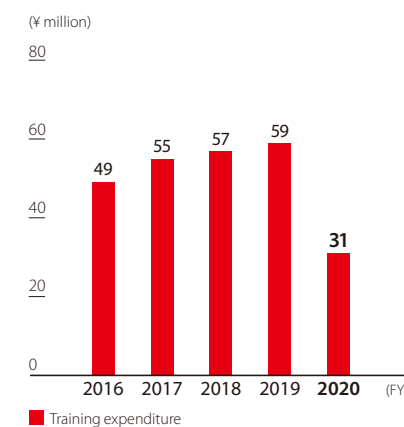
## Scheduled annual working hours (unconsolidated; per employee)



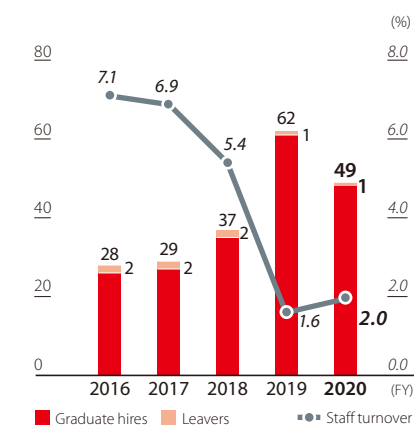
## Percentage of women occupying middle- or lower-management posts (unconsolidated)<sup>\*4</sup>



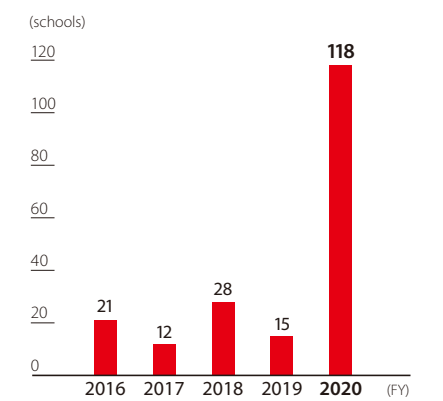
## Training expenditure (unconsolidated)



## Graduate hires, leavers<sup>\*5</sup>, staff turnover (unconsolidated)



## Schools supplied with food-related learning materials



<sup>\*1</sup> The 22 plants were as follows: Prima Meat Packers' four plants, Prime Delica Co., Ltd.'s 12 plants (including Sagamihara plant 2 from fiscal 2017), Akita Prima Foods Co., Ltd., Prima Fine Foods Co., Ltd., Prime Foods Co., Ltd., Shikoku Foods Co., Ltd., Prima Luca Co., Ltd., and Nishi-Nippon Best Packer Co., Ltd.  
<sup>\*2</sup> The figures for fiscal 2018 and 2019 have been retroactively amended from the figures disclosed last year.  
<sup>\*3</sup> The "mains water + well water" portion pertains to 12 of Prime Delica's plants. For the fiscal years 2016 to 2018, the 12 plants provided no breakdown by type of water consumed.  
<sup>\*4</sup> Excludes secondments  
<sup>\*5</sup> "Leavers" means employees who leave the company within three years of joining.

## Section 1

# Our Growth Strategy

Around the turn of the millennium, we faced a slump in performance. After some soul searching, we went back to basics in terms of merchandise and quality. We also overhauled our systems of management. These changes led to a gradual turnaround in performance. Today, our businesses deliver steady profits. Having learned the lessons from the past, we are now committed to sustainable corporate development. You can learn about our growth strategy in the following question-and-answer section. It reveals how we will reinvest profits into our long-term vision and what we hope to achieve in the future.

## Questions from investors

**Q** In fiscal 2020, Covid-driven demand for eating at home gave you a significant sales boost. Will sales revenue dip in fiscal 2021?



**A** Current estimates suggest that the pandemic added ¥2 to 3 billion to net sales. Sales should stay high this year, in line with our targets. In fact, the processed foods business posted year-on-year sales growth for the April to June period.

See “Interview with the Senior Managing Executive Officer in Charge of Finance” on page 27.

**Q** Can you give an update on the construction of the new farm in Miyagi Prefecture?



**A** Our plan is to build a 13-hectare farrowing facility and a 13-hectare fattening facility in the south of Miyagi Prefecture. We remain on track to open the farm in 2023. We have now signed the necessary agreements with the local authorities, including a location agreement, land contract, and a pollution control agreement. Additionally, we have now completed layouts for the two facilities and have chosen the equipment to install there. As the construction proceeds, we will start putting in place digital innovations and stronger infection-control measures.

See “Focus: The Fresh Meat Business” on page 33.

**Q** Are you developing any other new kinds of products?



**A** Yes. This task forms part of Next 10, a project to build new growth drivers for the next ten years. Under this project, our Kagoshima plant installed a vacuum fryer to produce dried meat snacks and processed seafood products for convenience stores. We also plan to use individual quick freezing tech to produce value-added frozen products, and high pressure processing to develop uncured products.

See “The Processed Foods Business: Looking ahead” on page 38.

**Q** You recently expanded into the market for plant-based meats by launching your own soy meat range. Tell me about it.



**A** We launched Try Veggie, our series of soy meat products, in 2021. As the name implies, the idea is to encourage people who are new to plant-based meat to give it a try. Accordingly, we made the products accessible by setting an affordable price and using single-serve packaging. In partnership with Marukome Co., Ltd., a leading producer of soy-based products, we were able to develop a line of delicious soy-meat products. Since the launch, the Try Veggie range has proven popular.

See “Focus: The Processed Foods Business” on page 39.



# How we use each type of capital

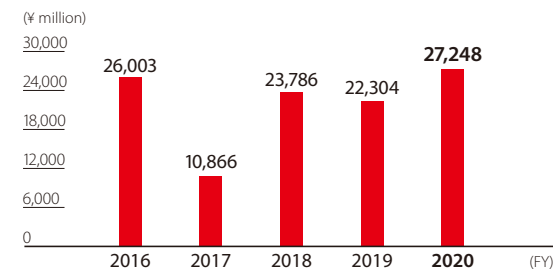
## Financial capital



### Leveraging solid income to fund future growth

One of our core strategies for the medium to long term is to enhance strategic management. That means balancing fiscal responsibility with capital expenditure toward future growth. In recent years, we have established steady revenue streams, and in fiscal 2020, we posted annual operating cash flows of ¥27.2 billion. This solid income characterizes our financial capital. We will reinvest the profits in activities for expanding operations and increasing growth prospects. We will also monitor investments more closely to ensure capital efficiency.

### Cash flows from operating activities (consolidated)\*



Cash flows from operating activities have trended above the ¥20 billion mark. We will continue to maintain fiscal health as we invest toward higher growth.

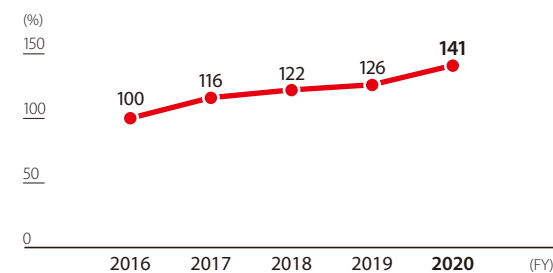
## Manufactured capital



### Leading the industry in production efficiency

In the fresh meat business, we have built an integrated system of domestic pork production to meet customers' demand for great-tasting, safe, and reliable food. In the processed foods business, we have automated and streamlined plant production to give us the flexibility to respond to changing demand. We will continue working to reduce our carbon footprint and enhance our manufactured capital. In this way, we aim to exceed customer expectations and raise our production efficiency—already No. 1 in the industry—to even higher levels.

### Production volume over past five years (non-consolidated)\*



Production volume rose each year thanks to more efficient production in the processed foods business. We will continue to expand production capacity by investing in new plants and facilities and thereby increase our competitiveness.

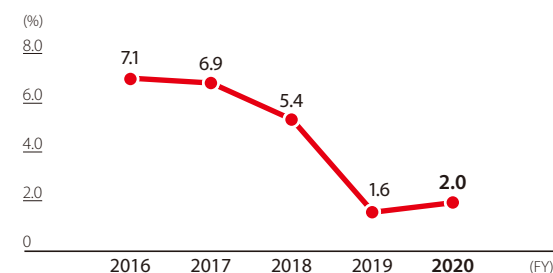
## Human capital



### A diverse, inclusive, empowering workplace

We aim to provide a diverse, inclusive, empowering workplace that supports job satisfaction. To that end, we have launched a program to strategically and systematically develop our leadership talent pool and build a more globally fluent workforce. Alongside this, we are cultivating an organizational culture that cherishes diverse backgrounds and experience. As part of this, we listen to employees' opinions and take action to address their concerns. We also support employees' professional development by offering careers counseling and promotion opportunities.

### Percentage of graduate hires who leave within three years (non-consolidated)\*



We have seen a decline in the percentage of graduate hires who leave within three years. We provide a range of training programs and follow-ups to help employees grow professionally.

## Intellectual capital



### Embracing technology and innovation

In manufacturing our products, we always strive to ensure that the products are delicious, safe, reliable, healthy, convenient, and kind to the environment. We also embrace technology and innovation. Recently, we developed a range of soy meat products and started using technologies to extend shelf life, such as high pressure processing and individual quick freezing. Additionally, we actively deploy communications technology for saving labor and enabling the production of high-quality products. We also engage in joint research with academia to develop high-quality products and enhance quality management.

## Social capital



### Trusting stakeholder relationships

Collaboration with a range of stakeholders is fundamental to our business plan. For example, to strengthen and expand our supply chain networks for raw meat, we work closely with fellow members of the ITOCHU Group, engage in joint product development with partners, and engage in joint research with universities and research institutions. We also sponsor popular theme parks. These sustained collaborative ties have enhanced trust and love for the Prima Meat Packers brand—and a beloved brand is a priceless asset.

## Natural capital



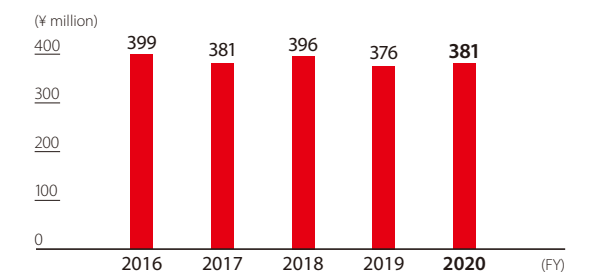
### Fulfilling our environmental responsibility

Our industry faces growing pressure to reduce our carbon footprint. This includes tackling climate change by cutting greenhouse emissions from livestock farms, consuming less energy during production activities, and switching to renewable energy. It also means conserving the Earth's limited resources by minimizing production waste and food loss and by using less plastic packaging or using recycled plastic packaging. We take our responsibility to the environment seriously. Accordingly, we have established measures and organizational frameworks to protect and make effective use of natural capital, and we continue to acquire technology and expertise to further these efforts.

See "Our Value Creation Model" on page 15.

\* Performance indicator

### R&D expenditures (consolidated)\*



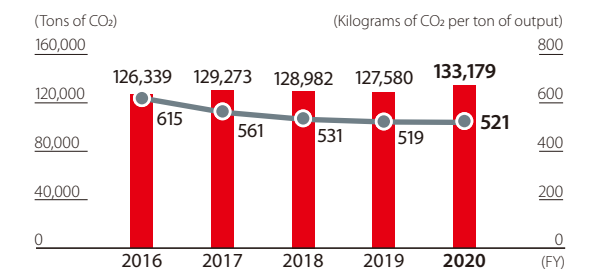
We actively invest in research and development. Our budget covers basic research, such as advanced techniques for processing/producing meat. It also covers applied research, such as practical solutions for developing and producing products.

### Supply sources for raw meat (non-consolidated)\*



Our geographically dispersed supply networks give us the flexibility to choose just the right raw materials for each product. They also disperse the procurement risks, enabling stable supply and business continuity.

### CO<sub>2</sub> emissions (from 22 plants)\*



Total emissions have stayed largely at the same level because output has risen year by year. However, relative to production output, emissions have decreased because plants have taken measures to cut emissions, such as switching to cleaner fuel and natural coolant.

# Growth scenarios in view of broad trends and business opportunities

## Scenario 1 Sustainable farming

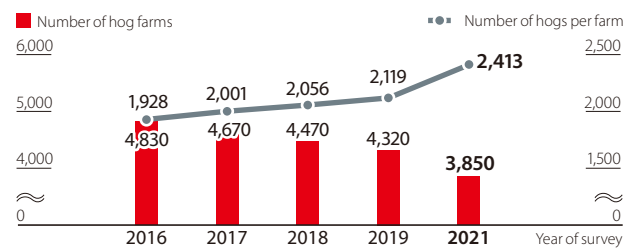
### Changing business landscape, business strategy

We currently source raw meat from various locations around the world. Maintaining and strengthening these supply chains is critical to achieving sustainable corporate development. However, a number of risks threaten our ability to procure raw meat. Recent risks include climate change, the rising demand for meat driven by world population growth, and the present COVID-19 pandemic. Another issue is the decline in pork farming in Japan. This challenge means that we must run our own hog farms.

Accordingly, we plan to build a new farm across an expansive, 26-hectare site in Miyagi Prefecture. Scheduled to be completed in 2023, the new farm will use advanced equipment and

scientific approaches to achieve high levels of productivity. In this way, they will drive the growth of our hog farming business.

**Domestic livestock farms over the years (number of hog farms)**



Note: No survey was conducted in 2020, as an agriculture and forestry survey was conducted in that year.  
Source: Ministry of Agriculture, Forestry and Fisheries (February 1, 2021)

### Key types of capital

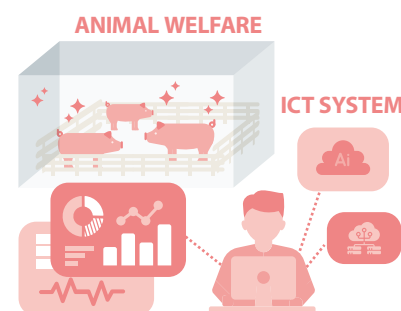


### Cutting-edge farming that combines high productivity with sustainability

To be sustainable, pork and cattle farms must minimize greenhouse emissions from enteric fermentation and manure and prevent damage to neighboring ecosystems. They must also uphold standards of animal welfare.

Accordingly, our new farm in Miyagi Prefecture will use advanced technology and scientific approaches, such as AI and big data analytics. In addition, the farm will adhere to international standards for animal welfare. This advanced farm will pursue productivity, while actively engaging with the local community.

See "Focus: Fresh Meat Business" on page 33.



## Scenario 2 Penetrating the plant-based food market

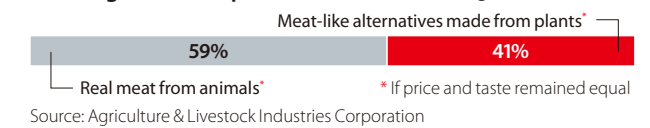
### Changing business landscape, business strategy

Livestock farming has come under increasing criticism for its climate impact. One concern is the greenhouse gas emissions from farms. Another is deforestation resulting from the cultivation of animal feed. Such concerns are driving the global demand for plant-based foods as an alternative to meat. According to one report, among the 27 countries surveyed, an average of 40% of meat-eaters would prefer plant-based meat to real meat if price and taste were equal.

In response to this shift in values, we started developing our own plant-based meat. The result was Try Veggie, a series of soy-meat products that provide consumers with a non-meat

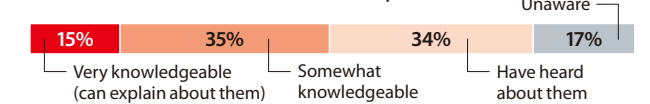
option. The products are selling well and are proving popular with our retail clients.

**Growing interest in plant-based meat** Average of 27 countries



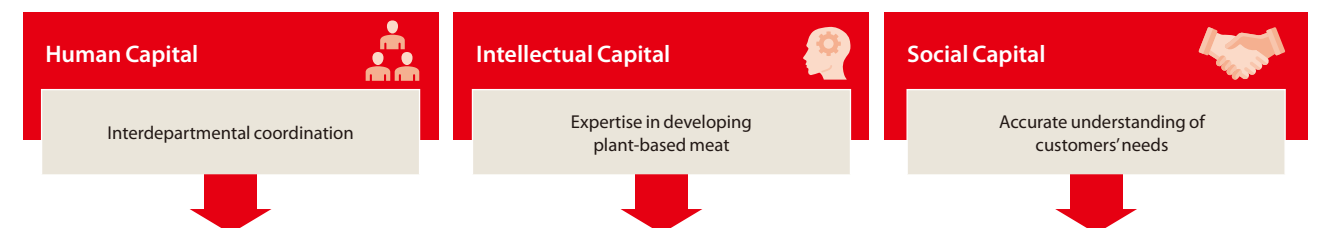
Source: Agriculture & Livestock Industries Corporation

**Awareness of meat alternatives** Japan



Source: GlobeScan's 2020 Health & Sustainable Living Report

### Key types of capital



### Developing new products to suit changes in customers' values

Launched in 2021, our Try Veggie series was a culmination of interdepartmental collaboration within the Development Division—namely, among the product planning department, product development department, and R&D Center.

Noting that Japanese consumers tend to shy away from meat alternatives, the teams decided that the product should emphasize the inherent taste of soybeans. They also wanted to make the product accessible to people who are new to soy meat. Accordingly, they opted for a reasonable price and single-serve packaging. We will further refine the Try Veggie range so that it becomes a familiar part of people's diets.

See "Focus: Processed Foods Business" on page 39.



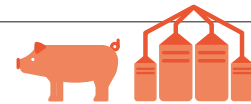
# A multifaceted investment strategy to boost capital and further our strategy

Performance indicators (consolidated)	Fiscal 2019 (result)	Fiscal 2020 (result)	Fiscal 2021 (target)
Net sales	418.1	433.6	437.7
Fresh Meat Business	131.7	139.7	139.9
Processed Foods Business	285.8	293.3	297.4
Operating profit	15.6	21.5	16.6
Fresh Meat Business	1.5	3.6	2.3
Processed Foods Business	13.9	17.7	14.3
Profit attributable to owners of parent	8.8	14.2	10.5
Equity	45.6%	48.3%	40.0% or higher
Capital expenditure	13.4	12.4	18.3

## Investment budget

### Budget 1

#### Capital expenditure in the hog farming business



Between now and 2030, we will invest ¥40 billion to strengthen our system of Japanese pork production. As part of this investment, we will open a new farm in Miyagi in 2023. Situated across 26 hectares, the farm will consist of breeding and fattening facilities that use digital technology to monitor swine biodata and the farm environment. Other facilities will include a feed mill and a distribution center. The distribution center will use a fogging machine to disinfect all objects destined for the farm site. To address animal welfare concerns, the farm will use free-access stalls. We have started rolling out these innovations in other farms.

##### Main budget allocations

- Advanced breeding and fattening facilities
- Data monitoring infrastructure (cameras and sensors for monitoring biodata and environmental data)
- Feed mill, distribution center
- Free-access stalls

### Budget 2

#### Capital expenditure in plants



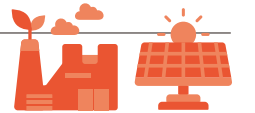
We have invested ¥13 billion in the construction of a new plant in Kagoshima. Scheduled for completion at the end of 2022, the new plant will be 5.6 hectares large. This vast facility will enable us to boost production capacity for Koukun Sausage and microwavable (value-added) meals. It will also produce products made with locally sourced chicken. The new plant will use AI-powered inspections and an advanced hygiene control. We will also roll out these innovations in other plants.

##### Main budget allocations

- New plant in Kagoshima
- AI-powered inspections
- Advanced hygiene control system

### Budget 3

#### Capital expenditure for reducing carbon footprint



We have already taken action to reduce our climate impact. For example, some of our plants have switched their boiler fuel from fuel oil to liquefied natural gas. The new plant in Kagoshima will adopt such measures.

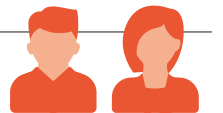
In addition, the new plant will use natural refrigerants instead of ozone-harming fluorinated refrigerants. It will also use renewable energy generated by onsite solar panels. Our plant in Hokkaido converts plastic waste into biomass fuel. We will introduce this measure in other plants too. See page 21 of ESG Data Book 2021.

##### Main budget allocations

- Boilers compatible with liquefied natural gas
- Refrigeration that uses natural refrigerants
- Renewable energy system

### Budget 4

#### Capital expenditure for talent development



We are investing in efforts to attract and cultivate the talent who will help enhance our enterprise value. In particular, we want to cultivate the leadership talent to manage the Group's operations and a globally fluent workforce to drive our overseas expansion. To that end, we provide junior employees with opportunities to attend overseas study programs and on-the-job apprenticeships. Although the pandemic forced us to suspend these initiatives in fiscal 2020, we will resume these activities in the future.

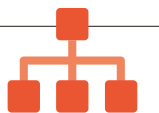
Our program for nurturing talent provides rank-specific training courses that equip employees with the necessary skills, the knowledge, and competences. The program also empowers employees to fulfill their potential, bringing benefits to both the employees themselves and to the organization as a whole. See page 32 of ESG Data Book 2021.

##### Main budget allocations

- Overseas study programs for junior employees
- Overseas on-the-job apprenticeships
- Rank-specific training courses

### Budget 5

#### Capital expenditure for the Prima Next Project



The Prima Next Project involves business process re-engineering. This means reviewing and re-designing workflows and organizational processes. It also involves change management. This means helping employees prepare for the organizational changes with a view to entrenching the changes. As part of these actions, we are upgrading our internal systems.

In fiscal 2021, we clarified the goal and scope of the project, gaining an overall idea of the organizational changes. We will now gradually begin a change impact assessment consisting of internal briefings and workshops. In this way, we will make sure that employees understand the changes that will occur. See page 59.

##### Main budget allocations

- System upgrade to facilitate business process re-engineering and change management



## A dynamic investment strategy for sustainable corporate development

### Takahiro Uchiyama

Senior Managing Executive Officer in charge of Human Resources, Finances, General Affairs/Public Relations Department



### Experience teaches the importance of financial health

In fiscal year ended March 2021 (fiscal 2020), the spread of COVID-19 created a tough business environment. Nonetheless, we entered the current fiscal year with strong financial results. Particularly pleasing was operating profit. At ¥21.5 billion, the result exceeded the rolling target of ¥14.5 billion, which we had set in the medium-term business plan. We also significantly surpassed the targets for ordinary income and profit attributable to owners of the parent. The main reason for such growth is that our Ibaraki plant and other production centers achieved high levels of throughput and efficiency, enabling us to fully capitalize on the surging demand for eating at home.

In the processed foods business, we avoided production stoppage thanks to the dedicated efforts of staff and our robust safety measures for COVID-19. We also posted higher earnings in the fresh meat business. One factor was employees committing more firmly to securing profits. Another factor was that the supply side profited from higher market prices for pork.

Reflecting the earnings growth, we posted ¥27.2 billion in cash flows from operating activities. In recent years, we have consistently generated such cash flows above the ¥20 billion mark. We aim to maintain this healthy financial trend while investing in projects to enhance our competitive advantage and returning profits to shareholders. Regarding the latter, we will pay a dividend of ¥85 per share, which includes a ¥20 bonus to commemorate our 90th anniversary of Prima Meat Packers.

Around two decades ago, earnings slumped and growth stalled. To get out of the rut, everyone, from senior managers down to frontline workers, committed themselves to a

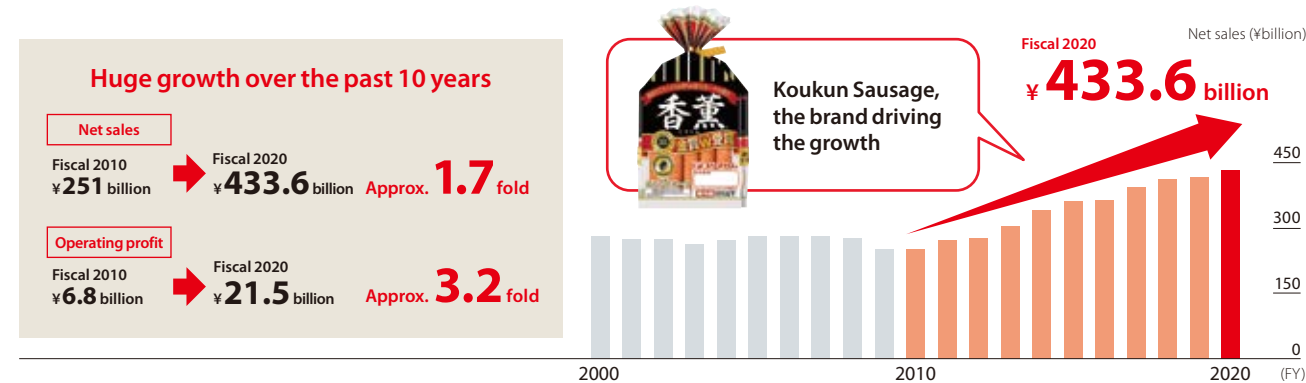
program of organizational reform. Additionally, in the latter half of the first decade of the twenty-first century, we started upgrading the technology in the ham and sausage plant. Once we had boosted production capacity and cost competitiveness, our Koukun Sausage brand became a big hit and earnings recovered.

Fiscal 2020 was oddly reminiscent of that period. That is, despite the unprecedented challenges of the pandemic, we managed to expand operations and grow earnings because we had invested toward such growth. In 2019, for instance, we had invested ¥30 billion to build the Ibaraki plant, and that investment became a big growth driver. We will draw on both these experiences in our pursuit of future growth. Specifically, we will continue an active and dynamic strategy of capital expenditure underpinned by a strong financial foundation and prudent allocation of resources.

### Active investment, surefooted growth

We have upgraded the capital expenditure budget for the fiscal 2021–2023 period. The new budget includes expenditures for renovating aging facilities. It also includes growth expenditures, including spending on digital transformation as part of the Prima Next Project (see page 59). We do forecast lower earnings in fiscal 2021, but earnings should pick up again in fiscal 2022 and beyond.

As regards net sales, we estimate that the pandemic will boost sales by ¥2 to 3 billion, but this could easily change depending on how the situation develops. We will probably hit the annual target given that the processed foods business posted a year-on-year increase for the first quarter (April to June).



The new income target may seem rather conservative. This is because we want to keep steady growth, with an ever-watchful eye on emerging trends in the post-Covid new normal.

### Sustainable corporate development, SDG action

In the fresh meat business, we have earmarked ¥40 billion for the hog farming business. Much of the spending is for the new farm in Miyagi, which remains under construction (see page 33). Japanese pork continues to sell well in Japan amid the strong consumer demand for Japanese-produced meat, but an important shift is occurring: fewer and fewer hog farms in Japan are sole proprietorships, and corporate farming increasingly dominates. As an organization with a long track record in corporate farming, we are introducing industrial and scientific innovations into our hog farms, including AI-driven analytics and other digital technology. We are also working to make our hog farms more sustainable as part of our active commitment to the Sustainable Development Goals. For example, we are working to minimize the environmental impact of the farms in terms of disease risks and odors. We are also using temperature control technology to improve the welfare of the pigs.

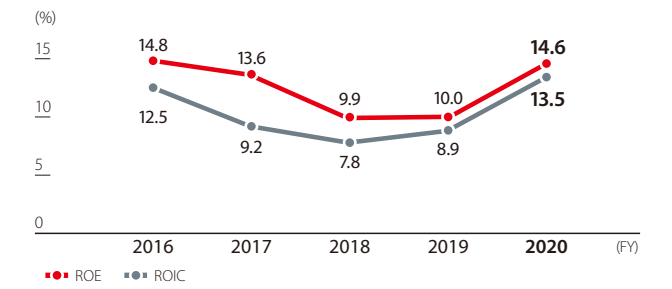
In the processed foods business, we have invested around ¥13 billion into a new plant in Kagoshima, which should begin service around the end of 2022. The existing Kagoshima plant has aged considerably, so switching production to the new plant will lead to higher production capacity and productivity. Our investors want to know how we will keep up with the growing demand for Koukun Sausage. I can tell you that the new plant will play a crucial role in this task. Moreover, by sourcing and manufacturing locally, the plant will also contribute to Kagoshima's economy. We also plan to invest actively in green initiatives.

Let me share some other examples of investments in this business. We are investing in AI technology that assists the human eye in checking food for contaminants such as hog hair or bone fragments (see page 46). We are also investing in green initiatives and labor-saving initiatives to help cope with Japan's labor crunch. Additionally, we are now exploring new initiatives to reduce greenhouse emissions in light of our new approach to tracking such emissions. Specifically, until now we have tracked emissions per unit of output, but from now on we will measure total emissions.

All investments require a farsighted approach, one that considers what the situation will be five to ten years from now. This is necessary to understand the level of production we will need and to make sure that we achieve such a level. We do, of course, need to ascertain the finer details of the budget, but no less important is grasping the bigger picture—to envisage how the investment will work in the long run.

Given our need to reinvest profits in this way, we have decided to keep the dividend payout ratio at 30 percent. Getting this ratio right is an ongoing challenge. We strive to find

### Trend: ROE and ROIC



Weighted average capital cost (WACC) of around 5%

See "Financial highlights" on page 17.

the right balance between returning profits to shareholders and reinvesting profits to improve our growth prospects and enhance our enterprise value.

### Managing investment risk, enhancing capital efficiency

As part of our capital expenditure strategy, we will work to maintain or enhance capital efficiency and manage investment risk. In fiscal 2020, our return on equity reached 14.6 percent. This result exceeded our medium-term benchmark of 10 percent or more. When planning to invest toward growth, what matters is to allocate capital in an optimum manner to efficiently generate profit. When a division proposes an investment budget, we scrutinize the plan rigorously, focusing on fiscal soundness and capital efficiency and using metrics such as return on invested capital and net present value. We also track the performance of ongoing investments. From here on out, the better we scrutinize prospective and ongoing investments, the better our growth prospects and capital efficiency will be. Another strategy to achieve growth is to acquire overseas companies. Governance of these overseas acquisitions will be a critical task in the years ahead. Accordingly, we are working to cultivate a globally fluent workforce that can manage our overseas expansion.

We became one of the 400 companies listed on the fiscal 2021 JPX-Nikkei Index 400. Provided by the Tokyo Stock Exchange, the JPX-Nikkei Index is an index of companies that are attractive for investors. Our solid management of return on equity helped earn us a place on this index. We remain committed to ensuring a high level of investment performance, sound financial health, and further growth.

I would summarize our financial vision as follows: To expand operations and improve our growth prospects, we will boost capital efficiency by building an effective governance structure. At the same time, we will demonstrate to stakeholders our financial commitment to social and environmental sustainability.

Fresh Meat Business

# Our new hog farm: A growth driver to help us become a top-class hog farming company in Japan

## Integrated production: The centerpiece of our growth strategy

In the fresh meat business, we are expanding our hog farming business (the upstream supply chain for the business) with a view to integrating all operations for our domestic pork, from genetic selection and fattening to processing and selling. By working closer with overseas suppliers and better meeting the needs of customers, we hope to grow and stabilize revenue streams and to streamline operations.

We hit our growth targets for fiscal 2020, despite the impact of the pandemic, as a result of strengthening sales, products, and production. Most pleasingly, operating income more than doubled the previous fiscal year's level. While some of the success was down to a favorable market for domestic pork, we believe the results vindicated our efforts to raise productivity in this business.

Our future goal is to become one of the top pork producers in Japan. To that end, we are deepening ties with HyLife Foods LP, an innovative pork producer in Canada and fellow member of the ITOCHU Group. Additionally, as our organization expands, we will tighten governance and step up sustainability initiatives, including those related to animal welfare.



**Masahiko Yano**  
Senior Managing Executive  
Officer  
Head of Meat Business Division

Masahiko Yano has extensive expertise in the company's businesses and the industry as a whole. Yano previously headed the Food Service Department and Sales Division. Since April 2017, he has led the Meat Business Division. He is very experienced in both the processed foods business and fresh meats business.

## Future vision Be a top-class hog farming company in Japan

We will set KPIs for breeding performance and optimum feeding regimen. We will work toward these targets using a PDCA cycle.

### Raise pig shipments

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

### Expand sales

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

### Improve inventory turnover

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

### Reduce incident rate

We will reduce the incident rate by providing a comfortable environment for the animals.

## Business strategy > See "Looking ahead" on page 32.

### Use science to optimize the hog farming business

Starting with the new farm in Miyagi, we will introduce scientific methods and digital technology into our farms across Japan to better leverage their assets, raise their capacity, and streamline their operations.

### Differentiate and add value

We will differentiate and add value to our products through our strategy of integrated production with fastidious attention to group coordination, feeding regimen, and rearing methods.

### Raise in-house production

In fiscal 2020, 45% of our materials came from group suppliers and the remaining 55% were from outsourced production. By 2030, we aim to raise the in-house percentage to 52% (with outsourced production at 48%).

### Adopt sustainable business practices

We will raise farm hygiene levels with a view to reducing the use of antibiotics. We will also use scientific methods to improve meat quality. In the interests of animal welfare, we will phase out traditional gestation crates in favor of free-access stalls.

## SWOT analysis

### Strengths

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

### Weaknesses

- The upstream supply chain for domestic pork is small.
- We have few overseas sales and production sites.
- Pigs are the only animal farmed in our upstream supply chain.
- We lack globally fluent talent.

### Opportunities

- World population growth is creating more sales opportunities, particularly in East Asia.
- We can work with other members of the ITOCHU Group to penetrate new business sectors.
- Recent trade agreements have opened up more meat import opportunities.
- We can use academic-industrial partnerships to introduce technology into our farms.
- If we produce halal foods, we could tap into a large market.

### Threats

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



Looking back

## Growth from better sales capabilities, merchandising, and productivity

### Investing in the expansion of the hog farming business

As part of our strategy to expand our hog farming business, we have worked to raise pig shipments. One of our group farms, Nikushitsu Kenkyu Farm, Ltd., has raised its capacity by 6,000 pig shipments. Half of the increase came from building a facility that can house up to 3,000 pigs. The rest came from buying up an agricultural contractor's farm and running the acquired farm directly. The farm also acquired 500 more Kurobuta sows. Similarly, Yukizawa Co., Ltd., built a facility that can house up to 650 pigs. We also bought up Excel Farm Co., Ltd., which has a shipment capacity of 34,000. Consequently, we expect our farms to be producing a total of some 430,000 shipments by the end of fiscal 2021, compared to 419,000 in fiscal 2020, 380,000 in fiscal 2019, and 276,000 in fiscal 2018.

To raise the level even higher, we have started building a new farm in Miyagi. The farm will begin production in 2023.

### Higher sales of original brands

Original brands lie at the center of our merchandising strategy. These brands comprise fresh meat products that embody our production values in terms of breed, feeding regimen, and rearing practices. These values provide a compelling brand story that our retail partners can use to create appealing in-store displays and culinary ideas. The majority of our meat sales go to retail partners consisting primarily of supermarket chain, and due to the Covid-driven demand for eating at home, sales of original brands in fiscal 2020 accounted for 46% of sales, compared to 38% in the previous year.

We will continue developing original brands with an eye on market trends.

### Customer-specific, product-specific strategies for better profit management

For some years, we have worked to manage profit better by developing customer-specific and product-specific strategies. Sales teams are now more profit-focused and better at managing inventory.

In fiscal 2020, we changed our supply strategy after analyzing data from our retail clients. Under the new strategy, we now develop sales plans and monitor their progress more precisely, enabling us to more quickly match supply to demand. The strategy also provides a clearer performance outlook, helping us set full-year forecasts.

In another initiative for fiscal 2020, we embraced web conferencing tools for sales discussions with retail clients. This move helped us avoid a loss of orders during the pandemic.

### Phasing out gestation crates on the Kurobuta farm

In fiscal 2020, we worked to inculcate a better governance culture across our group farms. For example, we revised our standards for group companies that operate under the supervision of the Meat Production Dept., monitored the farms to confirm their compliance with the new standards, and increased the number of training sessions.

Recognizing that animal welfare is an important part of sustainability, we have made this issue a core part of our governance strategy. In fiscal 2020, Nikushitsu Kenkyu Farm, Ltd. shifted operations to its artificial insemination center in Kagoshima as part of its initiative to phase out traditional gestation crates and replace them with free-access stalls. The farm will complete the transition in fiscal 2021.

To protect pigs from disease outbreaks as our farm network expands, we started using the services of external veterinarians in addition to the veterinarians on our payroll.

Looking ahead

## Higher production capacity for better top-line and bottom-line growth

### Applying science to enhance the hog farming business

Aiming to become a top-class hog farming company in Japan, we want to have our farms shipping 600,000 pigs a year by 2030. To that end, we will better leverage the assets of our farms, raise their capacity, and streamline their operations.

The new farm in Miyagi will lead this endeavor for advanced pig farming by applying science and technology. For example, the farm will import highly productive sows from overseas breeders and use big data held by the breeders to identify best practices. We will also analyze the biological data for every pig and environmental data (temperature, humidity, and CO<sub>2</sub> levels). Through these efforts, the new farm will aim to raise production to European levels.

See Focus: "Fresh Meat Business" on page 33.

### Differentiating, adding value

We market original brands to retail clients as part of our effort to narrow down our products and operate leaner. The original brands also represent our efforts to differentiate and add value.

For these original brands, which primarily comprise fresh meat products, we set sales targets with a view to raising earnings. We also manage their inventory turnover to improve the bottom line.

For fiscal 2021, we plan to release an original Kurobuta pork product to commemorate Prima Meat Packers' 90th anniversary. This is an example of a product in which we pay meticulous attention to breed, farm environment, and feeding diet. Our Kurobuta pork is derived from pure-bred Berkshire pigs that are raised in an enriched environment that includes a special feeding diet composed of 10% wheat, 10% rice, and nutritional additives. Kurobuta farming forms the centerpiece in our strategy for the hog farming business, which itself is the mainstay of the fresh meat business. By obtaining more Kurobuta sows, we intend to expand our share of this market.

We also aim to penetrate overseas markets with the support of the ITOCHU Group. In fiscal 2021, our group farms will start shipping pork to Hong Kong and Vietnam.

### Producing more in-house (within the group)

We are increasing in-house pork production, relative to outsourced pork production, in an effort to boost top-line and bottom-line growth. The ratio of in-house to outsourced production has increased over the past several years: as of March 31, 2021, we produce 45% of our pork in-house (55% is outsourced). We will keep producing more in-house, without reducing outsourced production, so that we will produce 52% in-house (48% outsourced) by 2030.

To further improve the bottom line, we need to reduce logistics costs and speed up shipments. Accordingly, the Meat Business Division at Prima Meat Packers will work on a project to transform logistic operations. Part of this project will involve consolidating logistics operations under Prima Logistics Co., Ltd., to optimize efficiency.

### Adopt sustainable business practices

The task of integrating sustainability into our business intersects with two of our material issues: securing safe, reliable food, and recommending health-conscious products. In the fresh meat business, this means raising hygiene standards on farms so that we can reduce the use of antibiotics. At the same time, we will use scientific approaches to improve the quality of meat and optimize the feeding regimen.

Animal welfare is another vital aspect of sustainability. Some of our farms have replaced traditional gestation crates with free-access stalls, and the new farm in Miyagi plans to use the latter in 2026. Our plan also includes integrating the standards set by the World Organization for Animal Health into farm design and rearing practices.



### Net sales

¥139.7 billion

Year-on-year change  
Up 6.1%

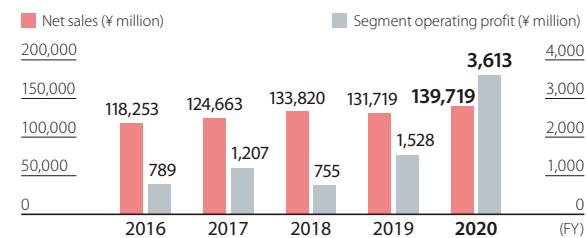
### Segment operating profit

¥3,613 million

Year-on-year change  
Up 136.4%

Results for fiscal 2020

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

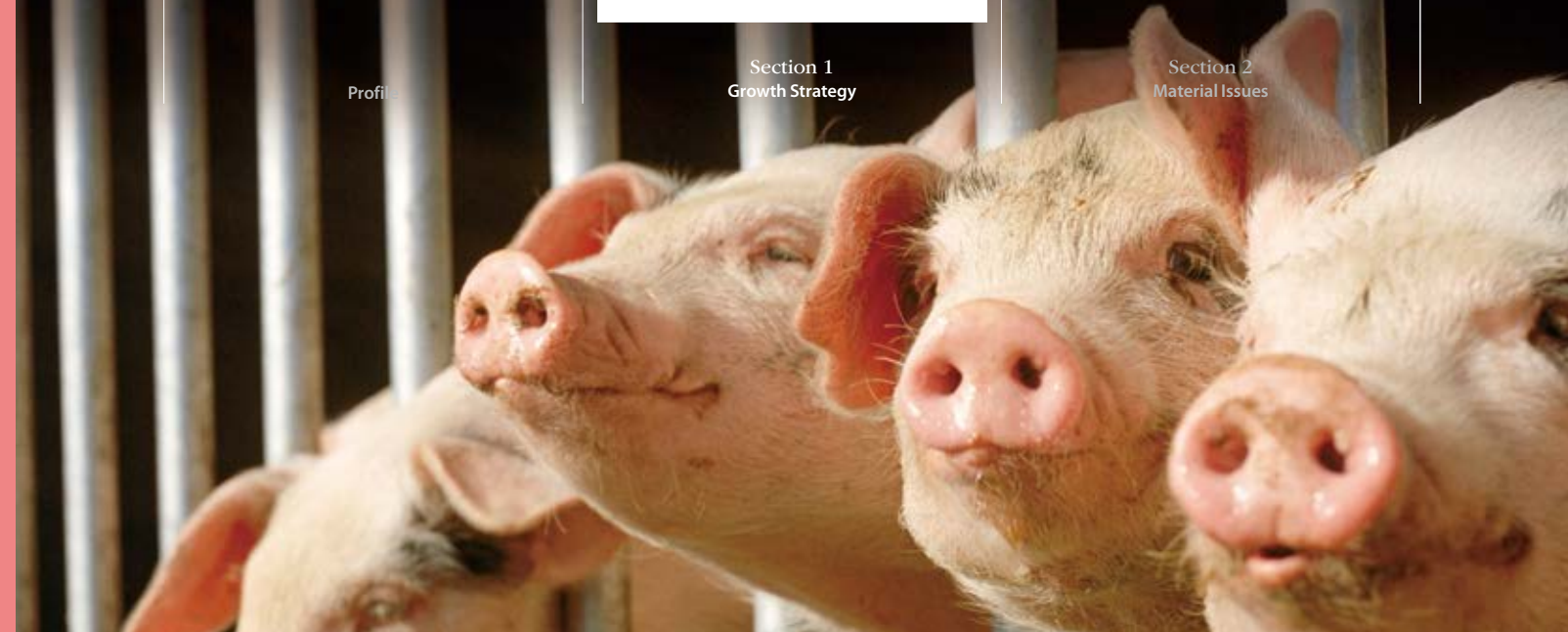




Focus

# The new farm: Leading the way in productivity and sustainability

We are working to boost domestic pork production as part of our strategy to grow the fresh meat business. Central to this investment is the new farm in Miyagi, which will start operating in 2023. This new farm will use cutting-edge equipment and analytics to achieve high productivity, propelling us to become one of the top pork producers in Japan.



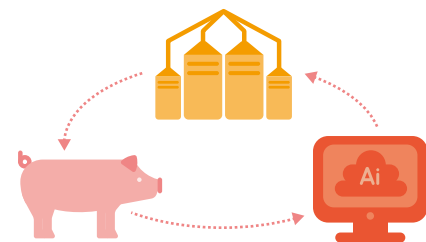
Profile

Section 1  
Growth Strategy

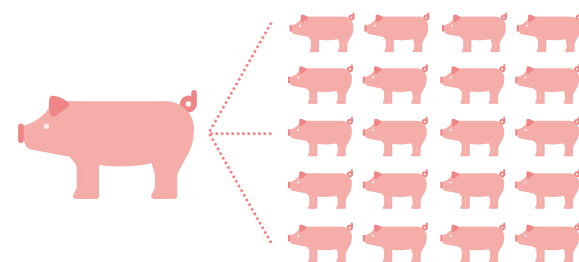
Section 2  
Material Issues

Practices at the new farm

## Using AI to analyze pig conditions for optimum feeding



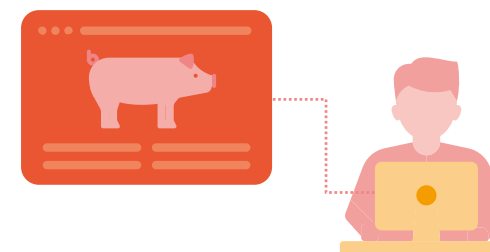
Our pork can only be delicious and healthy if we feed the pigs properly. To make sure that the pigs get just the right nutrients at just the right times, the new farm will use cameras and sensors to record each pig's growth and environmental conditions such as temperature, moisture, and CO<sub>2</sub> level. It will also use AI to analyze this data and glean findings that humans might miss.



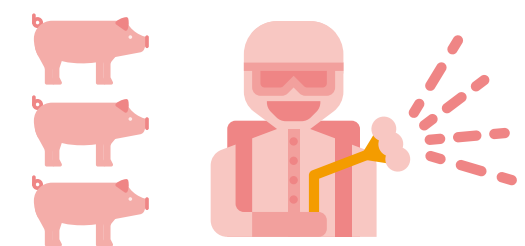
## Efficient breeding for higher productivity

The new farm will initially import highly productive sows from overseas breeders. It will then analyze the big data held by these breeders to identify best practices for breeding sows. With this knowledge, the farm will no longer need to import swine, a situation which would also help prevent disease. The farm will use air conditioning to create an optimal environment for pigs and digital technology to detect abnormalities as soon as they occur.

## Using digital technology to save labor



Because of pig-related factors and weather factors, workers on hog farms tend to work irregular shifts and long hours. However, digitally driven analytics offers a way to streamline work processes and reduce labor. Moreover, with a scientific approach, we can experiment with new ideas that could lead to better work output.



## Robust biosecurity

The new farm will have robust biosecurity measures. With separate farms for farrowing and fattening, it will segregate farrowing sows and fattening pigs, and the sheds for each group will be well-sealed. The farm will have truck washing facilities. There will also be a process at the distribution center, by which all items entering the premises will be smoke disinfected before moving on to the farrowing or fattening farms.

### On track for 2023 launch

We are on track to getting the new farm ready for its launch date in 2023. In fiscal 2020, we signed the necessary agreements with the local authorities (a location agreement, sale and purchase agreement, and a pollution control agreement). We have largely finished designing the sites and determining the installations for the farrowing and fattening facilities. Construction on the farrowing farms began on schedule, and we have filed the necessary paperwork with the local public health center and livestock hygiene service center.

We are now working to set up the fattening farms. This work includes installing the digital technology to manage the environment and feeding in the pig sheds. It also involves putting in place the necessary disease-prevention protocols at the distribution center.

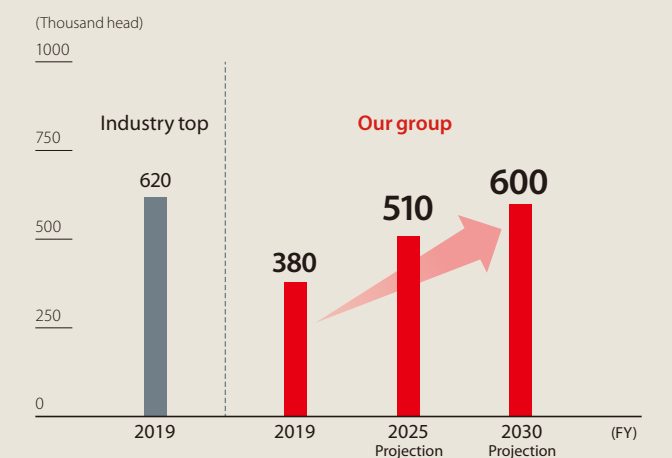
### Animal welfare, corporate social responsibility

The new farm will conform, in its design and practices, to the standards set by the World Organization for Animal Health. In Japan, hog farmers typically keep sows in gestation crates. Instead of using these crates, the new farm will use free-access stalls. The farm will also fulfill its corporate social responsibility to the community. It will minimize negative impacts (odor, wastewater) by using facilities of a higher standard. We will also engage positively with the community by actively hiring local people. Additionally, to support local farmers, the farm will provide pig manure for composting farmland that suffered salt damage from the 2011 tsunami.

### Future schedule for the new farm



### Targeted pig shipments



Processed Foods Business

# A broad product range to support healthy, balanced diets

## Proactively preparing for the new normal

During fiscal 2020, the pandemic drove up demand for eating and drinking at home. This demand buoyed sales of our consumer goods. The products that benefited the most were Koukun Sausage (a mainstay brand) along with dried snacks (the kind that usually go with alcoholic beverages). In 2021, we released Try Veggie, a range of soy meat products, to give people even more meal options. We also added an element of fun by launching a brand tie-up with a popular manga/anime franchise.

In contrast to the consumer products, sales of products for business use remain sluggish. Other challenges we face include the need to revive sales of gift products, penetrate the e-commerce market, and apply individual quick freezing tech to expand our range of frozen foods.

We are proactively preparing to adapt our sales strategy so that we can succeed in the new normal.



**Yuji Shinkawa**  
Managing Executive Officer  
Head of Sales Division

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

## Boosting production capacity, developing new technologies and products

During fiscal 2020, as the pandemic took hold, we restricted access to group production sites. Specifically, we banned non-essential visits and granted access only to personnel assigned to the plant in question. For audits and other essential visits, we took extra-stringent safety measures, such as requiring visitors to undergo a PCR test. Given these access restrictions, we initially expected a drop in production. However, we ultimately avoided any supply shortages thanks to the commitment of our staff, who devoted themselves to meeting production orders so that we could fulfill our responsibility as a food manufacturer.

Our production capacity will further increase when the new plant in Kagoshima launches operations at the end of 2022. The increased capacity will enable us to penetrate new markets and develop new technologies and products.



**Toshihiro Tago**  
Executive Officer  
Head of Production Division

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

## Future vision Support richer, healthier diets

We will set goals and KPIs and work toward them using a PDCA cycle.

### Increase market share

We will increase our Japanese market share for ham and sausages and get the top spot in each category.

### Sales goals

We aim to increase the number of stores handling our key products.

### Production goals

We will boost production capacity by 10% each year with a view to making Koukun Sausage the best-selling sausage in Japan.

Business strategy > See "Looking ahead" on page 38.

### Koukun Sausage: Aiming for the top

Sales of Koukun Sausage have risen at least 10% each year for eight years running. We will strive to maintain this growth trend and get this big-hitter brand to the number one spot in Japan.

### Next 10: Developing new winners

Through the Next 10 project, we will develop innovative products to drive growth over the next 10 years. These include dried meat snacks, processed seafood, flash-frozen products, and uncured products.

### Penetrating the food services industry for ¥100 billion in net sales

Aiming for ¥100 billion in net sales, we will expand into the food service industry by developing new sales channels and strengthening ties with existing key clients.

### A cutting-edge plant to boost production

Scheduled to be completed by the end of 2022, the new plant in Kagoshima will raise production capacity for Koukun Sausage and microwavable meals.

## SWOT analysis

### Strengths

- The new Ibaraki plant and others boast superior productivity and throughput.
- Our cutting-edge tech allows us to differentiate our products.
- Production and sales teams coordinate well.
- We excel at tailoring product development to market needs.
- We enjoy strong client relations by providing them with sales ideas and support.

### Weaknesses

- Most of our products have a short life and require refrigeration.
- We have few e-commerce opportunities.
- Some of our plants are aging.

### Opportunities

- The pandemic is creating a new normal in markets and distribution.
- We could boost sales by embracing e-commerce.
- The health-conscious market is growing.
- Overseas markets offer rich opportunities.

### Threats

- Supply crunches, caused by outbreaks of animal disease or other factors, could drive up competition in procurement in Japan or overseas.
- Price wars can easily occur in the ham and sausage industry.
- We struggle to secure talent and face weakening demand in the home market amid Japan's shrinking workforce (a result of the shrinking and aging population).
- COVID-19: Plants may experience outbreaks. The pandemic also undercuts demand for eating out.
- Logistic costs are rising.



Looking back

## Higher earnings achieved by supplying a range of needs

### Continued support for retailers' sales efforts

For consumer products, we have used market surveys and point-of-sale data to derive sales ideas. We then shared these ideas with retail clients, who then incorporated the ideas in their sales spaces. We have organized shop display contests with the retailers. For the contest in spring 2020, we used seasonal motifs like cherry blossoms.

In 2018, we launched an advertising campaign featuring Japanese actor Tao Tsuchiya. The ads have boosted sales of Koukun Sausage and gift items.

We also use social media to engage with millennials, an increasingly important demographic. In 2020, we created a Twitter account. We communicate both on this account and on LINE, Japan's biggest messenger app.

### Using HPP to extend shelf life

In fiscal 2019, we used high-pressure processing (HPP) to produce a range of products with extended shelf lives. One of these was a sliced ham product that we marketed as a gift item—something for which long-lasting freshness is a must. HPP extended the shelf life by 25 days (from 35 to 60 days). The sliced ham became part of the winter 2019 gift range. We then added it to the 2020 summer range.

We have also used HPP to develop health-focused products, including those with reduced salt and carbohydrates. These products will go on sale in fiscal 2021. Additionally, we have started working on uncured products.

See "Recommending health-conscious products" on page 46.

### Giving customers memorable experiences

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 to engage with customers directly. Due to COVID-19, we had to postpone the event in September 2020. We eventually held the event on November 20, with robust anti-infection measures. A total of 6,000 people attended.



Precious Night: A private event at Tokyo Disneyland® held in November 2020

### AI-driven quality control

In fiscal 2020, the Ibaraki plant started using AI to assist in quality control. The AI system analyzes images of food on the line to check for deficiencies, which may otherwise be hard to judge from the image. Previously, staff relied on the naked eye to check for traces of bone fragments or rupturing in sausages. The new system performs this task quicker and more accurately. The system remains at the testing stage, but once the testing is complete we will roll it out to other plants.

See "Securing safe, reliable food" on page 46.

### Net sales

¥293.3 billion

Year-on-year change  
Up 2.6% ↗

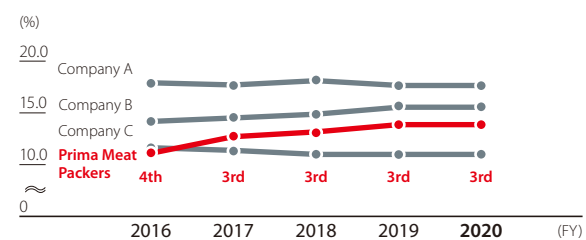
### Segment profit

¥17,711 million

Year-on-year change  
Up 27.8% ↗

Results for fiscal 2020

### Ham, sausage: Annual comparison in market share



Source: Value-based share of the Ham, Sausage, Bacon, and Roast Pork market, from 2016 to 2020 INTAGE Inc. SCI Data

Looking ahead

## Expanding and innovating to meet the next goals

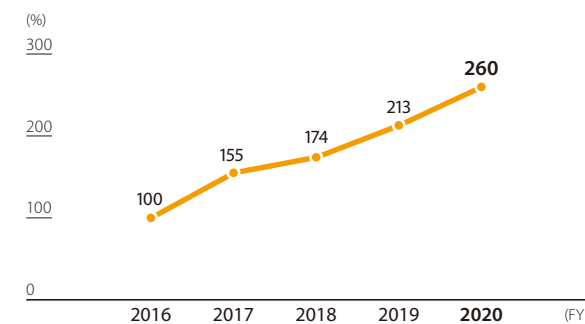
### Koukun Sausage: Aiming for the top

A key growth driver for Prima Meat Packers Group is our big-hitter brand, Koukun Sausage. In fiscal 2020, sales of Koukun Sausage rose 23% year on year, marking the eighth consecutive year in which sales rose by at least 10%. If this growth persists, Koukun Sausage will soon become the best-selling sausage product in Japan. Next year marks the product's 20th anniversary. This milestone provides an opportunity to drive sales up even further.



See page 68 for details.

### Sales volume over the past five years



### Next 10: Developing new winners

We have launched Next 10, a project to build new growth drivers for the next ten years. As part of this project, the Kagoshima plant bought a vacuum fryer and started producing dried meat snacks. It will also expand sales of processed seafood products to convenience stores. Other initiatives include using individual quick freezing tech to expand our range of frozen foods, using HPP to develop uncured products, and expanding into the TV shopping market.

### Food services: Aiming for ¥100 billion in net sales

We also have our sights on the food service business. Our plan is to establish sales channels with restaurants and new sales channels. We will also leverage our superior raw materials and products to grow orders. In this way, we aim for net sales of ¥100 billion.



### Building a cutting-edge plant in Kagoshima

The Group has invested some ¥13 billion to build a huge plant in Kagoshima. Once the plant is complete at the end of 2022, it will take over production duties from the existing plant in Kagoshima. The new plant will enable us to expand the production capacity for Koukun Sausage and microwavable (value-added) meals. It will also produce products with a local twist. As a smart factory, the plant will use cutting-edge tech to minimize carbon footprint.

See "Reducing greenhouse gas emissions" on page 48.





# Focus Try Veggie: A range of soy meat products

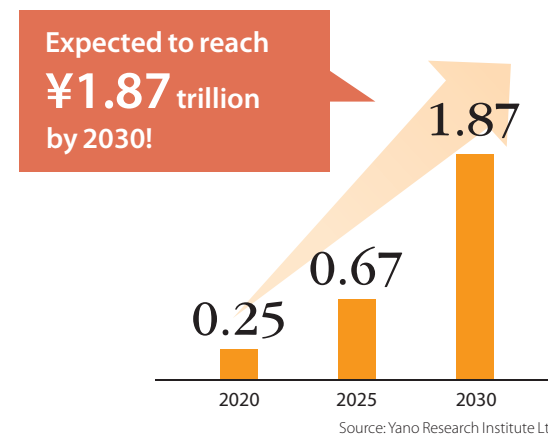
Soy meat has gained global attention and Japanese companies are getting in on the action. However, Japanese consumers are underwhelmed by the taste. Accordingly, in developing our own range of soy meat, we focused on adapting to the Japanese palate. The result was Try Veggie. We launched the brand in 2021.



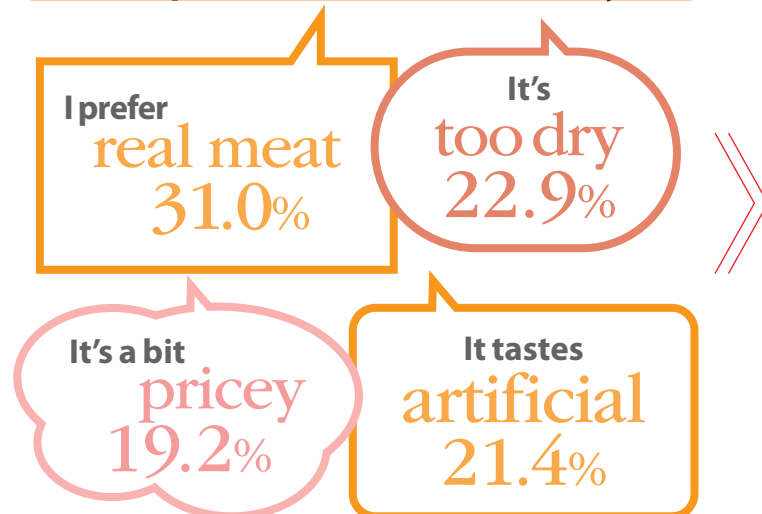
**How it got the name**  
We decided on the name Try Veggie because we felt that the product, with its easy pricing and bite-size chunks, would encourage people who are new to soy meat to give it a "try."

## Background to Try Veggie

### Global soy meat demand set to rise



### But Japanese consumers say...



## Key themes behind product

- The packaging design should emphasize flavor.
- The price should be easily affordable.
- The ingredients should be as authentic as possible.



Less than <b>¥149</b>	Over <b>¥150</b>	Over <b>¥200</b>
<b>Try Veggie</b>	Company A	Company B



Made from Daizu Labo soy meat, supplied by Marukome

### The rising demand for meat alternatives amid fears of a protein crisis

World population growth is driving up demand for protein. Experts warn that this demand could outstrip supply by 2030, a scenario they have dubbed the "protein crisis." While many people still get their protein from animal sources, concern about world hunger and the climate impact of the meat industry have driven global demand for plant-based meat (also known as meat analogues). One report predicted that the market for plant-based meat will capture 10% of the global meat industry by 2029.

For some years, we observed a rise in the popularity of soy meat in Europe and North America. We anticipated that this trend would spread to Japan with a wave of vegetarian visitors for Tokyo 2020. In preparation for such an eventuality, we polled Japanese consumers for their views about soy meat.

### Nice idea, shame about the taste

Compared to people in Europe and North America, Japanese people tend to have a healthier diet, with a good balance of meat (red meat and poultry), seafood and vegetables. The first task we faced, then, was to work out where soy meat fits into this picture. To find out, we conducted an online survey on a sample of ten-thousand Japanese consumers. The results indicated a strong interest in soy meat. However, among those who expressed an interest, as many as 73% admitted to never having bought any soy meat. The deal-breaker seems to be taste: many respondents said that soy meat could never taste better than real meat. Taking these findings into account, we decided to develop soy meat that, instead of trying to imitate animal meat, would bring out the inherent flavor of soybeans.

### A tie-up with Daizu Labo to attract first-timers

A latecomer into the soy market, we lacked prior experience in making a plant-based product. To compensate for this, we asked Marukome Co., Ltd., famed for its Daizu Labo series of soy meat, to supply the ingredients. Using Marukome's soy meat, we developed a product that features an affordable price and bite-size chunks.

Our target market was those who were completely new to soy meat. Using data from a survey of retailers, we designed packaging that pushed the name to the forefront along with a photographic image showing a meal idea. For some of the products, we enhanced convenience by enabling consumers to microwave the food in its packaging.

### Pleasing sales performance, indicating strong impact

Since the launch in March 2021, the Try Veggie range has sold well. In stores, the inventory turnover is nearly double that of rival soy meat brands. Our survey suggests that the bite-size design has encouraged a growing number of uninitiated shoppers to try out the products.


























The Try Veggie range currently consists of four products. We will keep refining these products to meet our sales targets. We will also develop new products to expand the range.





## Sustainable management

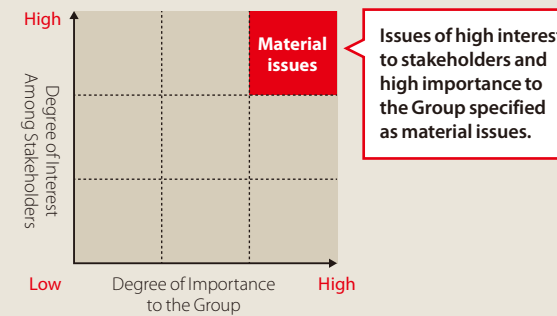
We aim to contribute to food culture and society through great taste and excitement. This mission requires us to integrate sustainability into our business activities. Accordingly, in September 2020, we conducted a materiality assessment. The assessment revealed 10 material (top-priority) issues. We clearly linked each issue with one or more of the Sustainable Development Goals (SDGs), which are set to be achieved by 2030. These issues provide a framework to guide our efforts in sustainability management.

Category	Material Issues	Related SDGs	
<b>Creating healthy, well-rounded dietary habits</b> 	Securing safe, reliable food	  	We will ensure the safety and reliability of our food and the sustainability of our production activities. By providing safe and reliable food, we will increase people's dietary options.
	Recommending health-conscious products	 	Embracing innovation, we will develop health-oriented food. By selling such food, we will promote healthier, more nutritious diets.
<b>Contributing to global environmental protection</b> 	Reducing greenhouse gas emissions	  	To minimize our climate impact, we will set medium- to long-term goals for reducing greenhouse gas emissions and use efficient and clean energy.
	Reducing the volume of waste output	 	We will reduce food waste during production. We will also use less plastic and recycle plastic in-house to combat plastic pollution in the ocean.
<b>Strengthening supply chain management</b> 	Achieving sustainable procurement of raw materials	  	In procuring raw materials, we will follow fair trading practices. We will ensure that our procurement activities are ecologically sustainable.
	Addressing animal welfare		We will promote high standards of animal welfare in our hog farming business and beyond.
<b>Creating a workplace that promotes job satisfaction</b> 	Respecting and promoting diverse workstyles	 	Embracing diversity and inclusion, we will build a workplace where all employees feel valued and motivated.
	Hiring and developing outstanding human resources		We will create a culture that unlocks employees' full potential. We will build a workforce that makes a positive social impact through business activities.
	Occupational health and safety that focuses on mental and physical health		We will take steps to promote employee wellbeing in the course of business activities and create a work environment that takes mental health as seriously as physical health.
<b>Strengthening the management platform</b> 	Strengthening corporate governance	 	We will contribute to industry by upholding fair business practices, including a commitment to transparent and sustainable corporate development.

### 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. With this in mind, we developed a business strategy and specified the strategic priorities.

#### Materiality matrix



#### STEP 1 Identify and categorize social issues

We examined the sustainability standards of the Global Reporting Initiative (GRI) and those of the Sustainability Accounting Standards Board (SASB). We also referred to the key metrics that MSCI (a leading rating agency for sustainable investments) uses when evaluating a company's ESG performance. From this data, we prepared a shortlist of 38 issues (a total of 164 items) that seemed relevant to our stakeholders. We then examined these issues further to identify those that matter the most to our businesses. As a result, we selected the 23 issues to refine the shortlist.

#### STEP 2 Survey internal divisions

To determine how much the issues matter to stakeholders, we polled 12 internal divisions that have a high level of stakeholder engagement. Their responses highlighted certain topics that frequently arise in stakeholder dialogue and are thus important to stakeholders. To determine how much the issues matter to us, we evaluated their relevance to our strategy and business activities as well as the opportunities and risks they present.

#### STEP 3 Determine relative priority of issues

We plotted the issues onto a matrix. In this matrix, the vertical axis indicated how much the issue matters to stakeholders and the horizontal axis indicated how much it matters to us. For example, an issue that mattered a lot to both stakeholders and us would appear in the upper right quadrant of the matrix. This quadrant contained issues such as reduction of carbon emissions, conformance with animal welfare standards (an issue of increasing global concern), sustainable procurement, and development of health-oriented products. We provisionally defined these as material issues.

#### STEP 4 Review by president and experts

President Naoto Chiba reviewed the results and rated each issue for its suitability as a material issue. Next, members of an expert panel and a taskforce debated the selected issues in light of the latest trends. As a result of these two review processes, we settled on 10 material issues in five categories.

#### Basic approach

Reflecting our commitment to addressing social and environmental challenges to sustainability, our code of conduct, environmental policy, and similar internal standards incorporate our basic approach to fulfilling our societal mission.

In September 2020, we defined the material issues—issues that constitute strategic priorities for our organization. We are now setting goals for these issues and developing action plans to achieve them.

We will continually monitor and refine these actions with a view to further integrating them into our business practices. In this way, we will balance business growth with a contribution to social and environmental sustainability.

#### Key actions in fiscal 2020

We began a materiality assessment in fiscal 2020 and finally defined the material issue in September of that year. To coincide with the disclosures in the integrated report, each corporate division developed concrete actions plans for the material issues in line with the medium-term business plan for fiscal 2021–2023. The divisions then started implementing these plans.

#### Key actions planned for fiscal 2021

For fiscal 2021, we will review and refine the action plans for the material issues. We plan to establish a dedicated sustainability committee. By developing such organizational infrastructure, we will further expedite the process of planning and implementing actions to address the material issues.





## Creating Healthy, Well-Rounded Dietary Habits

See page 5 of ESG Data Book 2021

### Message from the management

#### Delivering safe food to our customers

As a food producer, we regard food safety as the top priority in all our businesses. Customers can only have peace of mind if we display objective data demonstrating that the food is safe. Our efforts to do so explain why we enjoy such a long-lasting customer confidence. We continue to improve our efforts to prevent food contamination under an ISO-compliant system of food safety management. Rest assured that we will always remain devoted to safety as part of our mission to deliver delicious and healthy food.

#### Tatsuya Kudo

Executive Officer  
Head of Quality Assurance Division

#### Profile

Tatsuya Kudo has extensive expertise in quality assurance. Since joining the company, he has served in the quality and environmental management. In January 2017, he became head of the Quality Assurance Division.



#### Tasty as well as safe and healthy

As Japan's population ages, consumers are growing more health conscious. Diet plays a key role in health. Our corporate group has always contributed to healthier diets. We also understand that food must be tasty as well as healthy. Accordingly, we aim to provide food that is healthy, safe, and truly scrumptious. In fact, we are stepping up research to create new value—delighting the palate and protecting health.

#### Toshihiko Takeuchi

Managing Executive Officer  
Head of Development Division

#### Profile

Toshihiko Takeuchi has extensive industry expertise. In addition to working in product development and planning, he has served in a sales role, heading the Chugoku / Shikoku Branch and West Japan Branch. He has headed the Development Division since April 2019.



### Material issue

#### Securing safe, reliable food

#### Why it matters

Food safety is the issue that matters the most to us. After all, our most basic duty as a food manufacturer is to ensure the safety of our food, so that customers have peace of mind. We strive for excellence in food safety by operating a system of food safety management compliant with ISO 22000 and FSSC 22000.

#### Relevant medium-term goal

Ensure food safety under a strong quality management system

#### Present challenges

- Complaints about bone fragments and other contaminants
- Build a food safety system fit for a globalized world

#### Goals, KPIs

- Reduce contamination incidents per unit of production
- Obtain more FSSC 22000 and ISO 22000 certifications

#### Actions

##### Thorough analysis, proactive prevention

We listen to the concerns of customers and distributors, communicate their feedback to the relevant people, and update our business procedures accordingly. When the feedback concerns a quality issue, we take the necessary actions to prevent another such incident from occurring in the future. In each case, we examine what caused the incident and communicate our findings throughout the workplace. We also apply the lessons in other plants and other production processes as part of a proactive approach to accident prevention. For example, staff now use AI technology to assist the naked eye in checking for traces of bone fragments, packaging material, and other contaminants.

##### Remote auditing amid the pandemic

We have committed to obtaining certification in international standards on food safety management systems (FSSC 22000 and ISO 22000). Such certification forms a crucial step in our strategy to expand globally. Our food safety practices conform to the requirements of the US Hazard Analysis and Critical Control Point (HACCP) system, which came into effect in Japan in June 2021.

The coronavirus pandemic poses a challenge: audit teams are sometimes unable to conduct onsite audits. Accordingly, we have switched to remote audits. Specifically, our auditing teams use web conferencing tools to view in real time the site, the production activities, and documents. In onsite audits, audit teams access visual, auditory, and olfactory information. Remote audits provide no olfactory information, but they do provide the other two.

### Material issue

#### Recommending health-conscious products

#### Why it matters

As Japan's population ages, people are becoming more concerned about health issues. To cater to health-conscious consumers, we keep innovating. For example, we provide low-salt, low-carb foods. We are also developing uncured products.

#### Relevant medium-term goals

- Penetrate growth sectors
- Pursue consumer-focused strategy to differentiate and add value to products

#### Present challenges

- Develop products that are both delicious and healthy

#### Goals, KPIs

- Increase relative share of health-focused foods among processed foods
- Increase the number of retail stores receiving our health-focused foods

#### Strategy

##### Foods with something more

Rich in essential amino acids and vitamins, red meat and poultry play an important role in a healthy balanced diet. In addition to our products people are familiar with, we provide a range of fortified foods, meaning foods with added nutrients that deliver extra health benefits. The range includes sausage products fortified with calcium and iron, as well as DHA—a nutrient lacking in modern diets.

As well as meat products, we also working on plant-based meat alternatives that bring out the natural goodness of the ingredients. In each case, we will bring out the full flavor of the ingredients. Additionally, we analyze consumer behavior to determine who buys which products, when, where, and how they buy them, and why. In this way, we aim to provide tasty, balanced, and convenient food to suit daily dietary needs.

##### Foods with something less

With growing awareness about healthy diets and lifestyles, more people have adopted low-salt, low-carb diets. This situation has posed a challenge for cured pork products, which use a balance of salty and sweet flavoring. The industry once struggled to reduce sodium and carbohydrate content without sacrificing quality. However, after long years of research, we developed ham and bacon products with 30% less sodium and carbohydrate. Forming part of the Prima Healthy range, these products have proven popular.

We want to go even further in supporting low-salt, low-carb diets. To that end, we have started using high-pressure processing technology in the development of healthy foods.





## Contributing to Global Environmental Protection

See page 11 of ESG Data Book 2021

### Message from the management

### Eyeing new technologies and a new approach to supply chain management

Consumers and investors have a growing interest in how companies are responding to environmental problems. Arguably the greatest environmental concern is climate change. The EU has pledged to become climate-neutral (net zero greenhouse gas emissions) by 2050. In 2020, the Government of Japan committed to the same goal as part of its vision for a “decarbonized society.” This commitment has placed pressure upon Japan’s private sector to deliver emissions cuts. We had already committed to emissions cuts under our groupwide environmental policy, which emphasized the goals of a low-carbon society, a circular economy, and co-existence with the environment, among other things. Additionally, we had already taken action toward these goals under our ISO 14001-certified environmental management system. However, while this approach contributed toward a low-carbon society, we must do more if we are to help achieve a decarbonized society. We also recognize our responsibility, as a food producer, to tackle the problems of food loss and plastic waste. Accordingly, to address the material issue of contributing to environmental sustainability, we have started preparing a new groupwide environmental vision for the medium to long term.

We will define specific targets by the end of fiscal 2021. As we work toward our goals, we will integrate new technologies, techniques, and processes into our existing knowhow.

#### Hidefumi Suzuki

Director  
Responsibilities: Compliance, Legal, Environmental Affairs

#### Profile

Hidefumi Suzuki has extensive experience in ITOCHU Corporation as well as extensive legal experience. Suzuki became a director in June 2017. In June 2019, he took on his present area of responsibility (compliance, legal, environmental affairs). He has offered plenty of invaluable advice, drawing upon his global expertise and professional insights.



#### Material issue

### Reducing greenhouse gas emissions

#### Why it matters

The Paris Agreement and the UN’s 2030 Agenda have helped push climate change to the forefront of international attention. We aim to cut greenhouse gas emissions in our business activities as part of our effort to achieve sustained business growth.

#### Relevant medium-term goal

Protect the environment, comply with the law, establish effective internal controls, satisfy disclosure requirements

#### Present challenges

- We’ve met our targets for greenhouse gas emissions per unit of output, but total emissions are not going down
- In the future, we should tackle scope 3 emissions (supply chain emissions)

#### Goals, KPIs

- Reduce greenhouse gas emissions and consume energy more efficiently in line with ISO 14001 and EcoAction 21 (our progress is disclosed in pages 16–18 of the ESG Data Book)
- KPIs across the Group remain under discussion

#### Actions

#### Cleaner, more efficient plants

One way of cutting greenhouse gas emissions is to use less energy. Our plants are working to improve production efficiency and are switching to more energy-efficient equipment. Another method is to use cleaner fuel. For boiler fuel, some plants have switched from fuel oil to liquefied petroleum gas. For refrigeration and freezing, some plants have started using a natural coolant rather than ozone-harming CFCs. To give some examples, the Ibaraki plant, a ham and bacon plant that launched in 2019, uses an energy-efficient hot-water system and solar panels.

Similarly, the Kagoshima plant, scheduled to be completed by the end of 2022, will use liquefied natural gas as boiler fuel and natural coolant, instead of fluorinated gases, for refrigeration and freezing. The plant will also use solar energy to power its operations.

#### A more far-sighted approach to setting goals and tracking performance

Until now, we have used emissions per ton of output as a metric to track our progress in reducing greenhouse gas emissions from plants. We have met our targets on this metric. However, in reality, we have not yet made a significant reduction; because our output has risen year by year, total emissions have stayed largely at the same level.

Another issue concerns pig farming. We plan to expand our pig farming supply chains in Japan, but this expansion will increase methane emissions from enteric fermentation, leaving a greater carbon footprint. Accordingly, when measuring our environmental performance, we will need to consider scope 3 emissions—emissions throughout the supply chain (including procurement, distribution, and consumption). To that end, we are now discussing new goals and the scope we should manage.

#### Material issue

### Reducing the volume of waste output

#### Why it matters

As a food manufacturer, we have a responsibility to reduce food waste and recycle as much as possible. We also take seriously the problem of plastic waste in the ocean. To tackle plastic pollution, we are working to reduce the amount of plastic in our packaging or switch over to alternative packaging materials.

#### Relevant medium-term goal

Protect the environment, comply with the law, establish effective internal controls, satisfy disclosure requirements

#### Present challenges

- We’ve met our targets for greenhouse gas emissions per unit of output, but total emissions are not going down
- In the future, we should tackle scope 3 emissions (supply chain emissions)

#### Goals, KPIs

- Reduce waste and recycle more in line with ISO 14001 and EcoAction 21 (our progress is disclosed in pages 16–18 of the ESG Data Book)
- KPIs across the Group remain under discussion

#### Actions

#### Reducing food loss at all stages from production to consumption

Plants often generate food waste when production staff switch the line to produce another food product and clean the machinery, or when the food falls off the line. Accordingly, we try to keep production line switches to a minimum and have upgraded machinery to stop food coming off the line. Additionally, when producing steamed chicken breasts, instead of wasting the skins and other off-cuts, we use them in other products. We also use in-plant food scraps for compost or fuel. To help households reduce food loss, we use high-pressure processing to extend shelf life and are developing foods that last long at room temperature.

#### Processing plastic waste in-plant, reducing plastic use

Plastic waste from a food manufacturer is often difficult to recycle because of food residue. Our solution is to process the plastic waste in-plant. In fiscal 2020, the Hokkaido plant started converting plastic waste into biomass to fuel the boilers. We plan to introduce this system into other plants. Alongside this initiative, we are working to reduce the amount of plastic in our packaging. We also plan to introduce sustainable packaging—packaging that is bio-based, biodegradable, and recyclable.





## Strengthening Supply Chain Management

See page 25 of ESG Data Book 2021

### Message from the management

#### Redefining supply chain sustainability

Our fundamental mission as a food manufacturer is to deliver safe and tasty food. We must also ensure that our procurement is environmentally and socially sustainable. To keep the supply chains running smoothly, we must mitigate a number of risks associated with raw materials and livestock feed. COVID-19 devastated many supply chains around the world. Fortunately, however, our supply chains have remained largely unaffected, thanks to our strong trust with suppliers around the world.

Since hog farming forms a major part of our business model, a major concern for us is pig welfare. The pig farms in our group must adopt healthy breeding practices and minimize stress in pigs. Pig welfare also makes business sense: when pigs are relaxed and healthy, production increases and the pork is safer.

Accordingly, we are working on action plans to integrate animal welfare into our supply chain strategy. In developing these action plans, we refer to best practices in countries with high ratings in animal welfare.

#### Masahiko Yano

Senior Managing Executive Officer  
Head of Meat Business Division

#### Profile

Masahiko Yano has extensive industry expertise. He previously headed the Food Service Department and Sales Division. Since April 2017, he has headed the Meat Business Division. He is well-versed in both the processed foods and fresh meat businesses.



#### Material issue

### Achieving sustainable procurement of raw materials

#### Why it matters

Dispersing risks associated with raw materials and animal feed is essential to maintaining stable supply chains and business continuity. Moreover, pig farming has a high carbon footprint. Accordingly, we need a procurement strategy that manages these risks as well as an effective approach for auditing and engaging with suppliers.

#### Relevant medium-term goal

Develop domestic and international strategy with ITOCHU Corporation

#### Present challenges

- We must manage geographic risks and the risk of a supply crunch from livestock diseases
- We must deal with the market unbalance caused by the surge in meat demand in China
- We have been slow to engage with suppliers for sustainability

#### Goals, KPIs

- Acquire new sources for meat imports; develop new brands for these raw materials
- Impress upon suppliers the importance of committing to sustainability guidelines

#### Actions

#### Finding new supply sources for beef

We have globally dispersed supply chains for most of our fresh meat products and processed meat products (such as ham and sausage). However, our sources of supply for beef are less diverse. As is the case with many other meat manufacturers, our beef comes mainly from Australia, the US, and Canada. Such concentration constitutes one of the risks associated with our procurement of raw meat.

Aiming to diversify our beef supply chains, we started importing beef from two new supply sources in fiscal 2020: Uruguay and Mexico. In fiscal 2021, we plan to further diversify the sources to Poland, Ireland, and Great Britain. We will continue dispersing our supply sources while monitoring market responses.

#### Making sustainability a priority in supplier selection

Insofar as our supply chains are international, we face heightened CSR risks. Yet we have been slow to engage with suppliers in promoting sustainability initiatives.

To address this problem, we will change our process for selecting suppliers. We will prioritize suppliers who meet Fairtrade Standards and standards of animal welfare.

#### Material issue

### Addressing animal welfare

#### Why it matters

Amid the rise in ESG investing in Japan, stakeholders have growing concern about animal welfare. Accordingly, in developing our hog farming business, we will observe best practices in countries with high ratings in animal welfare.

#### Relevant medium-term goal

Strengthen business model

#### Present challenges

- Animal welfare standards are lax compared to Europe and other regions
- Free-access stalls are rare in Japan, and we need to learn more about them

#### Goals, KPIs

- Establish internal standards for ethical farming; review performance of group farms and help them improve the farm environment and farming practices

#### Actions

#### Phasing out gestation crates, rolling out mobile farrowing crates

In Japan, pig farmers usually house pregnant sows in traditional gestation crates (also known as sow stalls). From an animal welfare perspective, these crates are problematic because they are around the same length and width of a sow, and thus prevent the sow from even turning around. The EU has banned the use of such crates from four weeks after the start of pregnancy to one week before the time of farrowing (giving birth to piglets). We plan to apply this rule in our pig farms. In fiscal 2021, Nikushitsu Kenkyu Farm, Ltd. dispensed with gestation crates in favor of free-access stalls. Our new farm in Miyagi Prefecture plans to do the same during the second phase of expansion starting in fiscal 2026.

We will also start using mobile farrowing crates to protect sows between the time they farrow and the time their piglets are weaned.

#### Better biosecurity

Biosecurity is an important part of animal welfare, as it protects the animals from disease. To minimize the spread of infectious diseases on the farm, the new farm in Miyagi uses separate barns to segregate early-weaning piglets from growing–finishing pigs (see page 42), and these barns are well-sealed and windowless. It also has disinfection points that trucks pass through before entering the farm site. Additionally, at the distribution center, staff use smoke disinfectant on all articles that the person will bring into the farm. The farm also observes quarantine periods.

Alongside these measures, the farm has installed backup generators to protect pigs from stress during emergencies. We are also considering the installation of an emergency alarm and a failsafe system. If the air conditioning malfunctions, the failsafe system releases the air pressure in the air curtain to ventilate the site.





## Creating a Workplace that Promotes Job Satisfaction

See page 29 of ESG Data Book 2021

### Message from the management

### An inspiring and motivating workplace

The pandemic has brought sweeping changes in the way we work. Our businesses have continued to operate as before, fulfilling their role in the food infrastructure network. Meanwhile, we have instituted new rules and practices in our workplaces to support employee wellbeing and job satisfaction as we go into the new normal.

The pandemic is not the only factor driving changes in the workplace. Japanese companies are under pressure to make their workplaces more productive and flexible to cope with a demographic factor: Japan's shrinking working-age population. Performance is another factor. Prima Meat Packers faces a talent deficit because, due to poor past performance, it had to temporarily reduce the rate of hiring. To fix this problem, we have a pressing need to train up new hires. In view of these circumstances, we launched the Employee-satisfaction Revolution Project in April 2020. The aim of this project, which lasts three years, is to improve the work environment and foster a mindset of innovation.

Adopting an employee-focused approach, we will help each business in our corporate group cultivate the next generation of talent.

#### Takayuki Kanai

Head of Human Resources Department

#### Profile

Takayuki Kanai has extensive HR expertise. He has headed the Human Resources Department since April 2017. He also serves as president of Prima Management Service Co., Ltd.



#### Material issue

### Respecting and promoting diverse workstyles

#### Why it matters

As Japan's workforce continues to dwindle, we face growing pressure to provide job satisfaction in the workplace. Accordingly, we will work to build a workplace culture that is inclusive and flexible by appointing more women to management posts, appreciating diverse talent, and giving employees more choice in how they work.

#### Relevant medium-term goal

Develop human resources and boost job satisfaction to foster a mindset of innovation

#### Present challenges

- Men dominate management
- We haven't done enough to keep pace with societal changes

#### Goals, KPIs

- Reduce gender gap in employees' average years of work to less than nine years\*
- Women to make up at least 4% of management posts\*
- Next employee opinion survey to have 5% more affirmative answers on "engagement" and "fulfilling potential"

\*These are goals for Prima Meat Packers. We aim to achieve them by the end of fiscal 2024.

#### Actions

#### Work from home, flextime

To empower women in the workplace, we have started actively training and recruiting women as supervisors. As part of this effort, Prima Meat Packers now provides a generous package of parental and family-care leave, exceeding statutory requirements.

Prima Meat Packers has also introduced a work-from-home program as an emergency measure amid the spread of COVID-19. In fact, the company was already eyeing the possibility of introducing such a program since before the pandemic arose. In fiscal 2021, it formalized the program together with a flextime system, which has enhanced workplace flexibility.

#### Employee-satisfaction Revolution Project

In February 2020, Prima Meat Packers conducted an employee opinion survey. A total of 1,427 employees responded, representing 90% of the company's workforce. The results indicated that employees generally trusted the management, had a sense of responsibility for safety, and desired to continue working at the company. However, respondents also expressed frustration at a lack of communication and coordination between departments. To address these concerns, we launched the organization-wide Employee-satisfaction Revolution Project in April 2020. During fiscal 2020, we worked to identify problems and then define goals and strategies for these problems. We are now working on these strategies. We also plan to conduct an employee survey biennially as part of an ongoing process to improve the workplace.

#### Material issue

### Hiring and developing outstanding human resources

#### Why it matters

To achieve sustained business growth, we need to foster a mindset of innovation and build a workplace in which all employees can fulfill their potential. Accordingly, we will aim to attract and cultivate the talent that will contribute to our future business success.

#### Relevant medium-term goal

Develop human resources and boost job satisfaction to foster a mindset of innovation

#### Present challenges

- The leadership talent pool is too small
- The organization needs young blood

#### Goals, KPIs

- Digitize workflows (using IoT)
- Use a leadership training program to build talent pool for senior management (by the end of fiscal 2019, a cumulative total of 290 people had attended the program)

#### Actions

#### 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 gain leadership acumen. Alongside this, we encourage employees to actively participate in social events to cultivate interpersonal skills and broad thinking. In fiscal 2020, the pandemic forced us to cancel some internal training events. However, we provided an online version of training events for junior employees and freshly appointed low-level managers.

#### Nurturing globally fluent talent

As we expand business overseas, we are stepping up efforts to build a globally fluent workforce. These efforts include providing junior employees with opportunities for studying or training abroad and increasing the number of overseas secondments. Although the pandemic forced us to suspend these initiatives in fiscal 2020, in the previous fiscal year we had enabled some employees to attend a language-learning program in Canada, and others to attend a manufacturing internship in Germany. In the same year, we also arranged secondments in Thailand, China, and the U.S. The employees testified 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 development (see page 53). We will resume these activities once the pandemic abates.

## Special Report



### The Meister at work

**Hiroshi Tani**  
Product Development Department 1,  
Development

In 2013, as part of my training, I went to Germany to attend an apprenticeship at a traditional butcher's business. However, the time was too short to fully master the skills and knowledge, so I felt unsatisfied. I was delighted, therefore, when Prima Meat Packers launched a new program in 2017 for employees to obtain a *Meisterbrief*—a master craftsman's certificate. I became the first to enroll.

The program lasted three years. During that time I lived in Kraupa, a village in southern Brandenburg. There, I attended a school to develop my knowledge of butchery theory. I also attended on-the-job training to gain practical butchery skills. Through this process, I mastered expert knowledge and skills in a short time. Very few Japanese people have attempted to obtain a



Tani appearing in local newspaper *Lausitzer Rundschau*



*Meisterbrief*, so when I completed the program and earned the title of "Meister," my story appeared in the local media.

Since returning to Japan, I have applied my new expertise in product development. For example, I have helped develop gift items and luxury products for online shoppers. I also have many new recipe ideas inspired by what I learned about sausage varieties and seasoning mixes. As Prima Meat Packers' first ever Meister, I want to help the company produce more enduring brands like Koukun Sausage. I also want to inspire and help others to obtain a Meisterbrief.

#### Material issue

### Occupational health and safety that focuses on mental and physical health

#### Why it matters

We treasure the wellbeing of our employees. To safeguard this precious asset, we ensure that each workplace upholds health and safety principles on a daily basis and provides early intervention for work-related stress and burnout.

#### Relevant medium-term goal

Develop human resources and boost job satisfaction to foster a mindset of innovation

#### Present challenges

- The aging workforce is exhibiting more age-related health problems
- We need to overhaul health & safety training in view of the pandemic

#### Goals, KPIs

- 100% takeup of health checks
- Full health & safety training (online or offline)

#### Actions

##### Early intervention for mental health issues

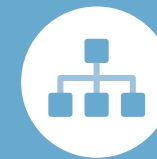
As part of our health-promotion strategy, we actively encourage employees to receive further health checks when necessary. To promote mental health, Prima Meat Packers hires occupational counselors. Currently, 25 of these counselors are working in posts across Japan.

During fiscal 2020, many employees worked from home. The change in communication style led to a rise in mental health complaints. To tackle this problem, we teamed up with Human Frontier, Inc., a provider of employee assistance program (EAP) solutions, to check for the early warning signs of mental distress and intervene swiftly.

##### Remote health & safety training

To ensure that each workplace upholds health and safety principles on a daily basis, we monitor legal and regulatory compliance and require each workplace to draw up a health and safety action plan for inculcating a safety-conscious culture.

In normal years, we would provide health and safety training that focused on checking plants for potential hazards or unsafe practices. In fiscal 2020, we responded to the challenges by holding the training remotely. In that year, the training focused on the obligations of supervisors and forepersons under the Industrial Safety and Health Act. Attendees learned about their legal responsibilities, received supervisor training, and heard reports about past work accidents. Aside from this internal training, we hired external consultants to provide health and safety training in workplaces across the group.



## Strengthening the Management Platform

See page 35 of ESG Data Book 2021

### Message from the management Re-engineering corporate governance

Society has grown increasingly concerned with environmental sustainability and animal welfare. This trend has prompted us to reconsider our business activities and to define long-term strategic priorities, risks, and opportunities. In 2020, we performed a materiality analysis to identify the issues that matter the most to our businesses and to our stakeholders. Underpinning such efforts is corporate governance.

Recognizing that corporate governance is also essential for sustained business success, we place priority on building our systems of governance. In April 2021, we revised our corporate vision, clarifying our mission and purpose. Since digital technology plays a role in good governance, we are working on digital transformation project called Prima Next Project (see page 59). Now in the third year of the project, we have defined specific actions for using digital technology to transform operational and organizational practices. Additionally, we plan to establish a committee to facilitate

sustainability in every area of business.

In this way, we are re-engineering our systems of corporate governance in preparation for future growth opportunities. We will continue to define and execute actions for tackling this material issue so that we can achieve further business success.

#### Yuichi Niimura

Senior Managing Executive Officer  
Head of Corporate Strategy Division  
and Corporate Strategy Department

#### Profile

Yuichi Niimura has extensive experience in the company and in the industry. He previously headed the Chubu Branch and the Corporate Strategy Department. In April 2019, he became head of the Corporate Strategy Division. In the Prima Next Project, Mr. Niimura serves as project manager.



#### Material issue

### Strengthening corporate governance

#### Why it matters

Corporate governance is essential to winning the confidence of stakeholders. It also enables sustained business growth. Accordingly, we must ensure transparency in management and strengthen our systems of governance.

#### Relevant medium-term goals

- Protect the environment, comply with the law, establish effective internal controls, satisfy disclosure requirements
- Develop human resources and boost job satisfaction to foster a mindset of innovation
- Improve coordination with management of each group company

#### Present challenges

- We need to comply with the Japan's revised Corporate Governance Code
- We need organizational infrastructure to provide global governance of the group

#### Goals, KPIs

- Grow business sustainably; increase enterprise value over medium to long term



# Overview of corporate governance structure

## 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 the basic approach to corporate governance here:

 [https://www.primaham.co.jp/ir/library/attaches/pdf/20210401\\_1.pdf](https://www.primaham.co.jp/ir/library/attaches/pdf/20210401_1.pdf) (currently only available in Japanese)

## Corporate Governance Structure

### Board of Directors

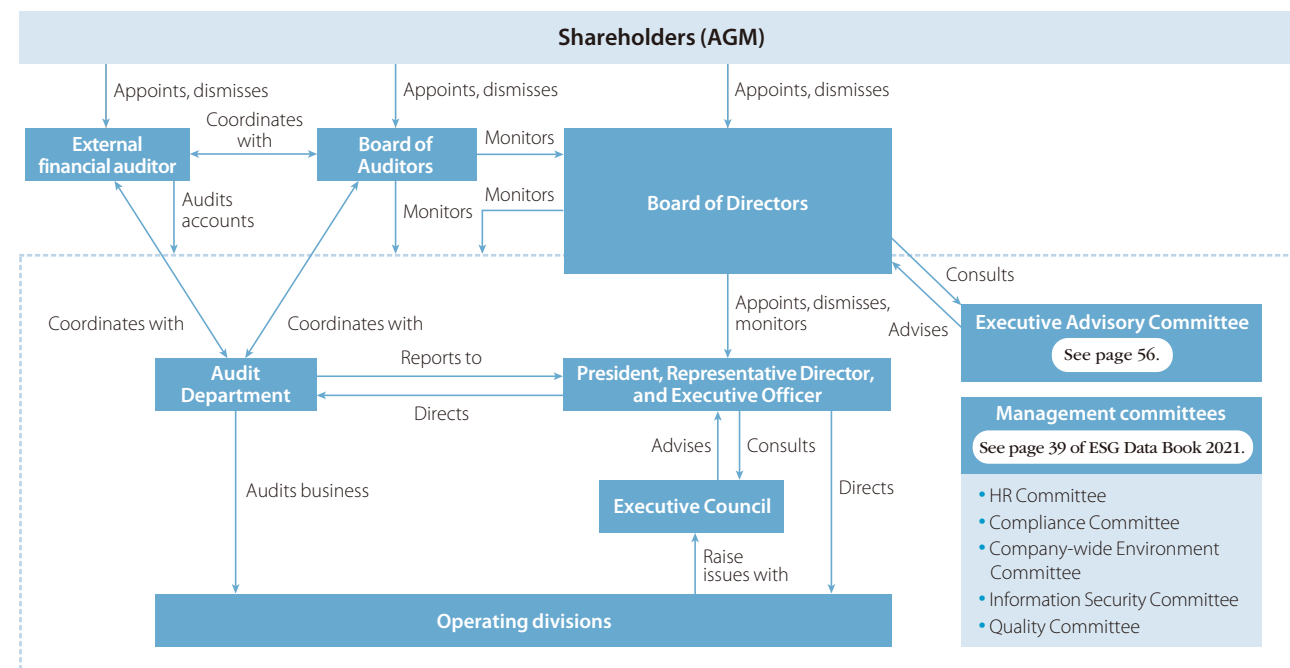
The Board of Directors plays a monitoring role. Directors monitor the execution of business by verifying whether managers are acting impartially and transparently, and by exercising authority in matters of regulatory compliance and strategic direction. Board membership reflects our basic approach to 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 (see "Skills matrix" on page 59).

### 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 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.

We have also established the Executive Advisory Committee, which serves as an advisory body to the Board of Directors (see "Executive Advisory Committee" on page 56).

### Corporate Governance Structure



### 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 four members, three 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 requesting regular or as-and-when needed 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

#### Appointment and dismissal

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

#### Remuneration

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.

#### Important matters concerning corporate governance

#### 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
	3rd	Setting remuneration for officers in fiscal 2020
	4th	Auditor appointments, executive officer appointments, executive officer reshuffle
	5th	Policy for determining remuneration for each director
Fiscal 2021	1st	Change to auditor remuneration, revision to rules for executive stock compensation, revision to policy for determining remuneration for each director, revision to in-house rules on remuneration of executive officers
	2nd	Evaluation of executive officers' performance in fiscal 2020
	3rd	Related-party transactions
	4th	Setting remuneration for officers in fiscal 2021
	5th	Implications of Corporate Governance Code revisions, report of board performance evaluation (responses, analysis)



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), Mr. 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

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 of ITOCHU International Inc.  
 2017 Managing Executive Officer of the Company in charge of Legal Division and Environmental Management Division, and 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, Mr. Suzuki gained broad and specialized expertise in 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)  
 Director of the Company (current position)  
 2021 Executive Officer of ITOCHU Corporation (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, Mr. 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 Independent

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 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 Independent

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 as Director of Wacoal Holdings Corp.  
 2018 Retired as Director of Wacoal Corp. (operating corporation)  
 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., Mr. 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  
 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 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**  
Outside Corporate Auditor

Outside Independent

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**  
Outside Corporate Auditor

Outside

Part-time

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 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.



**Akemi Sunaga**

Outside Corporate Auditor

Outside Independent

1989 Joined Auditing Department of Aoyama Audit Corporation (now PricewaterhouseCoopers Aarata LLC)  
 1991 Joined Auditing Department of Chuo Audit Corporation  
 1993 Registered as Certified Public Accountant  
 1994 Registered as Certified Public Tax Accountant  
 Founded Sunaga CPA Firm, became its representative (current position)  
 1996 Founded Marunouchi Business Consulting Ltd., became Representative Director (current position)  
 2012 Founded Marunouchi Business Consulting Tax Co., became Senior Partner (current position)  
 2017 CEO of Marunouchi Audit Corporation (current position)  
 2020 Outside Director and Audit and Supervisory Committee Member at Ushio Inc. (both current positions), and Outside Director and Audit and Supervisory Committee Member at Yomeishu Seizo Co., Ltd. (both current positions)  
 2021 Corporate Auditor at the Company

**Reason for nomination**

Akemi Sunaga is qualified to serve as outside corporate auditor in light of her extensive experience as a certified public accountant and certified tax accountant.

Executive Officers

President and Executive Officer

**Naoto Chiba**

Senior Managing Executive Officers

**Yuichi Niimura**

Head of Corporate Strategy Div. and Corporate Strategy Dept.

**Masahiko Yano**

Head of Meat Business Div.

**Takahiro Uchiyama**

HR, Finance, General Affairs, PR

**Haruo Yoshino**

Sales

Managing Executive Officers

**Toshihiko Takeuchi**

Head of Development Div.

**Yuji Shinkawa**

Head of Sales Div.

Executive Officers

**Takumi Umehara**

President of PRIMAHAM (THAILAND) Co., Ltd., Chairman of PRIMAHAM FOODS (THAILAND) Co., Ltd.

**Shinichi Koga**

Head of Financial & Accounting Dept.

**Mamoru Kamada**

President of PRIMAHAM FOODS (THAILAND) Co., Ltd.

**Tokuo Miyazaki**

Head of Meat Procuring Dept. and Meat Sales Dept., Meat Business Div.

**Tatsuya Kudo**

Head of Quality Assurance Div.

**Toshihiro Tago**

Acting Head of Production Div.

**Kenji Sakai**

Head of West Japan Branch, Sales Div.

**Takayuki Kanai**

Head of Human Resources Department

**Munetoshi Niizeki**

Head of East Japan Branch, Sales Div.

**Makoto Amio**

Head of Meat Production Department, Meat Business Div.

**Satoshi Nakajima**

Assistant Head of Corporate Strategy Div.

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

### Skills matrix

Accurate as of August 1, 2021

		Diversity		General company experience				Industry-specific	Board attendance in fiscal 2020				
		Age	Gender	Senior mgmt.	Global	Finance, accounts	HR, talent devt.	Internal control, legal, compliance	Manu- facturing exp.	Board of Directors		Board of Auditors	
										Meetings attended	% attended	Meetings attended	% attended
President and Representative Director	Naoto Chiba	62	Male	✓	✓			✓	15/15	100	-	-	
Director	Hidefumi Suzuki	63	Male	✓	✓			✓	15/15	100	-	-	
Director (part-time)	Kenichi Tai	54	Male	✓	✓				15/15	100	-	-	
Outside Director (part-time)	Takeshi Yamashita	75	Male		✓			✓	15/15	100	-	-	
Outside Director (part-time)	Yuzo Ide	66	Male	✓	✓		✓		11/11	100	-	-	
Corporate Auditor (part-time)	Kenichiro Soma	54	Male		✓	✓			11/11	100	12/12	100	
Outside Corporate Auditor	Koichi Sato	60	Male			✓	✓	✓	15/15	100	17/17	100	
Outside Corporate Auditor	Hideki Shimozawa	58	Male			✓		✓	15/15	100	17/17	100	
Outside Corporate Auditor (part-time)	Akemi Sunaga	59	Female			✓		✓	-	-	-	-	

## Special Report

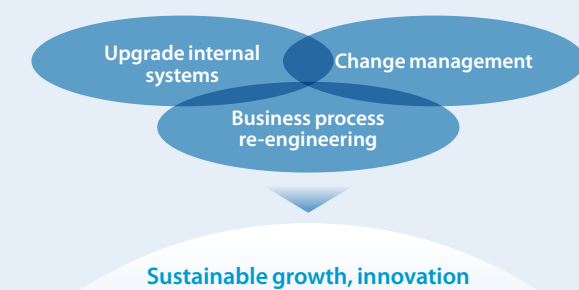
### Prima Next Project: Leading a digital transformation

#### Description

In April 2019, we launched the Prima Next Project, a project to build a next-generation digital platform. The aim is to standardize all business processes and management practices throughout the organization, so that we can have optimally efficient operating procedures.

The project consists of three tasks, which we hope to have accomplished by 2030: upgrading of internal systems, business process re-engineering (reviewing and re-designing workflows and organizational processes), and change management (helping employees prepare for organizational change). Accomplishing these tasks will equip us for further sustainable growth and innovation.

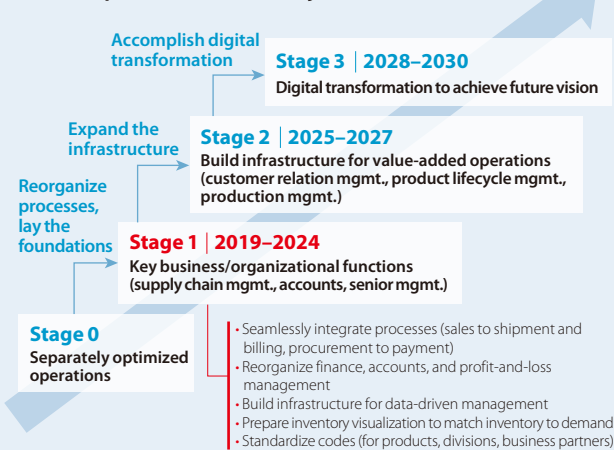
#### Three tasks



#### Stage 1: Laying the foundations

Once the project kicked off, the project team started examining how the organization currently is and how it needs to change. Currently, the team is working to reorganize the key organizational functions. In fiscal 2021, we clarified the goal and scope of the project, gaining an overall idea of the organizational changes. We will now gradually begin a change impact assessment consisting of internal briefings and workshops. In this way, we will communicate with the project partners (employees who will lead the implementation of the project).

#### Roadmap for Prima Next Project



### Improvements in governance

Evolution of Board of Directors		Context
Board membership (red = outside director)	Percentage of outside directors	
<p>2012</p>	<p><b>17%</b> (1)</p>	<ul style="list-style-type: none"> <li>First outside director appointed (1 of the 6 members)</li> </ul>
<p>2016</p>	<p><b>25%</b> (2)</p>	<p><b>2015</b></p> <ul style="list-style-type: none"> <li>Company announces basic approach to corporate governance</li> <li>Company announces independence criteria for outside officers</li> </ul> <p><b>2016</b></p> <ul style="list-style-type: none"> <li>Number of outside directors increased (2 of the 8 members)</li> </ul>
<p>2018</p>	<p><b>22%</b> (2)</p>	<p><b>2017</b></p> <ul style="list-style-type: none"> <li>First board performance evaluation conducted</li> <li>Executive Advisory Committee established</li> </ul> <p><b>2018</b></p> <ul style="list-style-type: none"> <li>Performance-linked pay introduced</li> </ul>
<p>2019–2021</p>	<p><b>40%</b> (2)</p>	<p><b>2019</b></p> <ul style="list-style-type: none"> <li>Board membership reduced (from 9 to 5), increasing percentage of outside directors</li> </ul> <p><b>2020</b></p> <ul style="list-style-type: none"> <li>Basic approach to corporate governance updated. To safeguard interests of stakeholders, scope expanded to include monitoring of conflicts of interest with the controlling shareholder.</li> </ul>

### Cross-shareholdings

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

In fiscal 2020, the board decided to end two cross-shareholding arrangements that no longer offer value. In the

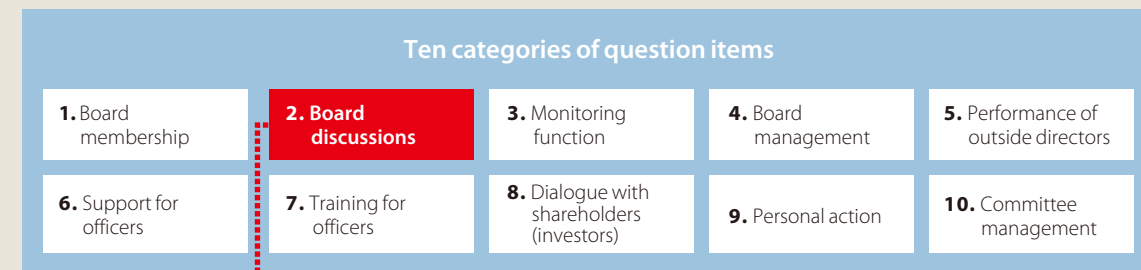
same year, we offloaded our holdings in two other cross-shareholding arrangements that we had flagged for offloading in the previous year. Other arrangements were continued, as the board concluded that their benefits still outweigh the capital cost. The board will review these arrangements again in fiscal 2021.

### 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 2020 was conducted in April 2021, with support from an external organization. The external organization managed the questionnaire survey to maintain respondent confidentiality.

The Board of Directors and the Executive Advisory Committee each convened, once in June and once again in July, to analyze and discuss the response data provided by the organization. For over 90 percent of the question items, the respondents (directors and corporate auditors) reported no problem. After careful consideration of the findings, the board and committee concluded that the Board of Directors generally performed effectively in fiscal 2020.

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



#### Issues identified in fiscal 2019 and whether they have been addressed

**Verifying progress of business plan**  
The board took action to monitor the progress of the business plan more effectively and to further clarify the details of the plan. To that end, it started obtaining quarterly reports on the execution of business, proposing a medium-term investment strategy for plants, and reporting the results of its investment reviews to the Executive Council. Ongoing issue

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**Succession planning**  
Respondents were unanimous about the need to develop a medium- to long-term plan to replace key leadership positions. The board did subsequently discuss the matter, but no detailed plan materialized. Ongoing issue

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**Laying the groundwork for digital transformation**  
We established a dedicated body to oversee the digital transformation. Additionally, the Board of Directors and the Executive Council started reviewing progress reports and proposals. These measures helped determine the broad approach for business process re-engineering and change management. Situation improved

#### Issues identified in fiscal 2020 (latest survey) and how they will be addressed

**Verifying progress of business plan**  
We had been prioritizing this matter in boardroom discussions, having recognized it as an ongoing issue since some years prior. However, the feedback included the view that the board should provide more time for reviewing the plan and should intervene early to address any inadequacies. Additionally, outside directors suggested that the board should provide more detailed discussion regarding results that vary from the target stated in the plan. In light of this feedback, the board will now receive quarterly updates on performance in quantitative and qualitative metrics to enable fuller discussions.

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**Succession planning**  
This is a critically important strategic task. Accordingly, the board will define the target knowledge and experience for successor candidates. It will also launch a training program that will assign jobs strategically to cultivate well-rounded leadership experience.

### 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.

#### 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 three outside corporate auditor candidates. The reasons for the latest nominations are stated on pages 57 and 58.

#### Remuneration for officers

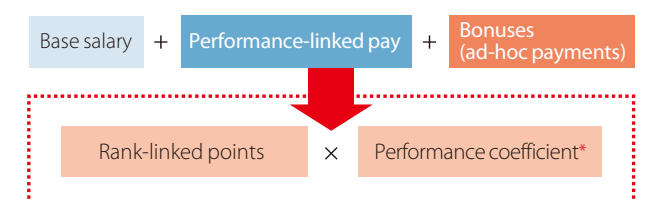
Remuneration for inside directors (outside directors are excluded) comprises a fixed base salary and performance-linked pay.

The base salary, paid monthly, reflects the person's hierarchical rank and duties. In setting the amount, we also consider salary levels in other organizations, company performance, and employee salary level.

The performance-linked component consists of stock compensation and bonuses. The level of stock compensation reflects 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

consolidated target for operating income. Upon their retirement as directors, they receive remuneration commensurate with the total accumulated points. As for bonuses, we sometimes provide bonuses for short-term accomplishments in performance. The Board of Directors determines, within a range approved by shareholders at the AGM, the relative weight of each remuneration component and how much each recipient will receive. Before determining these items, the board consults the opinion of the Executive Advisory Committee, on which the president sits (see page 38 of ESG Data Book 2021).

#### 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 (fiscal 2020)

Officer class	Total remuneration (¥ million)	By component (¥ million)			Eligible recipients
		Base salary	Performance-linked pay	Bonuses	
Inside director	109	94	14	—	3
Outside director, auditor	61	61	—	—	7

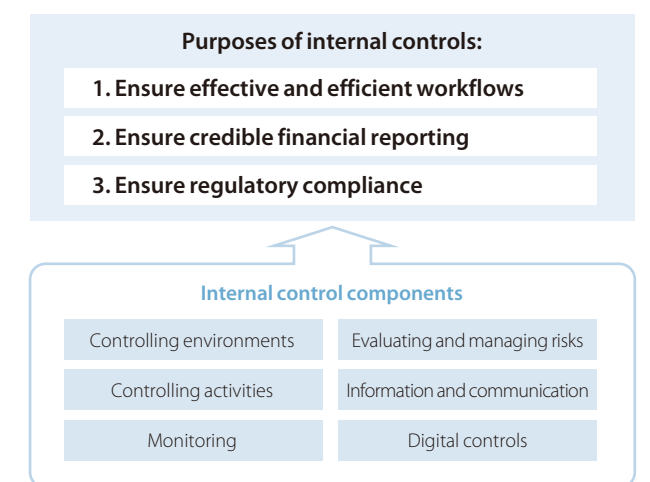
\*The recipients indicated above include one director who retired upon the close of the AGM held on June 26, 2020, as the person's term of office had expired. It also includes one corporate auditor who resigned.

### Internal Controls

Guided by 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.





# 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 among employees, their families, and other related parties (see "Managing COVID-19 risks" on page 66).

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 <b>Material risk</b>	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 • Secure ample stocks • Adjust sales price	Policy 2
	Exchange rate fluctuation	Because we source raw materials and goods from the U.S., Europe, Thailand, 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 <b>Material risk</b>	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 <b>Material risk</b>	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 <b>Material risk</b>	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 <b>Material risk</b>	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 pages 13–14) that would be threatened by the risk in question.

## Defending against Cyberthreats

Cyberthreats have become an all-too-familiar menace to companies. Attackers around the world are growing more sophisticated and devious by the day. Accordingly, we are bolstering our cybersecurity infrastructure. The new infrastructure will consist of multiple systems, including internet connection monitoring, endpoint detection and response (checking for suspicious activity on devices), Secure Sockets Layer virtual private network (for protecting communications between mobile devices and networks), and an authentication system for controlling access.

Human error is another concern, especially in age of diverse working patterns and digital communications. That is why we must also raise employees' cybersecurity literacy. We must find opportune moments to raise employees' awareness about cybersecurity so that they understand not only how to use a device but how to keep it safe from a cyberattack. Employees must also keep the operating systems they use updated. Through measures such as these, we will keep our systems safe from cyberattacks.

## Messages from Outside Directors



### Takeshi Yamashita

Outside Director

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 law (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 and as a member of a Bank of Japan panel for reviewing financing and disposal operations.

### Getting the management to take gender representation seriously

One of my roles is to keep the management committed to the sustainability agenda. One of the SDGs is gender equality, a big concern for the male-dominated manufacturing industry. I had warned the management for some time about the lack of female representation at board level. My efforts paid off in June 2021, when the Board of Auditors welcomed aboard its first woman member, Akemi Sunaga. As for the Board of Directors, recent boardroom discussions have focused on how to comply with the latest changes to the Corporate Governance Code. As part of this, the board is engaging in succession planning.

This organization has maintained its independence while serving as a valuable subsidiary of ITOCHU Corporation. It has effectively combined the roles of a manufacturer and trading house, working with other group members to secure supply sources and exchanging information about the global food industry.

An increasing global concern, alongside ecological sustainability, is human rights due diligence. Actions speak louder than words. This organization must actively investigate its international supply chains and establish effective measures to prevent human rights abuses.

### A global ambition to drive innovation

As an outside director, my job is to monitor the management, encourage transparency, and to do so from an independent perspective. This means considering stakeholder value judgments and social norms, rather than being beholden to the organization's own values.

The organization has worked closely with its parent, ITOCHU Corporation, to achieve group synergies across a vast expanse of operations. These operations include sharing overseas market and risk information, joint sustainability initiatives, and personal networking. Prima Meat Packers Group will soon welcome aboard Rudi's Fine Food Pte Ltd. The members of this Singaporean food producer will surely have many questions for us. Building strong interpersonal ties will be crucial. Clear communication between the leaders on both sides will strengthen governance.

I want the organization to grow into a leading global producer of ham, sausage, and other products. Aiming for such global success should inspire the organization to innovate and upgrade its approach to manufacturing.



### Yuzo Ide

Outside Director

Yuzo Ide joined Wacoal Corp. in 1977. In April 2006, Ide became a corporate officer of Wacoal Corp. (which had by then become the operating company of Wacoal Holdings Corp.). In April 2014, he took on the additional roles of director and vice president. In June 2014, he became managing director of Wacoal Holdings Corp. Ide finally joined Prima Meat Packers' board as an outside director in June 2020.

## 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 Corporate Strategy Department 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. These steps help us create new value.

### Response and communication

#### Internal communication

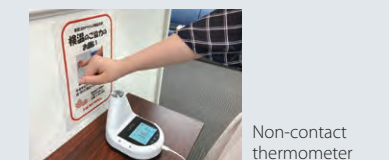
As of August 2021, the central taskforce has posted a total of 45 messages (emails or intranet posts) about responses to the spread of COVID-19 in Japan. These messages have conveyed to employees our basic approach to dealing with the pandemic. Namely, we prioritize the health and safety of employees and other stakeholders and we each play our part in fulfilling our organization's societal mission as food supplier.

#### Subject of each message

- Requests to employees
- Staggered work hours
- Commuting expenses
- Meetings, business trips, training, dining, etc.
- Visitors to company premises
- Special leave during school closure
- Contact tracing app
- Rules for standby/furlough
- Dissemination of Covid guidelines
- Recommendation to work from home
- Alternative commute options (e.g. by private car) for minimizing risk
- Dress-down days for releasing stress
- Redeployment
- PCR tests
- Vaccination
- Actions to take if you get infected

#### Measures taken in workplaces

- Covid safety tips and precautions communicated
- Work from home and staggered work hours introduced
- Hand sanitizers provided
- Non-contact thermometers provided
- Access to premises restricted
- Visits to offices banned in principle
- Videoconferencing improved
- Desk partitions provided
- Sales negotiations shifted online
- Training shifted online



Non-contact thermometer

### Using digital technology

#### Action in IT department

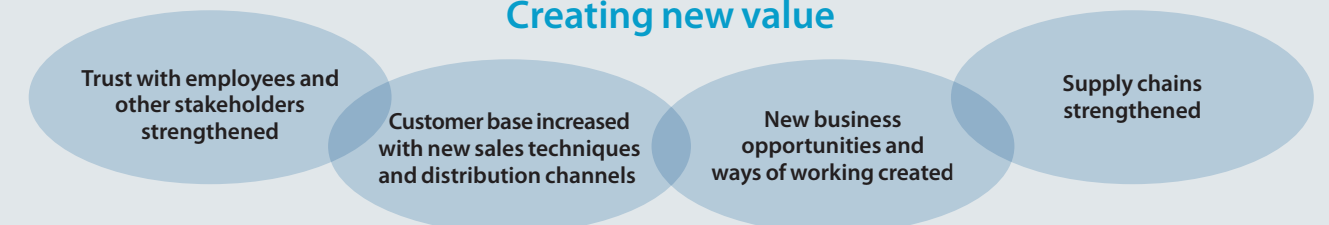
#### Preparing a remote work environment

- TeamViewer installed
- SSL VPN enhanced
- Videoconferencing improved
- Computers and Wi-Fi devices lent to staff



Videoconferencing system

### Creating new value



**We act swiftly and appropriately if an employee in Prima Meat Packers Group tests positive for COVID-19. Our Japanese corporate website discloses cases of infection in companies belonging to the Group.**

These companies also disclose such information on their own corporate websites. Japan's Ministry of Health, Labour and Welfare has reassured the public that it has received no reports of someone catching the virus through food.



## Our relationship with stakeholders

Our business activities involve a wide range of stakeholders. These stakeholders include the consumers who buy our products in stores, corporate customers such as volume sellers and restaurant chains, shareholders and investors, our suppliers, employees, and local communities.

Accordingly, we provide plenty of opportunities to engage with stakeholders and incorporate their feedback. We believe that a sustained commitment to stakeholder engagement will increase our contribution toward a better society and environment.

Key stakeholders	Key opportunities for stakeholder engagement		
Customers (corporate, consumers)	<ul style="list-style-type: none"> <li>Routine sales activities</li> </ul>	<ul style="list-style-type: none"> <li>Customer service office</li> </ul>	<ul style="list-style-type: none"> <li>Corporate website</li> </ul>
Employees	<ul style="list-style-type: none"> <li>Corporate portal</li> <li>Internal whistleblower hotline</li> <li>Self-evaluation reports (used for supporting employees' career advancement)</li> </ul>	<ul style="list-style-type: none"> <li>Newsletter</li> <li>System of performance management</li> </ul>	<ul style="list-style-type: none"> <li>Training programs</li> </ul>
Shareholders, investors	<ul style="list-style-type: none"> <li>AGM</li> <li>Meetings with institutional investors</li> </ul>	<ul style="list-style-type: none"> <li>Financial results briefings</li> <li>Corporate website</li> </ul>	<ul style="list-style-type: none"> <li>Briefings for individual investors</li> </ul>
Suppliers	<ul style="list-style-type: none"> <li>Routine business activities</li> </ul>	<ul style="list-style-type: none"> <li>Information sessions for suppliers</li> </ul>	
NGOs, local communities	<ul style="list-style-type: none"> <li>Community engagement</li> </ul>		

### Community Engagement

#### Providing food-related learning opportunities to schoolchildren 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 2020, the seventh year of the school engagement program, we provided learning materials to 118 schools, with a total of 9,116 elementary students. In previous years, we provided schools with samples of our products, such as Koukun Sausage, creating a direct connection between Prima Meat Packers and its young fans. We have suspended the program for the time being due to COVID-19, but we intend to continue it in the future.



Brochure: The Secret of Preserved Foods

#### 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 suspended the charity walk in fiscal 2020.

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 2020, we donated part of the sales from one of our products, raising a total of ¥1.1 million. We have also sponsored a WFP charity essay contest, donating ¥0.1 million.

#### Ongoing forests campaign

Since 2006, we have engaged in a campaign to conserve forests in Saitama Prefecture. As part of this project, employees from Prima Fine Foods Co., Ltd. participate in forest thinning work.



#### Disaster relief

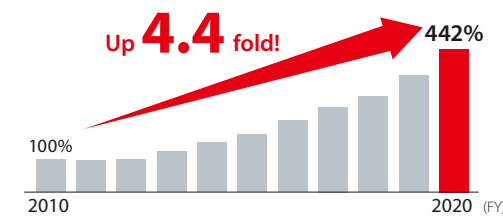
We donated ¥10 million to the Japan Red Cross Society's campaign to provide relief for victims of the Kyushu floods in July 2020. We also provided free food products, including sausages and smoked chicken, to Yatsushiro City in Kumamoto Prefecture.

### Our Value Drivers

## Building a beloved brand Introducing Koukun Sausage

Launched in 2002, the Koukun series is nearly 20 years old. Loved for its smoky flavor and mellow taste, the series has become one of our value drivers.

Annual sales



#### Carefully selected ingredients



##### A winning combination of flavors

To achieve a sausage seasoning blend that is flavorful and fragrant, we carefully selected 11 herbs and spices from among hundreds of options. We then used our proprietary sausage-making techniques to bring out the full flavor of freshly ground sausage meat.

#### Carefully selected sausage-making techniques



##### Course grinding for a juicy result

We make the sausages using the perfect balance of lean and fat, which we grind coarsely. The result is a juicy and flavorful sausage.

#### Wood chips that create a mellow aroma

To smoke the sausages, we use a popular variety of wood chips in Japan. These wood chips deliver the ideal aroma and color, and complement the sausage mix. The result is a mouth-watering combination of smoky mellow and pungent spice.



#### The moment of truth: Smoking

The smoking process is crucial for achieving Koukun's signature aroma, color, and crisp crunch. Accordingly, we manage this process manually. The team carefully monitors temperature and humidity to ensure the quality of the finished product.



#### Koukun wins international plaudits



2020: Koukun sausage awarded gold prize by the German Agricultural Society



2019: Koukun sausage wins gold at the International Trade Fair for the Meat Industry

#### Extensive lineup



Products from the Koukun series



## Eleven-year summary consolidated financial statements

	2011/3	2012/3	2013/3	2014/3	2015/3	2016/3	2017/3	2018/3	2019/3	2020/3	2021/3
<b>Statements of income (¥ million)</b>											
Net sales	251,005	271,222	275,647	303,600	341,183	361,223	363,336	394,534	413,023	418,060	433,572
Cost of sales	205,762	225,035	230,056	256,169	293,272	310,871	303,483	333,426	350,266	351,290	360,167
Gross profit	45,242	46,187	45,591	47,431	47,911	50,351	59,853	61,108	62,756	66,769	73,405
Selling, general and administrative expenses	38,475	38,859	38,331	38,618	40,698	42,104	44,287	47,978	49,588	51,132	51,929
Operating profit	6,766	7,327	7,259	8,813	7,213	8,247	15,565	13,129	13,168	15,636	21,475
Non-operating income	874	924	1,154	995	1,126	1,214	859	873	1,173	1,044	1,246
Non-operating expenses	640	697	491	510	604	401	322	356	512	722	310
Ordinary profit	7,001	7,554	7,923	9,298	7,735	8,776	16,102	13,646	13,829	15,959	22,411
Income before profit taxes	5,277	6,957	7,906	8,794	8,039	10,029	15,337	14,790	13,944	15,338	21,916
Profit attributable to owners of parent	3,195	4,497	4,359	4,192	6,392	6,429	10,009	10,413	8,287	8,823	14,165
Capital expenditures	4,575	7,221	6,586	10,282	13,722	14,102	16,347	22,448	19,549	13,378	12,364
Depreciation and amortization	3,979	4,306	4,797	4,729	5,711	6,467	7,001	8,578	8,459	9,729	9,923
R&D expenditures	542	525	538	453	469	473	399	381	396	376	381
EBITDA	9,661	11,596	12,960	13,723	13,951	16,688	22,514	23,553	22,752	25,324	32,070
<b>Cash flows (¥ million)</b>											
Cash flows from operating activities	10,844	9,671	10,018	10,689	7,850	5,209	26,003	10,866	23,786	22,304	27,248
Cash flows from investing activities	(4,511)	(6,800)	(6,436)	(10,976)	(10,376)	(12,617)	(14,790)	(21,373)	(14,887)	(5,875)	(12,205)
Cash flows from financing activities	(5,866)	(3,237)	(5,876)	(36)	(818)	9,347	1,335	3,187	(7,347)	(7,924)	(7,509)
Free cash flows	6,333	2,871	3,582	(287)	(2,526)	(7,408)	11,213	(10,507)	8,899	16,429	15,043
Cash and cash equivalents at end of period	11,098	10,745	8,535	8,240	4,988	6,927	19,468	12,168	13,732	22,214	29,773
<b>Balance sheet (¥ million)</b>											
Current assets	47,065	52,693	53,352	51,814	61,088	69,241	78,113	79,329	82,857	87,310	98,747
Current liabilities	43,765	49,031	49,677	50,275	60,350	58,669	60,413	64,630	74,706	68,171	71,957
Net assets	31,960	36,607	42,251	47,307	56,526	70,030	79,198	89,274	94,635	100,134	114,761
Total net assets	97,682	106,475	110,637	119,261	141,661	153,511	170,919	189,751	203,862	198,530	214,542
Total liabilities	65,722	69,867	68,386	71,953	85,134	83,481	91,721	100,477	109,226	98,396	99,781
Interest-bearing debt	23,639	21,319	16,586	17,315	21,661	23,025	26,203	32,507	29,515	24,950	22,152
Net worth	26,691	31,146	35,736	40,086	49,948	63,158	72,019	81,180	86,114	90,573	103,632
<b>Information per share (¥)</b>											
Net profit	71.36	100.46	97.39	93.67	142.93	131.68	198.80	206.85	164.78	175.57	281.90
Net assets	596.20	695.81	798.42	895.76	1,117.22	1,254.38	1,430.45	1,612.51	1,713.26	1,802.47	2,062.41
Annual dividend	10	10	10	10	10	20	30	50	60	60	85
<b>Key indicators</b>											
Return on assets (ROA) (%)	3.25	4.41	4.02	3.65	4.90	4.36	6.17	5.77	4.21	4.39	6.86
Return on equity (ROE) (%)	12.6	15.6	13.0	11.1	14.1	11.4	14.8	13.6	9.9	10.0	14.6
Price book-value ratio (PBR) (%)	0.85	1.11	1.40	1.20	1.50	1.14	1.72	1.89	1.20	1.36	1.69
Operating margin (%)	2.7	2.7	2.6	2.9	2.1	2.3	4.3	3.3	3.2	3.7	5.0
Equity ratio (%)	27.3	29.3	32.3	33.6	35.3	41.1	42.1	42.8	42.2	45.6	48.3
Current ratio (%)	107.5	107.5	107.4	103.1	101.2	118.0	129.3	122.7	110.9	128.1	137.2
Interest coverage ratio (times)	26.6	27.2	38.6	53.6	41.4	25.0	148.2	66.8	125.9	151.0	216.9
Debt equity ratio	0.89	0.68	0.46	0.43	0.40	0.36	0.36	0.40	0.34	0.28	0.21
R&D expenditure ratio to net sales (%)	0.22	0.19	0.20	0.15	0.14	0.13	0.11	0.10	0.10	0.09	0.09

## Company information (As of March 31, 2021)

<b>Company name</b>	Prima Meat Packers, Ltd.
<b>Head office</b>	Shinagawa Seaside West Tower, 4-12-2 Higashi-Shinagawa, Shinagawa-ku, Tokyo 140-8529, Japan Tel: +81-3-6386-1800
<b>Representative</b>	Naoto Chiba, President and Representative Director
<b>Detail of business</b>	Manufacture and sale of hams and sausages, fresh meats, processed foods, and other products
<b>Founded</b>	September 1, 1931
<b>Established</b>	July 9, 1948
<b>Capital</b>	¥7,908 million
<b>Number of employees</b>	1,921 <small>Note: The figure includes executive directors and the weighted-average number of temporary employees.</small>
<b>Branch offices</b>	East Japan Branch: Tohoku (Miyagi Pref.), Kanto (Tokyo) West Japan Branch: Chubu (Aichi Pref.), Kansai (Osaka Pref.), Chugoku / Shikoku (Hiroshima Pref.), Kyushu (Fukuoka Pref.)
<b>Plants</b>	Hokkaido, Ibaraki, Mie, Kagoshima
<b>Logistics centers</b>	Kanto (Ibaraki Pref.), Mie, Fukuoka
<b>Research institutions</b>	R&D Center (Ibaraki Pref.), Manufacturing and Technology Department (Technical Development Div.) (Ibaraki Pref.)

**Number of group companies** 33 (As of August 1, 2021) ● Consolidated subsidiaries ○ Associates accounted for using the equity method

### Fresh Meat Business

Company	Location	Business areas
● Pacific Ocean Breeding Co., Ltd.	Futaba-gun, Fukushima	Live hog operation business
● Nikushitsu Kenkyu Farm, Ltd.	Soo-gun, Kagoshima	Live hog operation business
● Kamifurano Farm, Ltd.	Sorachi-gun, Hokkaido	Live hog operation business
● Japanmeat Co., Ltd.	Miyakonojo-shi, Miyazaki	Live hog operation business, slaughter, meat processing, meat sales, animal feed wholesale
● Clean Farm Co., Ltd.	Miyakonojo-shi, Miyazaki	Live hog operation business
● Excel Farm Ltd.	Kanoya-shi, Kagoshima	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
○ Swine Genetics International, Ltd.	The U.S.	Live hog operation business

### Processed Foods Business

#### Production

Company	Location	Business areas
● Prime Delica Co., Ltd.	Sagamihara-shi, Kanagawa	Manufacture of products for convenience stores
● Prima Fine Foods 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
● PRIMAHAM (THAILAND) CO., LTD.	Thailand	Manufacture of processed foods
● PRIMAHAM FOODS (THAILAND) CO., LTD.	Thailand	Manufacture of processed foods
○ Prime Bakery Co., Ltd.	Fuji-shi, Shizuoka	Manufacture of products for convenience stores

#### Sales

Company	Location	Business areas
● 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

Company	Location	Business areas
● 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



## Stock information

### Major shareholders

(As of March 31, 2021)

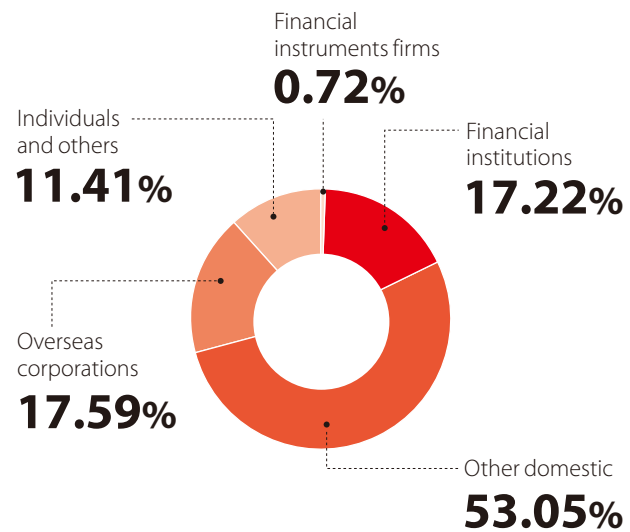
Name	Number of shares held (thousand shares)	Ownership ratio (%)
ITOCHU Corporation	22,327	44.35
ITOCHU-SHOKUHIN Co., Ltd.	2,262	4.50
The Master Trust Bank of Japan Ltd. (trust account)	2,259	4.49
Custody Bank of Japan, Ltd. (Trust Account)	1,400	2.78
BBH FOR FIDELITY PURITAN TR: FIDELITY SR INTRINSIC OPPORTUNITIES FUND	1,250	2.48
Takegishi Gakuen Educational Corporation	908	1.80
Sanshoku Co., Ltd.	800	1.59
The Norinchukin Bank	713	1.42
BBHFOR UMB BANK, NATIONAL ASSO-PEAR TREE POLARIS VAL SM CAP FD	577	1.15
Mizuho Bank, Ltd.	566	1.13

### Shares and shareholders

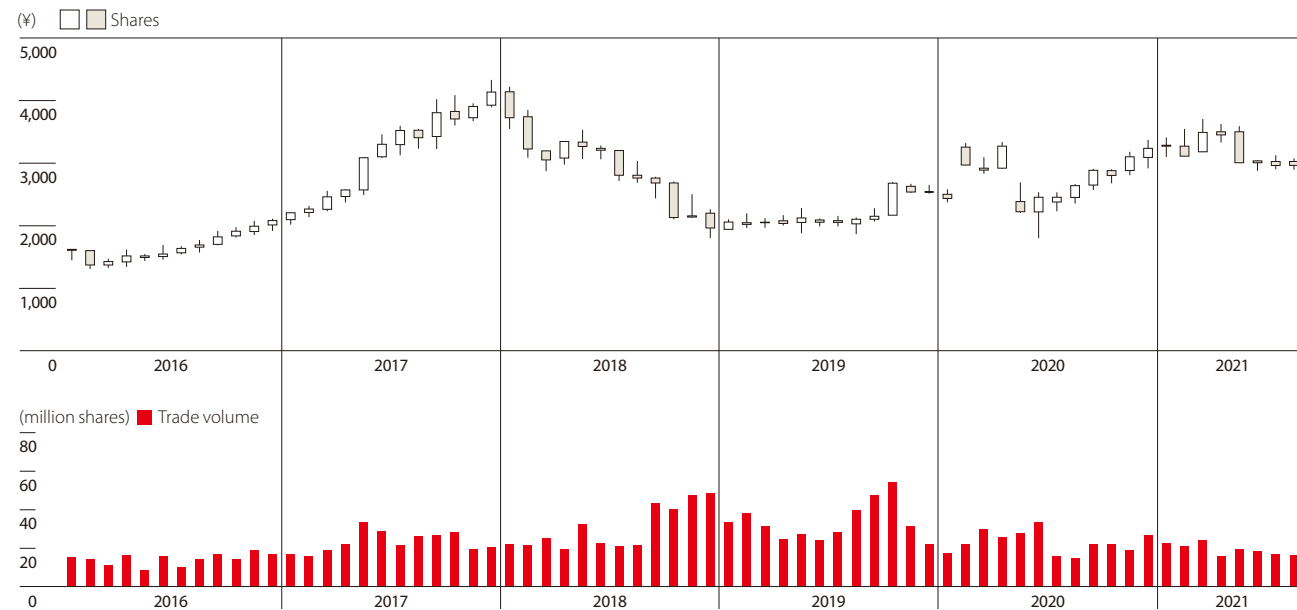
Number of shares authorized	70,000,000
Total number of shares issued and outstanding	50,524,399 (incl. 184,539 shares of treasury stock)
Number of shareholders	13,204

### Stock distribution by type of shareholder

(As of March 31, 2021)

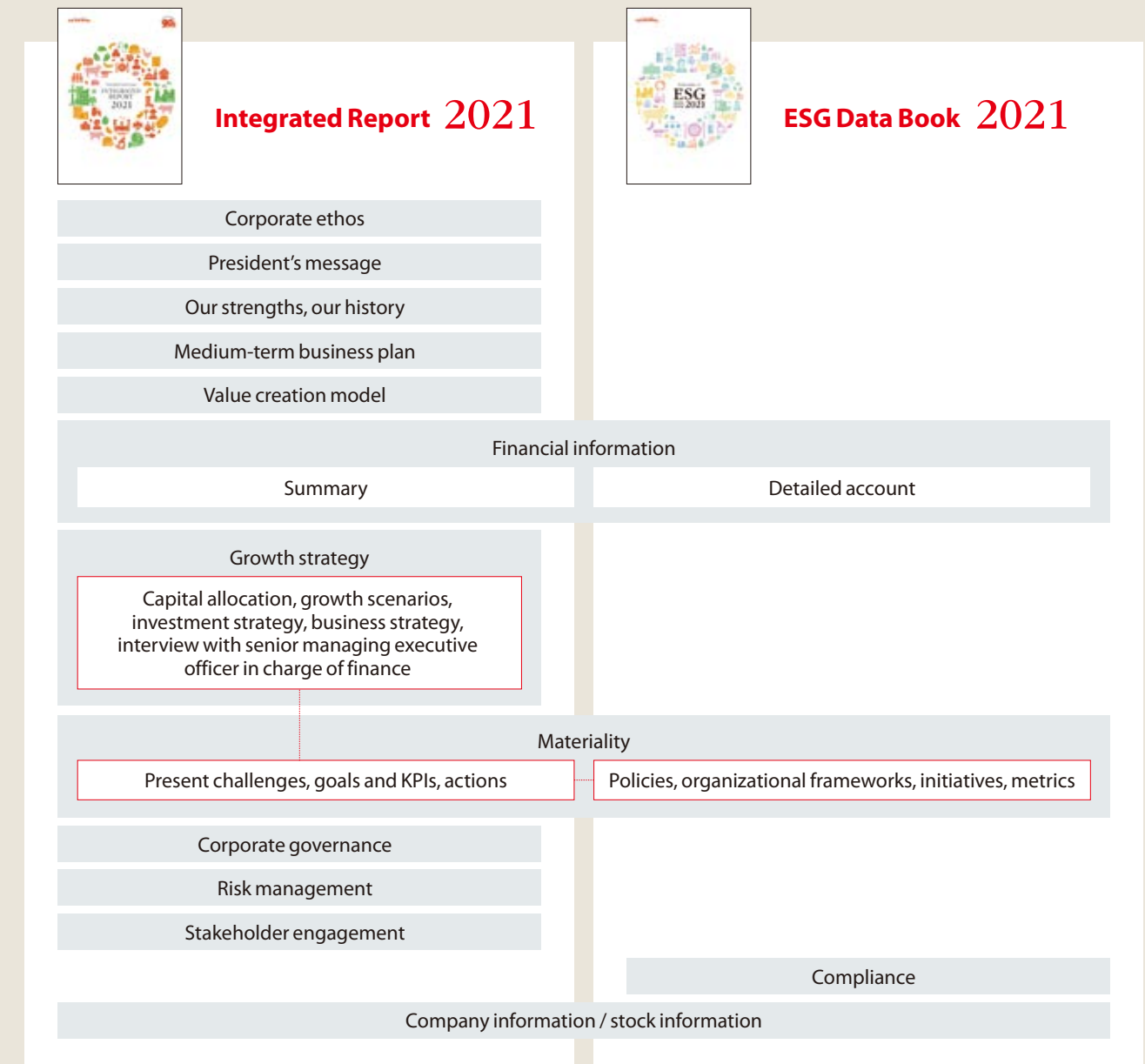


### Trends in share price and trade volume (TSE)



## Disclosure policy

This integrated report focuses on enterprise value. See the ESG Data Book 2021 for information about our ESG strategy, quantitative ESG performance, and ESG initiatives. All other information about Prima Meat Packers is available on the corporate website: <https://www.primaham.co.jp/en/company/>



### About the front cover

The design of the front cover of this report represents our mission to contribute to food culture and society through great taste and excitement by achieving sustained growth throughout our value chain. In the center, you can see an image of a family eating together and an image of the globe. These images represent our desire to earn the continued confidence of customers by engaging in social and environmental challenges.