

Disclosing information in line with TCFD recommendations

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Basic Approach

Climate change is one of the top global concerns today and one that has serious implications for our business operations, performance, strategies, and financial health of Prima Meat Packers Group.

We disclose climate-related risks and opportunities, along with the measures we take to address them, in line with the recommendations of the Task Force on Climate-related Financial Disclosures (TCFD), which was created by the Financial Stability Board at the behest of the G20.

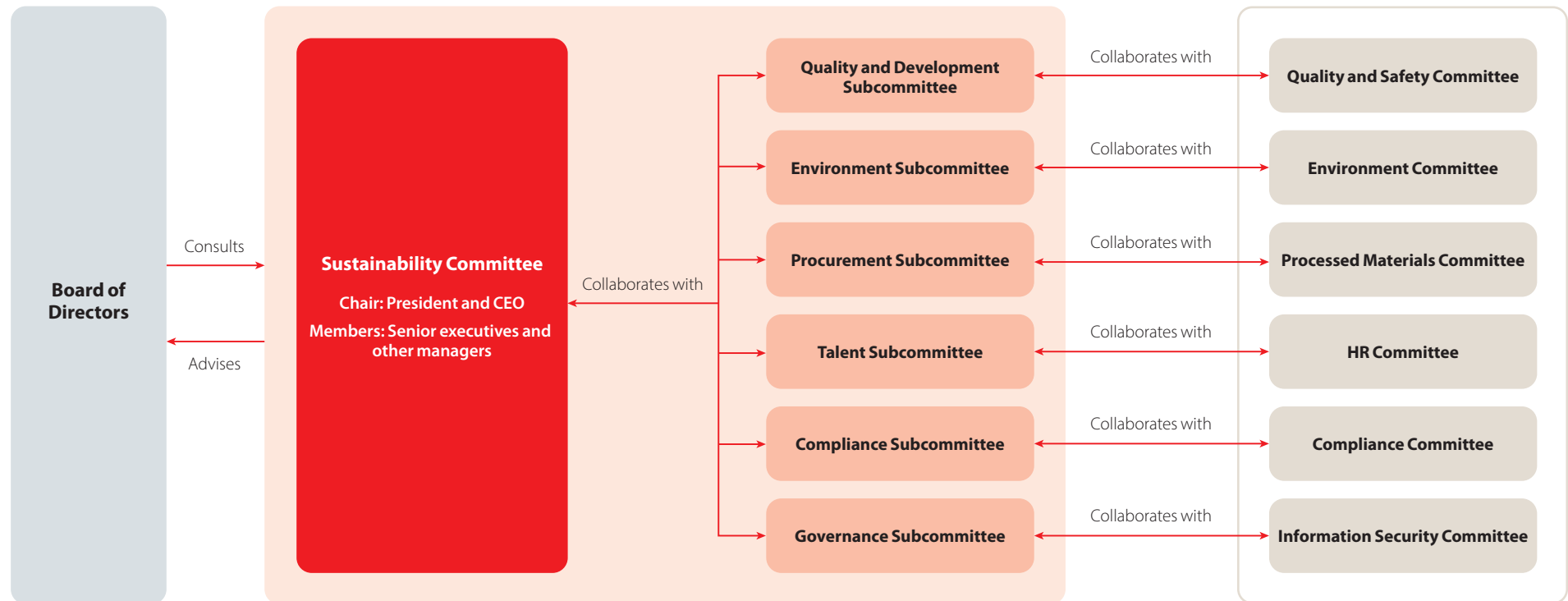
1. Governance

To guide action in climate-related issues and other matters that we have identified as material issues, Prima Meat Packers has the Sustainability Committee, an advisory body to the Board of Directors. For these issues, the Sustainability Committee sets goals and action plans, monitors progress, and updates the materiality matrix when necessary. The committee met three times during the first three quarters of fiscal 2022 (April–December 2022).

The Sustainability Committee is chaired by the president and CEO, and it has six subcommittees. These subcommittees collaborate with other committees in the company. Among the subcommittees, the Environment Subcommittee is dedicated to addressing climate-related risks and opportunities.

The Board of Directors deliberates matters reported by the Sustainability Committee and reviews progress in the material issues. A critical part of combating climate change is to reduce greenhouse gas (GHG) emissions across our corporate group. Emission reductions is therefore a central topic in meetings of the Sustainability Committee and Environment Subcommittee, with reduction measures including installing solar panels and energy-efficient machinery, switching from ozone-harming fluorinated refrigerants to natural refrigerants, and allocating budgets for factories to phase out fluorinated refrigerants.

Sustainability management structure



2. Strategy

One of our medium-term goals (as set out in our current medium-term plan, running from fiscal 2022 to fiscal 2024) is to address material issues, one of which is to combat climate change. The Sustainability Committee leads efforts to address this issue.

Our business operations and financial health are exposed to risks related to the

transition to a lower- or zero-carbon economy, risks related to higher costs of raw materials, and risks related to epidemics and pandemics. Outlined below are what we currently envisage as the risks and opportunities relevant to our organization.

Risk categories			Climate-related risks	Potential financial impacts	Magnitude	Timing
Major category	Subcategory	Sub-subcategory				
Transition risks	Policy and legislation	Introduction of a carbon tax (tax hikes)	<ul style="list-style-type: none"> Higher expenditures on energy-efficient technologies and renewable energy technology Higher tax burden if GHG emissions cut is too small Higher costs of raw materials and packaging Higher costs of feed and livestock medicines 	Expenditure	Medium	Short term
		Tighter mandates on GHG emissions and plastic waste	<ul style="list-style-type: none"> Higher manufacturing costs (for purchasing and recycling plastic packaging) following passage of Plastic Recycling Law Higher energy-related costs (costs of renewable shift) following revision to Law on Rational Use of Energy Requirement to upgrade manufacturing assets following tightening of energy legislation 	Expenditure	Low	Short term
	Technology	Technological innovations that support a carbon transition (transition to lower-carbon or zero-carbon economy)	<ul style="list-style-type: none"> More capital investments in technology due to rollout of energy-efficient technology Impairment of existing assets due to accelerated technological innovation Reduced time between technology upgrades 	Expenditure Assets	High	Medium term
	Market	Shifts in consumer behavior	<ul style="list-style-type: none"> If consumers perceive we are not doing enough to tackle climate change and plastic waste: <ul style="list-style-type: none"> Poorer brand perception Poorer ESG ratings and reduced capital availability Poorer perceptions among jobseekers and local residents Diminished employee loyalty Poorer sales due to increase in ethical consumerism in Japan 	Revenue	Low	Medium term
		Higher raw material costs ★ ▶ see p.5	<ul style="list-style-type: none"> Higher animal feed prices Higher costs of packaging and additives 	Expenditure	High	Short term
	Reputation	Negative perceptions of business sector	<ul style="list-style-type: none"> Poorer perceptions of meat industry Poorer brand perceptions due to plastic packaging 	Revenue Expenditure	Low	Long term

Risk categories			Climate-related risks	Potential financial impacts	Magnitude	Timing
Major category	Subcategory	Sub-subcategory				
Physical risks	Acute	Increased severity of extreme weather events (typhoons, torrential rain, blizzards, severe thunderstorms)	<ul style="list-style-type: none"> • Damage to traffic infrastructure • Stoppages following damage to production assets • Transport difficulties due to supply chain disruption or damage to warehouse 	Expenditure Assets	Low	Short term
		Epidemics and pandemics	<ul style="list-style-type: none"> • Stoppages due to infections in workforce • Supply disruption due to outbreak of animal disease • Shortage of raw materials for processed food products 	Revenue	High	Short term
	Chronic	Rising mean temperatures, changes in precipitation patterns, rising sea levels	<ul style="list-style-type: none"> • Water ingress in assets in coastal areas • Less revenue due to poorer animal feed harvests and adverse livestock conditions • Areas that rely on groundwater for irrigation and industrial water use: inadequate water supply due to groundwater salinization • Higher costs of managing employee health • Harder to attract labor for outdoor jobs due to normalization of heat extremes • Higher supply costs • Adverse conditions for livestock and poultry, and poorer meat quality, due to increased seasonal heat stress 	Revenue Expenditure	Medium	Long term

Opportunity categories			Climate-related opportunities	Potential financial impacts	Magnitude	Timing
Major category	Subcategory	Sub-subcategory				
Opportunities	Resource efficiency	Use of more efficient modes of transport, use of more efficient production and distribution processes	<ul style="list-style-type: none"> • Rise in joint distribution, modal shift • Better efficiency through segmenting processes and automating packaging • Lower transportation costs with rise in domestic pork (to reduce food miles) • Shift to low-carbon production methods 	Expenditure	Medium	Short term
		Use of recycling	<ul style="list-style-type: none"> • Lower packaging supply costs with higher rates of packaging recycling 	Expenditure	Low	Medium term
		Reduced water usage and consumption	<ul style="list-style-type: none"> • Lower utility costs with less water used in factories • Higher volume of trade with farms that conserve water resources and use water efficiently (greener supply chain) 	Expenditure	Low	Short term
	Energy source	Use of renewable energy (shift from thermal power generation)	<ul style="list-style-type: none"> • Lower energy costs with increased use of renewable energy • Higher ESG ratings and increased capital availability (as more investors favor use of renewable energy) 	Expenditure	High	Medium term
	Products and services	Development and expansion of low-emission goods and services	<ul style="list-style-type: none"> • Longer shelf lives due to better packaging • Expansion of products packaged sustainably (minimal, recycled, or biomass packaging) • More vegetables sourced from Japanese GAP-certified farms • Higher demand for animal manure due to reduced use of petrochemical fertilizers • Development of feed formulae that reduce animal methane emissions • Higher demand for low-carbon beef (beef produced with less GHG emissions) • Chance to reposition organization as purveyor of protein-rich foods in general (including plant and insect sources) 	Revenue	Medium	Medium term
	Resilience	Resource substitutes/diversification (to mitigate procurement risk)	<ul style="list-style-type: none"> • Increased reliability of supply chain (globally dispersed, more diverse) 	Revenue Expenditure	Low	Medium term

Example of Scenario Analysis

For every climate-related risk we have identified, we simulate the financial impacts and develop measures to address these impacts. Of particular concern is the climate-related impact on raw material costs—namely, that climate change drives up the costs of raw

materials. Given that this risk could have a severe financial impact, we ran the following simulation and started developing measures based on the results.

Higher raw material costs ★

Climate change may affect soybean and corn crops used for animal feed. It may also affect hog farming operations.

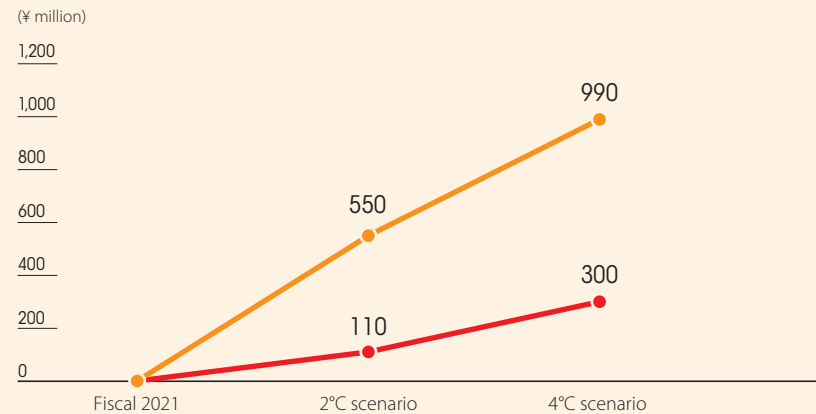
Bearing in mind that a reduction in crop-based feedstocks was predicted in the Intergovernmental Panel on Climate Change's 2019 Special Report on Climate Change and Land, we estimated the increase in costs for purchasing our main animal feeds (soybean and corn) in two temperature scenarios: 2°C and 4°C (see graph). Note that this estimation assumes that hog shipments would remain at the fiscal 2021 level. The results indicate that, in the 4°C scenario, costs of purchasing soybean and corn could potentially rise to as high as ¥1 billion by 2050.

The fact that we import pork from overseas is another reason to be concerned about the impact of climate change on the livestock industry. Climate change does not only affect yields of the soybean and corn used for swine feed; the US government's Fourth National Climate Assessment, published in 2018, suggests that higher global temperatures could reduce feed intake among swine, leading to longer swine production cycles. If so, then it would increase the cost burden on hog farmers, in turn pushing up the prices we pay to purchase the pork. However, further monitoring is required given that the Fourth National Climate Assessment also reports the opinion that global warming might lead to higher soybean and corn yields in the Northern United States.

In light of the data, we are exploring measures for ensuring stable prices for procuring raw materials.

Estimated increase in costs of procuring soybean and corn between 2021 and 2050

— Limited increase — Severe increase



Estimates based on IPCC's 2019 Special Report on Climate Change and Land

3. Risk management

The Sustainability Committee discusses the climate-related risks and opportunities relevant to our corporate group and reports its findings to the Board of Directors.

Based on the committee's reports, the Board of Directors reviews risk factors of concern and then sets a group-wide strategy and action plans for addressing environmental issues.

It also promotes the awareness that risk factors of concern are organization-wide concerns in that they could affect the business operations and performance of the organization as a whole. The Sustainability Committee and its subcommittees develop their own action plans incorporating the strategy and action plans set out by the Board of Directors.

4. Metrics and targets

For our metrics and targets for mitigating climate change, we estimate GHG emissions at Scopes 1 and 2. Reducing GHG emissions is one of our material issues, and as such the Board of Directors, in fiscal 2022, set an emissions reduction target*¹ for fiscal 2030: 24.3% down from the fiscal 2021 level.*² By working toward this target, we are fighting climate change. The target is aligned with the Japanese government's GHG reduction target. We

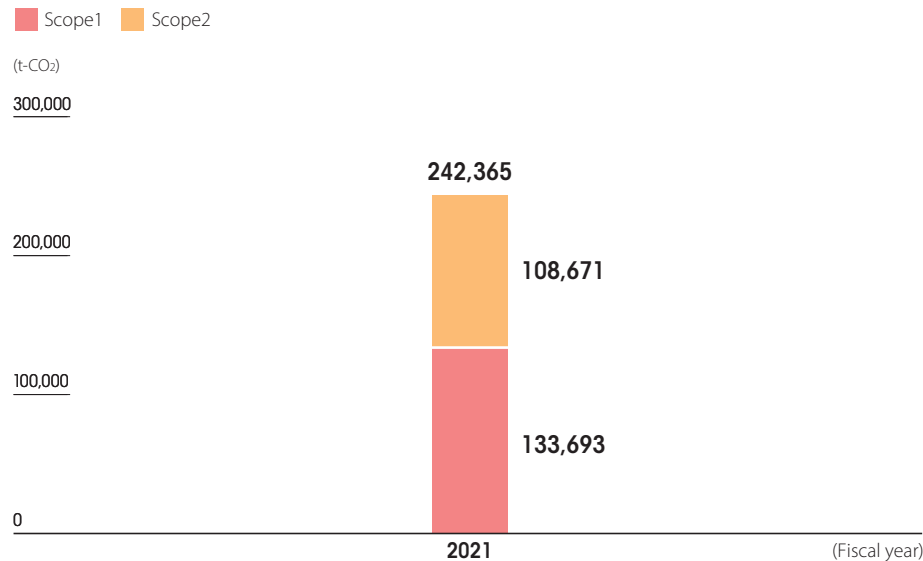
will continue to take into account government directives and requests on climate change.

We are also considering setting a reduction target for Scope 3 emissions.

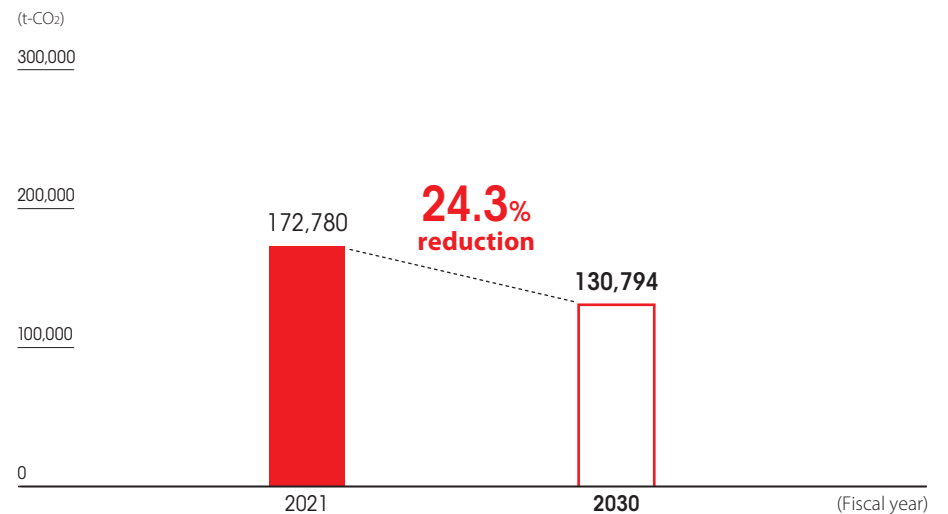
*¹ Excludes emissions from overseas sources and from livestock.

*² The 24.3% reduction (compared to the fiscal 2021 level) was determined by annualizing the Japanese government's 2030 target of 46% reduction from the fiscal 2013 level.

GHG emissions at Scopes 1 and 2



Reduction target for GHG emissions (excluding emissions from overseas sources and from livestock)



The fiscal 2021 amount shown in the graph is the updated amount following a detailed examination of the emissions data for that year.