

Prima Meat Packers Group
INTEGRATED REPORT

2022



Contribute to food
culture and society
through great taste
and excitement

Who we are

Year founded

 1931

Consolidated net sales

¥ 420.7 billion 


See page 58 for the assumptions underlying this figure.

Consolidated number of employees

Japan 14,586

 Overseas 1,385

Consolidated number of patents

Japan 62 Overseas 10 

Number of group companies

 36
As of September 1, 2022

The 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 stepped up efforts to expand in burgeoning Asian markets.


Net sales breakdown (consolidated)

Processed foods business (includes ham and sausage business) 63.6% 

Fresh meat business 35.8% 

Share of Japanese market

Ham and sausage market

3rd As of fiscal 2021. Source: SCI 

Overseas locations

Thailand 2 Singapore 1

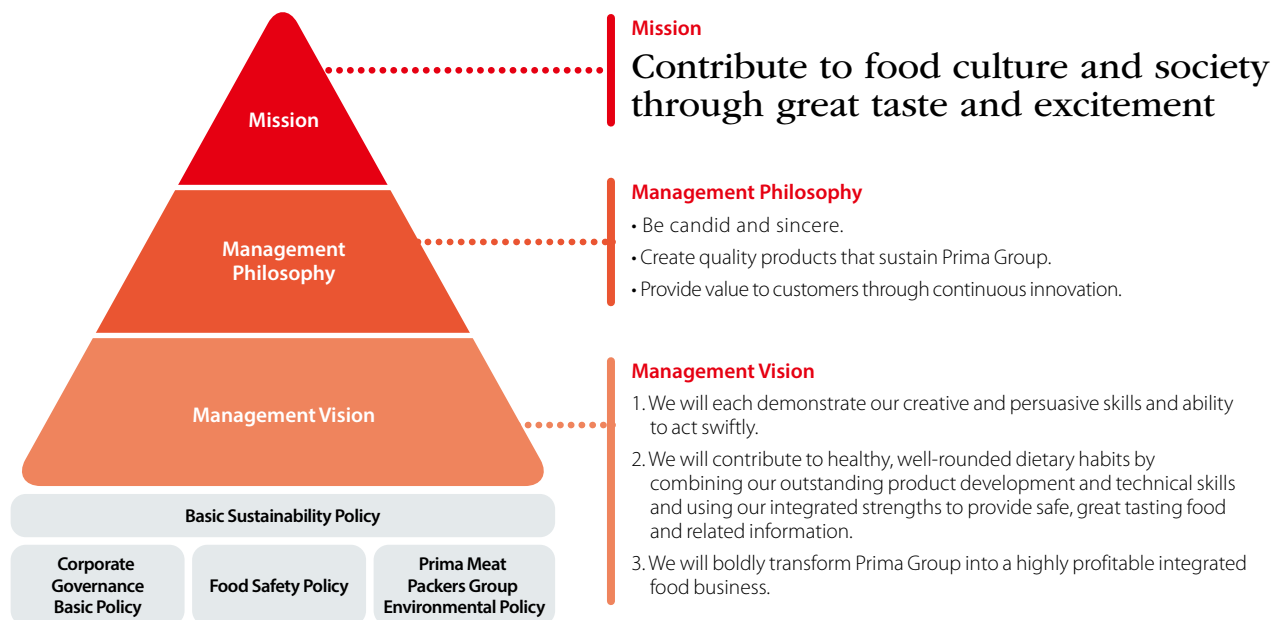
USA 1



As of September 1, 2022

Corporate Ethos

On April 1, 2021, we released a clearer mission statement to give stakeholders a better idea of what we are setting out to do.



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. For this year's report, we have tried to give readers a clearer idea of our corporate purpose and how this is embodied in our corporate history and our brand strengths. We have also presented information from medium-term business plan (fiscal 2022 to 2024) to give a clearer idea of our future objectives. This report also describes our progress in integrating sustainability into our business practices. It describes, for example, the Sustainability Committee, which we launched in November 2021, and our efforts to disclose non-financial information in line with the recommendations of the Task Force on Climate-related Financial Disclosures. We are open to your suggestions for how we could further improve the quality of our disclosures in future reports. In compiling this report, we followed the Integrated Reporting Framework of the Value Reporting Foundation.

Scope of Report and Contact for Inquiries

Time period covered: Fiscal 2021 (April 1, 2021 to March 31, 2022)

(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.

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President's Message

Transforming our business model and corporate culture to achieve our vision

Naoto Chiba
President and CEO



President's Message

Thinking 10 years ahead and rebuilding our corporate culture

In fiscal 2021 (ended March 2022), conditions proved challenging. The pandemic continued from the previous year, causing further disruption in global supply chains. This factor, coupled with the soaring price of oil, pushed up prices for raw materials and packaging in the food industry. The global economic picture remains bleak, particularly with the geopolitical crisis in Europe.

Meanwhile, the world faces an increasingly urgent need to address climate-related risks and other sustainability issues. Of particular relevance to our organization are the sustainability issues in the meat industry. One issue for the Japanese meat industry is the shrinking domestic market. Globally, the meat industry is a huge major contributor to climate change because of methane emissions from swine and cattle. Other environmental issues include the impact of animal feed production and problems associated with wastewater. Alongside these issues, animal welfare is garnering increasing attention.



Addressing these challenges requires organizational commitment. Back in April 2021, we listened to employee feedback and adopted a new mission statement that employees can more easily identify with. Translated literally, the new mission statement reads, "Contribute to food culture and society through great taste and excitement." The new statement was intended to clarify our direction as an organization and to help align employees' personal goals with those of the management.

If our organization is to achieve sustainable growth and fulfill our vision in an uncertain world, we need to transform our corporate culture and become more aggressive, expeditious, and ambitious. When we experienced the business crisis twenty years ago, the pain persisted for some time. However, management and employees worked together to transform the organization, boosting the productivity of and adding value to our ham and sausage product lines. These efforts culminated in the winning brand Koukun Sausage, which continues to drive our growth today. Those who remember the crisis of the time should join forces with their younger, reform-minded colleagues in a united effort, under a renewed corporate philosophy. Together, we can create new business opportunities and markets and drive global expansion. We can also help address the global food crisis and environmental issues. One option we may have in this future is to shed our dependence on livestock farming and transform into a provider of protein sources in general.

No effort spared to restore earnings

How did we fare in the year under review (ended March 2022) and where do we go from here?

In the food industry as a whole, conditions remained tough. The extent of recovery from pre-pandemic times varied sharply between different food sectors. Products for home cooking continued selling well with the pandemic encouraging more people eat at home. As for commercial food sales, with many continuing to avoid going out, demand for eating and entertainment

Corporate Ethos

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Our History

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President's Message

remained in decline. Consequently, restaurants saw little recovery in eat-in revenue. However, they did see an upswing in takeout orders.

Against that backdrop, we focused on safety and reassurance by thoroughly virus-proofing our businesses premises, thereby meeting the expectations of key vendors and consumers. These efforts resulted in revenue growth.*

In the processed foods business, Koukun Sausage reached its tenth year of market growth. To maintain this growth momentum, we added to the standard twin pack a large ziplock pack. Our new processed products proved popular. These products include hamburgers, soy-based meat substitutes, cooking products that can be stored at room temperature, and snacks that pair well with alcoholic beverages. B2B sales were adversely affected by Covid-related stoppages in processing plants, a period of stock shortages, and sluggish demand for seasoned raw meat amid soaring prices of meat imports. The B2B market is recovering, so while we recorded negative growth in operating profit, we achieved positive growth in net sales.

What, then, is our strategy going forward? One strategic focus is Koukun Sausage series. Given that Koukun Sausage is popular with young people, we decided to step up promotional tie-ins, targeting a wider audience. Adding to the existing partnership with Tokyo Disney Resort®, we entered a partnership with Takarazuka Revue, a famous musical theater troupe. We also became an official sponsor of Ghibli Park, a theme park representing Studio Ghibli, the celebrated anime studio. To further build our fan base, we use a Twitter account as part of a social media strategy to engage with consumers who shop online using their smartphones. Such promotional strategies require ideas from younger employees as well as from senior management, so we'll invite employees to contribute ideas during meetings and encourage informal communication. Another strategic focus is coping with cost increases. In the year under review, the cost increases were too large to absorb, and this situation looks set to continue this year. Already, manufacturing costs have exceeded projections because of higher prices for raw materials and oil, the weak yen, high

animal feed prices, and higher distribution and labor costs. We'll mitigate the cost increases by streamlining production and distribution as much as possible. At the same time, we'll tactfully explain to customers about the prices increases in our consumer and commercial products. With these efforts, I believe we can achieve revenue and earnings growth in this fiscal year and beyond.

Our meat business faced a tough year. Margins for meat sales were undercut by higher overseas meat prices, continued high costs in distribution, and higher cereals prices. To mitigate the high costs of importing meat, we worked to expand production capacity for Japanese pork production and to boost productivity on farms, but animal feed prices and other uncontrollable factors ultimately led to negative growth in sales and earnings.

Still, we remain on track with Vision 2030, our project for achieving growth in the meat business. The new farm in Miyagi will welcome its first livestock this year and start pork shipments in 2023. The farm will have an onsite feed mill so that it can manage the feed directly, increasing its control over cost and quality. It will also use the latest technology to create an optimal environment for pig farming. The technologies include AI-driven applications for controlling temperature, humidity, and wind direction in pig sheds, and for controlling feed rate.

* See page 58 for the assumptions underlying these figures.

A three-pillar strategy for growth

To navigate the uncertain waters and reach our medium-term targets, we have adopted three key strategies and developed actions for each: 1) Implement ESG strategy and make business foundation more sustainable, 2) further expand the domains of the two existing business segments and further strengthen their sales and profit bases, and 3) invest in growth projects and expand globally.

For the first strategy, we undertook a materiality assessment in fiscal 2020 (ended March 2021), identifying ten material issues. The ultimate purpose of the materiality assessment was to build organizational infrastructure

Processed Foods
Business

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Fresh Meat Business

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Medium-term
Business Plan

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President's Message

The Sustainability Committee

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necessary for sustainable corporate development, in which we balance pursuit of business growth with engagement in social and environmental issues. Part of this organizational infrastructure is the Sustainability Committee, inaugurated in the year under review. This committee, which I chair, has six subcommittees covering quality and product development, environment, procurement, talent, compliance, and governance. The committee and its subcommittees coordinate action on these six areas through a plan-do-check-act cycle involving the following processes: 1) identify the status-quo, 2) set quantitative targets, 3) plan actions, decide budgets, and estimate outcomes, 4) prepare processes and schedules for implementing the actions, and 5) report the progress of the actions. The Sustainability Committee will begin in earnest in this fiscal year.

Of all the material issues, perhaps the most crucial to our organization is the need to contribute toward a more sustainable meat industry. Many sustainability initiatives can also create cost savings. Examples include using less energy, cutting carbon emissions, using less plastic in packaging, and going paperless. Employees understand this fact and are committed to doing their bit to make the sustainability initiatives a success. The management will do its part by actively allocating capital to introduce the latest technology.

Recently, we endorsed the recommendations of the Task Force on Climate-related Financial Disclosures (TCFD) in September 2022. We identify climate-related risks and opportunities and perform scenario analysis to meet the TCFD's disclosure requirements, but also to get a clearer idea of our future direction for sustainability. Take, for example, the meat industry. This industry has a litany of sustainability issues. However, it also offers benefits. In particular, evidence shows that lifespans have become longer because of a higher intake of essential amino acids. Accordingly, we should seek the right trade-off between the positive and negative aspects of eating meat.

For the second strategy, we're using growth capital expenditures (growth CapEx) to level-up our production assets, some of which are in a dilapidated



state, so that we can accommodate increased demand and capture opportunities for higher future growth. In the processed food business, we've already invested ¥13 billion in a new plant in Kagoshima. When it enters service in early 2023, it will double our capacity to produce Koukun Sausage products. In the meat business, we'll grow the hog farming business with a CapEx budget running up to 2030. The new farm in Miyagi, due to enter service in 2023, will play a central role in our strategy to integrate pork production, from breeding to the final product. The investment will also insulate our operations from market volatility, ensuring stability and balance in quality, pricing, and volume. As for product development, we've noted the popularity of our series of cooking products that can be stored at room temperature. These products are targeted to certain needs that the pandemic has driven. Examples include people who are too busy with work to go shopping, people with fridges full to bursting, and people who enjoy a snack with a beer at home.

To get these products to consumers, we must forge new sales channels. Whereas department stores once prevailed as a main place for shopping, shopping has long since diversified, with consumers increasingly shopping for groceries at supermarkets, convenience stores, and drugstores. Moreover,

Processed Foods Business

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Fresh Meat Business

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Applying the Recommendations of the Task Force on Climate-related Financial Disclosures

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President's Message

over the past several years, we've seen a rise in smartphone-based e-commerce and live commerce. To penetrate the e-commerce market, we acquired TMG International, the operator of online butchery The Meat Guy, in December 2021. We're now committed to building new sales channels with a view to developing direct-to-consumer sales*¹ and differentiating our products from those on supermarket shelves.

As for the third strategy, investing in growth and expanding globally, this strategy will be driven by Rudi's Fine Food Pte Ltd, a producer and retailer of ham, sausages, and other meat, which became our fully consolidated subsidiary in August 2021. Rudi's boasts an extensive clientele and formidable brand power in Singapore. With Rudi's in our group, we aim to penetrate Singapore's ethnically and gastronomically diverse market. We envisage that Rudi's will cross-sell products from chicken meat produced by our Thai subsidiary Primaham (Thailand) Co., Ltd., and help us crack the huge halal*² market. In partnership with the ITOCHU Group, we will work to expand Rudi's proven export business to Singapore's neighbors, unlocking further growth and raising our international profile. Over the longer term, we want to transform our corporate group into a provider of protein sources in general. This means fish and vegetables as well as red meat and poultry.

*¹ Direct-to-consumer (DTC): DTC is a business model in which the manufacturer sells products directly to consumers.

*² Halal: Halal means "permissible" in Arabic. In the context of food, it means food that is permissible under Islamic law. Pork is a notable example of non-halal (haram) food (eating pork is strictly forbidden in Islam). Other kinds of meat, such as poultry, are halal, provided they have been prepared according to Islamic law.

Looking beyond our centenary: Investing in human capital for change

The tasks I've discussed won't accomplish themselves. It's ultimately people who will accomplish them. Human capital has gained increasing attention with the source of value creation shifting from hard assets such as machinery and equipment to soft assets such as ideas and business models. In practical

terms, this shift means transforming workplace culture and upgrading the business model, which we certainly consider a strategic priority. Hence, our medium-term business plan includes a commitment to fostering change acceptance through better talent management and employee satisfaction.

As part of this, we'll continue regular recruitment, having suffered in the past from having scaled back recruitment in a tough time. We'll actively map career paths to build the workforce that will drive our growth strategy. For the more technical positions, we'll also use internships as an opportunity for people to get a feel of the workplace and experience the passions, challenges, and sense of accomplishment that come with the job. Prima Meat Packers already has an extensive program of talent development. In 2020, we launched the Employee-satisfaction Revolution Project in light of feedback from an employee survey. The project defines tasks and goals. This year, we started implementing actions for these tasks. Every other year, we'll conduct an employee survey to monitor outcomes.

In this way, we want to create a positive spiral in which supporting employees' career development and creating an engaging and empowering workplace culture helps us build a results-oriented, go-getting workforce, and vice-versa. As part of this cycle, we appointed our first female executive officer in 2022. This may seem like a small step, but if we look broadly and see the essence of them, and we look closely and put them into practice—as I always advise people to do—we can see that it's part of an important journey toward greater workplace diversity and sustainable corporate development. We'll keep providing role models for diversity and inclusion, fostering greater respect for diversity, and bringing in more fresh blood in order to build change agility.

One of my favorite quotations is, "Nothing happens unless first a dream." With everyone in our organization sharing the dream of contributing to food culture and society through great taste and excitement, we will continue to grow our enterprise while contributing to a more sustainable world.

Strengthening
Human Capital

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Making the Vision
a Reality

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Steps to penetrating
fast-growing markets

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Section 1

Value Creation Story

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Our Purpose

Excelling in quality and taste, we make people's cuisine heartier and healthier and make lives brighter. We also contribute toward diets that are more sustainable and better suited to people's lifestyles. With over 90 years of history, we continue to embrace fresh challenges to create new business value.

Protecting
the global
environment



Building a
healthy body



Mission

Contribute to food
culture and society
through great taste
and excitement



Simple,
easy products



Co-existing
with local
communities

Great taste,
time to enjoy



Our History

Prima Meat Packers started manufacturing and selling ham and sausages in 1931, a time when the Japanese population consumed very little meat other than seafood. Since then, we have never stopped pushing boundaries in our **mission to deliver great taste and excitement.**

Net sales (¥ billion)
450

The spirit of our founder, Masanori Takegishi

Our founder, Masanori Takegishi, believed that Japan could accomplish greater national growth with a physically fitter population. Acting on this belief, he launched a business to manufacture and sell ham and sausage products, still rare in Japan at the time, with a view to leading the country's meat industry and providing the population with high-quality and affordable meat.




1931- 1970- 1980- 2000- 2020-

Founded with a mission to improve people's lives

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."

Worldwide quality assurance

Prima Meat Packers worked with an overseas quality expert to build a proprietary system of quality management. Under this system, the Company launched a succession of winning products that excelled in quality. The Company then launched a hog farming business, laying the foundation for an integrated system of domestic pork production.

Adapting to shifting consumer trends

To expand business, Prima Meat Packers built dedicated plants for supplying convenience stores, as well as those for food processing. It also established overseas production sites. The plants in Japan obtained quality assurance certification.

Bouncing back from adversity with tighter 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.

A vision for further growth

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.

Brand Strengths

From 90 years of innovation, we have developed a number of sources of competitive advantage.



Modern, Cost-competitive Plants Raising the production capacity of our plants

Our two plants in Ibaraki use automated packaging and linear production lines ensure efficient production. The plants boast short lead times and a combined capacity of 4,500 tons per month. In January 2023, we will open a new plant in Kagoshima. This plant will have an annual production capacity of around 10 thousand tons.



Excelling at In-house Product Development Keeping pace with diversifying diets

We produce processed food products (including ham, sausages, and burgers), 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.



Food Safety Management System Integrated food quality management

The Group conforms to international standards for managing food safety such as FSSC 22000 and ISO 22000. This means we follow an integrated approach to quality management, extending from product development through to procurement, production, and distribution. Our Thailand-based suppliers conform to the Japanese Agricultural Standards (JAS).



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, receive technical guidance from outside organizations, and invite customers to thrilling private events co-organized with a theme park operator.



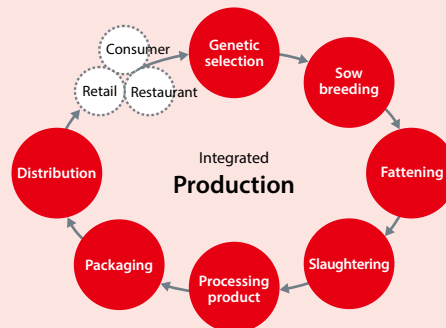
Domestic and International Procurement Networks Working with suppliers to meet strict quality standards

Leveraging our membership of the ITOCHU Group, we have secured international supply sources for raw meat. We engage with all suppliers via an importing company, to ensure their commitment to our strict quality standards.



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. We have partnered with US company to get frozen semen samples from pig breeds to develop sows with meat that appeals to the Japanese palate. We have also invested in the new farm in Miyagi prefecture. Scheduled to launch in 2023, this new farm will achieve high levels of production by using advanced technology and science-based practices.



Original Brand Meat Joint development of original brands that suit the Japanese palate

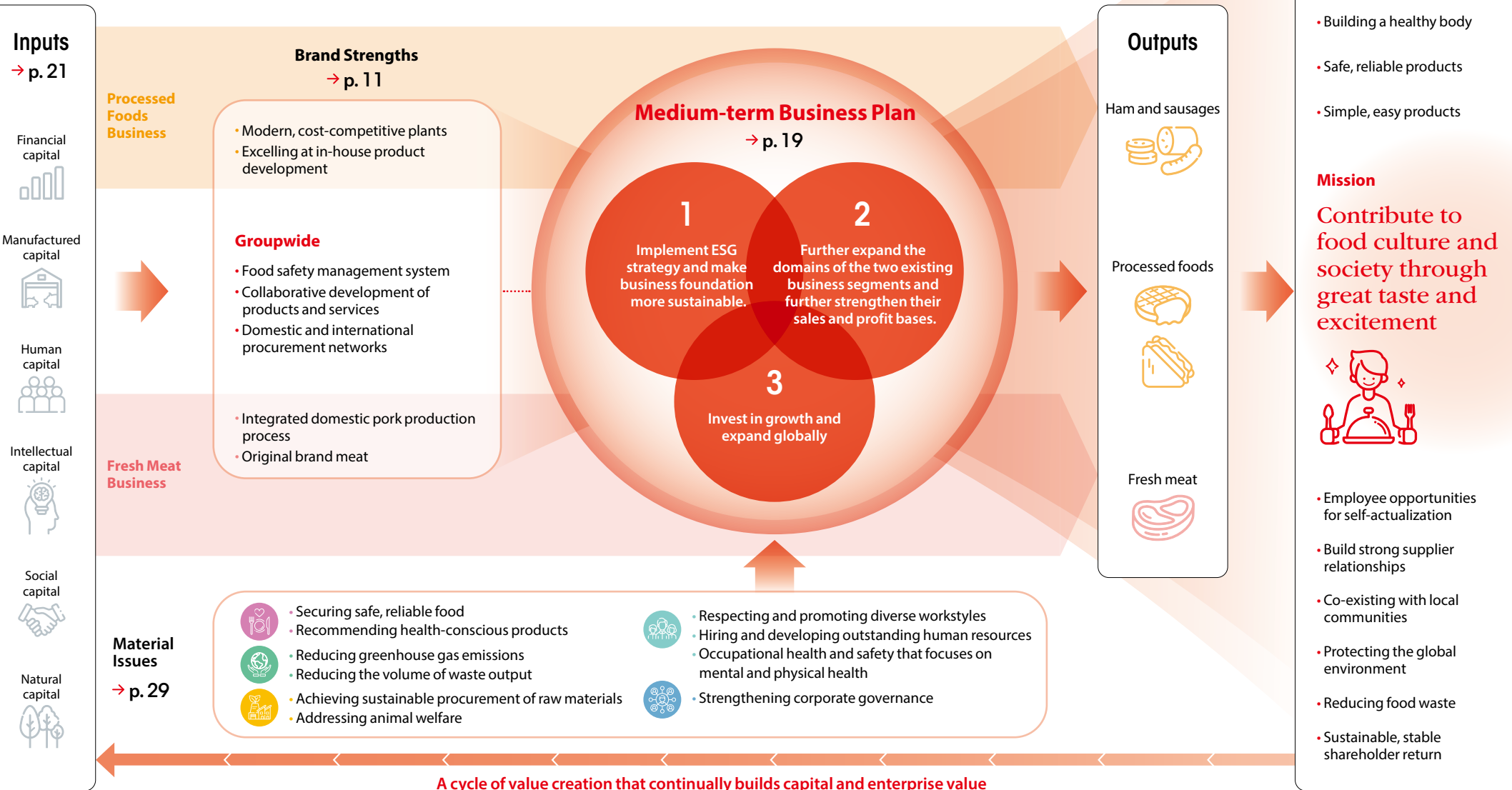
We work with suppliers to provide original meat brands. Our suppliers' livestock, which include cattle, swine, and poultry, enjoy wide-open pastures, and their meat quality is well received by our customers. For example, we teamed up with HyLife, a leading pork producer in Canada, to develop Three Herb Pork, a tender, juicy brand of pork. Sourced from three-way crossbred pigs, the pork appeals to the Japanese palate. Additionally, the feed for the pigs includes herbal extracts.



* See page 58 for the assumptions underlying the above figures.

Value Creation Process

With medium- and long-term strategies that play to our strengths, we pursue sustainable corporate development to achieve our mission to contribute to food culture and society through great taste and excitement.



Making the Vision a Reality

We have defined our mission as follows: "contribute to food culture and society through great taste and excitement." We have also committed to a long-term strategy of sustainable corporate development. This strategy involves launching new businesses, cultivating new markets, and expanding globally.



Our mission requires us to positively impact society by building an upward spiral of value creation.

Under our current medium-term business plan, which covers the three years from fiscal 2022 (ending March 2023) to fiscal 2024 (ending March 2025), we are taking actions for three strategic themes: 1) implement ESG strategy and make business foundation more sustainable, 2) further expand the domains of the two existing business segments and further strengthen their sales and profit bases, and 3) invest toward growth projects and expand globally. For the second theme, we want to develop, over the three-year period, a new profit driver as a follow-up to Koukun Sausage, which has driven our growth for twenty years. Accordingly, while continuing to build the Koukun Sausage brand, we are pouring energy into developing the next hit product. (See p. 14)

Global expansion has become increasingly crucial amid the shrinking and aging of the Japanese population. In 2021, we acquired Singaporean food retailer Rudi's Fine Food Pte Ltd. marking the start of a fully-fledged effort to reach overseas markets. In this strategy, we receive support from our parent, ITOCHU Corporation. (See p. 16)

- Great taste, time to enjoy
- Building a healthy body
- Safe, reliable products
- Simple, easy products
- Employee opportunities for self-actualization



Contribute to food culture and society through great taste and excitement

Mission

- Build strong supplier relationships
- Co-existing with local communities
- Protecting the global environment
- Reducing food waste
- Sustainable, stable shareholder return

2

Further expand the domains of the two existing business segments and further strengthen their sales and profit bases

1

Implement ESG strategy and make business foundation more sustainable

3

Invest toward growth projects and expand globally

Medium-term business plan
(FY 2022–2024)

Article 1 Surpassing Koukun® —The Next Hit Product



→ See p. 14

Article 2 Steps to Penetrating Fast-growing Markets



→ See p. 16

Article 1



Surpassing Koukun® —The Next Hit Product

Our Koukun series, renowned for its mellow, smoky flavor, has served as a key growth driver for the last twenty years. However, never complacent, we continue to enhance our product lineup by applying our technical know-how. Our goal is to create a new hit product—one that will surpass Koukun®.



Koukun series: Three brand strengths that maintain our competitive advantage

The Koukun series features three brand strengths. The first involves product development. Koukun's history goes back to the early noughties, a time when Japanese consumers associated sausages with a sound—their distinctive crunch. At that time, we wanted to develop a brand of sausages that were both high-quality and unique, so we further focused on flavor and aroma. We decided that the flavor should be rich and spicy, and that the aroma should be smoky and mouth-watering.

Key to achieving the desired flavor was the raw spice. Food manufacturers typically use ground spice powders instead of whole spices. The problem with this is that spices lose some of their flavor once ground. To solve this issue, we worked with the spice manufacturer to develop a special ground spice that locks in the flavor at the time of grinding, ensuring that the spices retain their freshness.

As for the smoky flavor, the key lay in finding the right wood

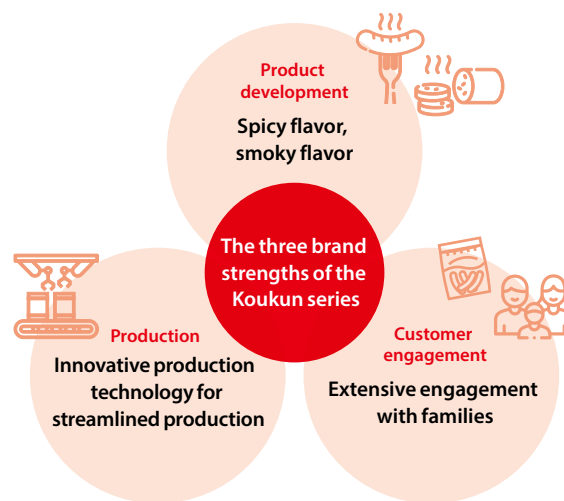
chips. We picked a brand of wood chips that are popular in Japan (Sakura). These wood chips delivered the smooth, mellow smokiness we sought.

We first released the Koukun series in May 2002. Since then, we have regularly updated the series, enhancing both the aroma and flavor. We have also developed two other brand strengths. One involves production. Specifically, we have developed proprietary production techniques to boost production efficiency. The other involves customer engagement. Specifically, we have developed extensive promotional campaigns to engage with customers and boost brand recognition. These three brand strengths have significantly contributed to our competitive advantage.

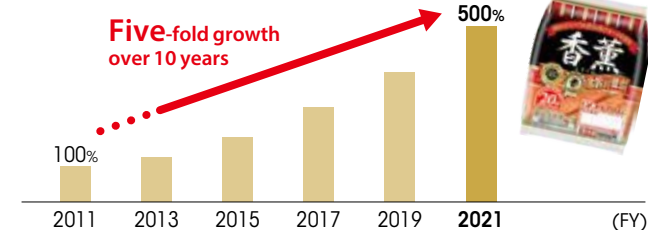
Gaining a larger market share through product improvement and marketing

In our marketing strategy, we promote our products to every age group. Our promotional campaigns include tickets to theaters and theme parks, including Tokyo Disneyland® and Tokyo DisneySea® (we are an official sponsor of both). We also run television adverts featuring a popular Japanese actress (Tao Tsuchiya).

We will continue enhancing and promoting Koukun to build our bigger audience. As part of this, we will expand the Koukun series to enhance the value of the brand.



Sales of Koukun sausage



Article 1

Surpassing Koukun
—The Next Hit Product

MESSAGE

A twin approach to product development



Toward the next winning brand

Our development team is working on a follow-up to the Koukun series. To create this next winning brand, the team takes a twin approach. First, the team incorporates customer feedback. Customer feedback includes feedback that customers express directly, but it also includes needs and opinions that are not overtly expressed. Second, the team develops innovative manufacturing technology.

Incorporating customer feedback

Consumers are increasingly concerned about health and wellbeing, and this health-conscious trend will likely gain even more momentum in the years to come. Accordingly, we have made healthiness a major theme in product development. Already, we sell a number of no-carb and reduced-salt pork products (ham, bacon, sausage). We also plan to develop a range of functional foods.

Product development is not the only area where customer feedback counts. We also want our existing

products to align with current and future consumer trends. To that end, we keep an open ear to customer feedback (via our customer service center) and use the feedback to improve our products. Product improvements could be in taste, but they could also be in usability. As an example of the latter, we recently introduced resealable packaging for one of our products.

Developing innovative manufacturing technology

As an organization, we aspire to be a general provider or protein sources (see pages 4 and 7). People require a healthy balance of protein sources, not just meat. In 2021, we released a range of soy-based meat substitutes called Try Veggie. As the name suggests, the idea is to encourage people who are new to soy-based substitutes to give them a "try" and then move on to more soy-based meat. We also plan to develop non-soy-based alternatives to meat.

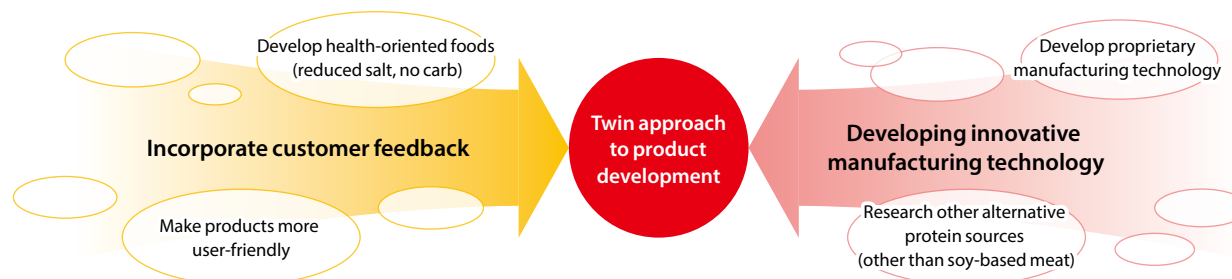
We are developing innovative production technology and upgrading our microbiological criteria and other standards. For example, in fiscal 2019 (year ended March 2020), we used high-pressure processing (HPP) to develop products with reduced additives. In this way, we embrace innovation to develop products that surpass customers' expectations.

Another critical matter is talent. As we shift to a younger development team, we must ensure that the older members pass on their skills and experience to the newer members. With a successful handover of these precious assets, the next generation can carry forward our mission to contribute to food culture and society through great taste and excitement.

Keiko Sasajima

Executive Officer
Head of Development Division and
Product Strategy Department

Profile After joining the Company, Keiko Sasajima worked on basic research. She was then reassigned to the Company's Development Division, where she engaged in the development of processed food products. Subsequently, she managed product development department. In April 2022, Sasajima became the first woman in the Company to join the executive team. As an executive officer, she heads the Development Division.



Article 2



Steps to Penetrating Fast-growing Markets

One of the basic policies set out in our medium-term business plan is to invest in growth projects and expand globally. As part of our global expansion, we acquired Singaporean food company, Rudi's Fine Food, in August 2021. Why did we acquire this company, and what role will it play in our global expansion?



Learning from global partners

Our history of global partnerships goes back to 1950, when we started importing raw pork to ensure a stable supply of raw materials for our pork products. In 1965, we launched the Prima-maru, a cargo ship for transporting frozen meat. The Prima-maru successfully transported large volumes of mutton from Australia and New Zealand to Japan, significantly contributing to the Japanese meat industry. Over the years that followed, we built a global network of meat suppliers, and globalized our businesses. For example, we launched a refrigeration business in Brazil and opened a purchasing office in New Zealand.

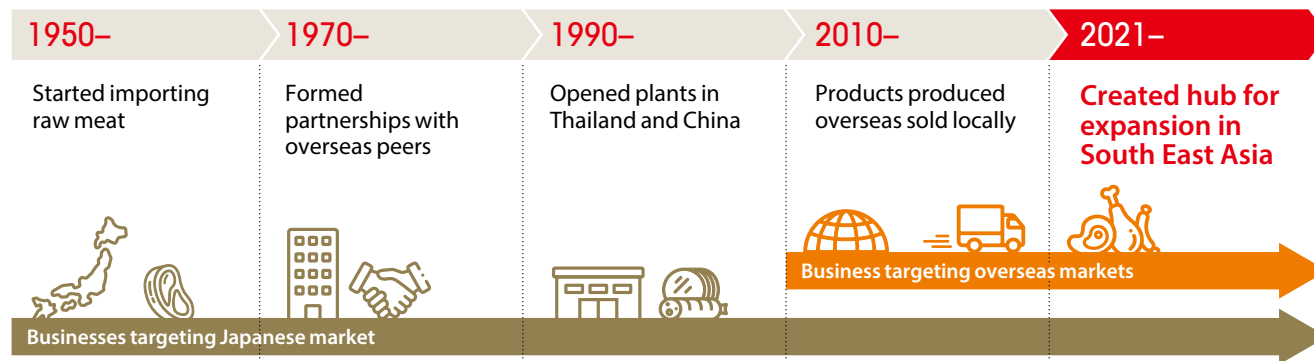
Through such global partnerships, we have gained technological assets and insights. In our hog farming business, we became the first Japanese company to import Landrace (a leading swine breed) pigs from America and rear them in Japan. Similarly, in the processed foods business, we formed a capital tie-up and technology partnership with US meat producer Oscar Mayer. Through this partnership (now ended), we gained the latest production technology as well as technical know-how in hygiene and sanitation.

Producing and selling locally

In the nineties, we embarked on a full-scale global expansion, founding production subsidiaries in China and Thailand. Applying the very same standards for production, development, and quality control that we apply in Japan, we formed trusting relationships with our international supply-chain partners. Our Thai suppliers, Primaham (Thailand) Co., Ltd., and Primaham Foods (Thailand) Co., Ltd., now sell to vendors in countries other than Japan, including Thailand and Singapore.

In 2021, we acquired Rudi's Fine Food (see pages 7 and 17). Rudi's commands a strong brand presence in Singapore. As our subsidiary, the food producer will serve as hub for expansion in South East Asia. Our plan is for the two Thai suppliers to sell products to vendors around the world via Rudi's Fine Food's sales channels and with the guidance of our parent company, ITOCHU Corporation.

In this way, we will go forward in our global expansion, creating further growth.



Article 2

**Steps to Penetrating
Fast-growing Markets**

MESSAGE

Channeling our values to a global audience



Rudi's and its potential

Rudi's Fine Food is based in Singapore. Slightly larger than Tokyo (the 23 special wards) and with some 15 million people visiting every year, Singapore functions like a display window in the eyes of foreign visitors. Singapore's own population is a melting pot of ethnic and religious cultures, with a myriad of culinary and gastronomic customs.

Against this backdrop, Rudi's is more than just a retailer of pork products operating under an excellent environment. It can potentially showcase Singapore's rich food culture to the world.

Integrating Rudi's into the Prima family

Rudi's Fine Food follows the recipes of a master butcher from Germany. Having sampled many of Rudi's wares, I can vouch for their amazing textures, aromas, and flavors.

With the acquisition, Rudi's is now a fully-consolidated subsidiary of Prima Meat Packers. Singapore differs markedly from Japan in its approaches to business, quality, and customer engagement. We are currently learning about these differences and will gradually integrate our two organizations in the months and years ahead.

Long-term vision for global expansion

We envisage a three-step process of global expansion for Rudi's and the Prima Meat Packers Group as a whole.

The first step is to build awareness of the Prima brand in Singapore by upholding Rudi's culinary values.

The second step is to expand sales channels to Singapore. We will do this by studying Singaporean food culture and then using these insights to procure the right kind of raw materials for this market from our suppliers in

Thailand and elsewhere. We expect that ITOCHU Corporation will work with us to expand sales channels for raw meat.

The third step is to expand beyond Singapore into fast-growing South East Asian markets such as Indonesia and Malaysia. For this step, we will expand Rudi's product lineup to raise our brand recognition, creating new business opportunities. Ultimately, we want the Singaporean and Thai businesses to drive business growth in South East Asia. In this way, we hope to increase the percentage of our sales from overseas operations.

This three-step strategy should make our organization a byword for global business success. This in turn will raise the motivation of our workforce in Japan and attract higher numbers of jobseekers.

Rudi's Fine Food Pte Ltd

Founded	1992
Business description	Production and sale of meat products
Number of employees	62 (as of March 31, 2022)
Main clientele	Supermarkets and hypermarkets in Singapore



Tsuyoshi Tohmura

President of Rudi's Fine Food Pte Ltd

Profile Tsuyoshi Tohmura joined Prima Meat Packers in 1995. He was assigned to the Mass Department, where he engaged in domestic sales of hams, sausages, processed foods, and seasoned meats. Tohmura has extensive global experience, having gone on business trips to the US, Europe, the Philippines, and other destinations. He assumed his present post in April 2022.





Section 2

Medium-term Business Plan

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20 Investment Strategy

21 Capital Strategy

22 Interview with the Chief Financial Officer



Medium-term Business Plan

Looking back on fiscal 2020 (ended March 2021)

- We launched the Employee-satisfaction Revolution Project.
 - We upgraded facilities to reduce CO₂ emissions.
 - Amid the pandemic, we enabled employees to work from home by providing more work laptops and organizing a webinar system.

Outstanding task We must establish procedures for addressing material issues.

- 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 licensed anime characters on the packaging of food products.

Outstanding task We must ensure brands are differentiated and offer value in customers' eyes.

- We strengthened the Group by acquiring a company that deals in chicken breeds that are popular in Japan.
 - We acquired Excel Farm, strengthening our capacity for pork production.
 - We developed original brands in partnership with the ITOCHU Group.

Outstanding task We must further strengthen consolidated management to accommodate expanded size of Group.

Looking back on fiscal 2021 (ended March 2022)

- We established the Sustainability Committee
- We introduced eco packaging for Koukun Sausage and other mainstay brands
- We used digital communication tools to improve intracompany communication

Outstanding task Set goals for material issues.

- Koukun Sausage and other mainstay brands sold well
- We launched new Try Veggie series products (a series of soy meat products)
- We promoted sales using sponsorships and social media

Outstanding task We must pass on price rises to customers to absorb the impact of higher costs in raw materials, oil, logistics, and animal feed.

- We acquired Rudi's Fine Food Pte Ltd, strengthening our overseas presence
- We acquired TMG International, gaining a foothold in the e-commerce market

Outstanding task We must build a new business model that goes beyond our existing business segments.

Prima Meat Packers Group's Medium-term Business Plan (Fiscal 2022–2024)

Medium-term Business Plan: 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

- Address material issues
- Ensure food safety under a strong quality management system
- Develop human resources and boost job satisfaction to foster a mindset of innovation
- Strengthen groupwide management

2 Further expand the domains of the two existing business segments and further strengthen their sales and profit bases

- Plan and execute strategies to grow existing businesses
- Pitch products, and entrench them in the market, from a customer-centric perspective

3 Invest in growth and expand globally

- Expand business in Japan and overseas, mainly through collaboration with ITOCHU Corporation
- Build a new growth model
- Develop and introduce innovative production technology

Consolidated profit/loss	Fiscal 2020 results*		
	Fiscal 2020 results*	Fiscal 2021 target	Fiscal 2021 results*
Net sales	418.1	437.7	420.7
Operating profit	21.5	16.6	14.0
Ordinary profit	22.4	16.8	14.9
Profit attributable to owners of parent	14.2	10.5	9.7
ROE	14.6 %	10.1 %	9.0 %
ROA	6.8 %	4.9 %	4.5 %
ROIC	13.5 %	9.7 %	7.8 %

Fiscal 2022 plan	Rolling Plan	
	Fiscal 2023 plan	Fiscal 2024 plan
441.0	453.3	468.6
16.1	17.7	17.8
16.6	18.1	18.1
10.6	11.2	11.6
9.4 %	9.3 %	9.0 %
4.7 %	4.7 %	4.6 %
8.5 %	8.7 %	8.3 %

Despite higher revenue, earnings dipped relative to record high in previous year

In fiscal 2021 (ended March 2022), consolidated net sales grew, with the sales growth led by consumer products. On the other hand, we saw negative growth in consolidated net income and missed each of our income targets. The main factor was increases in supply costs. Our current medium-term business plan (fiscal 2022 to 2024) focuses on expanding our two main business segments. In the processed foods business, we will build a hub for driving global expansion. In the fresh meat business, we will expand and strengthen supply chains.

* See page 58 for the assumptions underlying the above figures.

Investment Strategy

Principles for investment

- Major potential investments are generally vetted by the Executive Council with advice from the Business Review Committee. The Executive Council regularly monitors existing investments.
- Criteria used when vetting investments include ROIC, NPV, payback period, and environmental impacts.

Actual and budgeted capital expenditure



Investment budget

Budget 1 Capital expenditure in the hog farming business

Between now and fiscal 2030, we will invest 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 with a local touch. 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.

Main budget allocations

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

Budget 4 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 reviewed progress and gained a new overall view of all workflows. We will now get a more precise picture of the re-designed workflows and determine the general properties and conditions of the new system.

Main budget allocations

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

Budget 5 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 and 2021, 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.

Main budget allocations

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

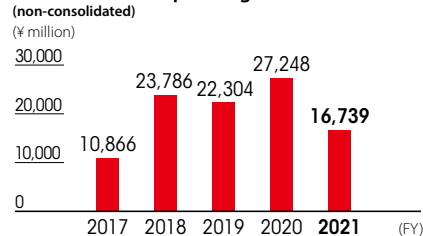
Capital Strategy

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. In fiscal 2021, we posted annual operating cash flows of ¥16.7 billion. We are reinvesting the profits in activities for expanding operations and increasing growth prospects while monitoring investments more closely to ensure capital efficiency.

Cash flows from operating activities (non-consolidated)



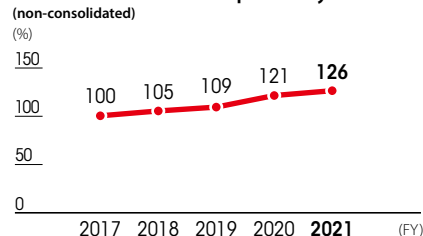
Cash flows from operating activities have trended above the ¥20 billion mark. We will continue to maintain fiscal health as we invest toward higher growth.

Manufactured capital

Leading the industry in production efficiency

In the processed foods business, we are automating and streamlining plant production. In the fresh meat business, we are building an integrated system for domestic pork production. We are also creating further manufactured capital by building a new plant in Kagoshima and a new pork farm in Miyagi. These efforts will lead to better customer satisfaction and to highest levels of production efficiency in Japan.

Production volume over past five years (non-consolidated)



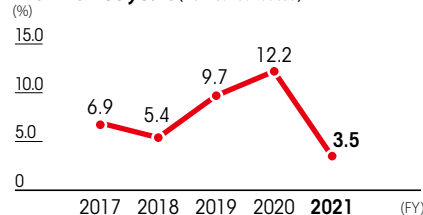
Production volume rose each year thanks to more efficient production in the processed foods business. We will continue to expand production capacity by investing in new plants and facilities and thereby increase our competitiveness.

Human capital

A diverse, inclusive, empowering workplace

We 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. We also have a program to support employee satisfaction (the Employee-Satisfaction Revolution Project, see page 33) and a program for developing employee career paths.

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



We provide a workplace in which a diverse mix of employees feel empowered and engaged. We also provide a range of training programs and follow-ups to help employees grow professionally.

Intellectual capital

Embracing 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 information and 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

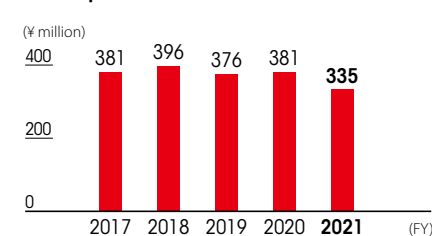
To strengthen and expand our supply chain networks for raw meat, we work closely with fellow members of the ITOCHU Group, engage in joint product development with partners, and engage in joint research with universities and research institutions. We also sponsor popular theme parks. These sustained collaborative 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

We work to acquire the technology and expertise to make our businesses greener. Our efforts include consuming less energy during production, reducing greenhouse emissions from livestock farms, using more renewable energy, cutting waste, and using less plastic packaging (or using recycled plastic packaging).

R&D expenditures (non-consolidated)



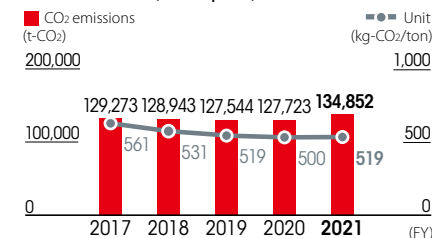
We actively invest in research and development. Our budget covers basic research, such as advanced techniques for processing/producing meat. It also covers applied research, such as practical solutions for developing and producing products.

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.

CO2 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.

Interview with the Chief Financial Officer

In financial planning, we look at the bigger picture

Takahiro Uchiyama

Senior Managing Executive Officer in Charge of Human Resources, Finance, General Affairs, and Public Relations

Profile An expert in finance, accounting, and other areas of business administration, Takahiro Uchiyama has assisted the management of the Corporate Strategy Department, managed the Human Resources Department, managed (what was) the First Management Division, and managed the IT Division. He assumed his current posts in June 2019.



A sales transformation to achieve growth amid adversity

In the processed foods business, net sales increased from the previous year's level. A big contributor to this result was ham and sausage products, particularly the strong sales performance of Prima's mainstay brand, Koukun Sausage. The top-line growth was partially offset by headwinds in B2B sales of processed foods. These included stoppages in overseas processing plants amid Covid restrictions and a temporary shortage in raw materials. Another negative factor was a lull in demand for seasoned meat products owing to higher import prices. In the vendor business (sales to convenience stores), sales growth proved sluggish amid higher raw materials costs and fuel costs. However, we developed new products to address the needs of our convenience store partners. Despite the growth in net sales, the segment's net earnings decreased from the previous year's level.

In the fresh meat business, revenue growth was damaged by severe headwinds such as high prices in overseas livestock markets, protracted rises in transportation costs, and heavier procurement costs resulting from higher feed prices. To accommodate the cost increases, we tried to renegotiate sales prices with vendors, but they were unwilling to accept us passing on the higher costs. The problems were exacerbated by supply shortages following shipping delays caused by an emergency overseas. The hog farming business faced adversity too. It reported a decline in both sales revenue and net earnings because of higher feed prices, which more than offset efforts to expand our hog farming supply network in Japan and to improve productivity on the farms.

Against this harsh backdrop, we resolved to revise sales prices

for processed meat products. However, since the price revisions came toward the end of the fiscal year, they had only a limited impact on the annual results.

Our results for the year ended March 2022 were as follows: Net sales amounted to ¥420.72 billion. Operating profit amounted to ¥14.04 billion (down 34.6%). Ordinary income amounted to ¥14.88 billion (down 33.6%)*1.

The adversities have persisted into this current year (ending March 2023). One way to deal with the situation is to improve productivity in our plants. Another action is to overhaul our sales network so that we can penetrate the e-commerce sector and establish a direct-to-consumer (DTC)*2 business. As part of this strategy, we acquired TMG International, which operates The Meat Guy, an online meat store. A further round of sales price increases this September should help us secure bottom-line growth. Prices for raw materials and other items look set to increase further, so we must remain open to more price increases to keep our margins healthy. In turn, we need our customers to accept the price increases. To justify the increased prices, we'll add value to our products by linking them with content such as exciting events and sales campaigns that incentivize purchases.

With these efforts, I'm confident that we'll achieve top- and bottom-line growth in this fiscal year.

*1 See page 58 for the assumptions underlying the above figures.

*2 Direct-to-consumer (DTC): DTC is a business model in which you sell products directly to consumers.

Interview with the Chief Financial Officer

Fueling future growth with investments spanning the whole group

Although the external environment remains uncertain, we will continue to proactively execute investments from a long-term perspective in fiscal 2022 in order to maintain our competitiveness to build up profits.

For several years now, our investment strategy has prioritized expanding production capacity and developing products that offer new value to customers. For example, we've invested in building a new plant in Kagoshima, which should be completed in December 2022. This year and beyond, investment will center on plants in Hokkaido and Mie.

Another example is the project to construct a new farm in Miyagi. Construction is proceeding as planned. To make the farm as profitable as possible, we're equipping it with the latest hog farming technology. The farm will use scientific, evidence-based processes to achieve high levels of productivity. It will also adopt tight biosecurity measures to ensure a stable supply of pork. Another area we're investing in is a digital transformation program called the Prima Next Project. We're also eyeing the possibility of renovating the production facilities of group company Prime Delica.

Sustainability is another priority. In an example of our environmental action, our new plant in Kagoshima uses solar panels and solar battery storage. Another example of sustainability is animal welfare. To improve animal welfare further, the hog farms of our group companies are shifting to equipment that reduces stress in the pigs.

One other investment priority is overseas expansion, which is increasingly essential with Japanese population shrinking and

greying. As part of our global expansion, we acquired Rudi's Fine Food Pte Ltd, a Singaporean producer and retailer of ham and sausages in 2021. Now led by an employee of Prima Meat Packers, Rudi's will serve as a bridge between Prima Meat Packers and the South East Asian markets. The subsidiary is perfect for this role given its size and its strong position in South East Asia's burgeoning meat sector.

This aggressive strategy of expansion requires financial finesse. To cultivate the necessary talent in financial management, we launched, in 2022, a financial seminar for employees.

Monitoring investments and striking a balance between shareholder returns and building our value

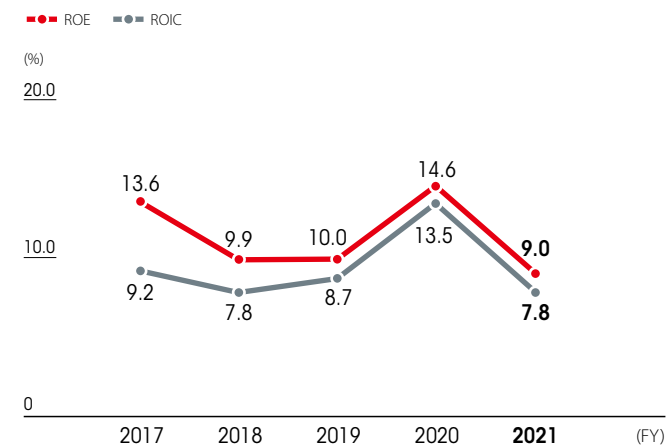
Any investment strategy requires carefully vetting and monitoring. In our case, key prospective investments are submitted to a Business Review Committee, and the committee's findings are then discussed by the Executive Council. In determining whether to greenlight an investment, the committee considers firm criteria such as the expected return on invested capital, net present value, the time frame of returns, and the presence of any external factors that might impact returns. We then continually monitor the performance of investments so that we can identify ways to make our investments more effective, with better return on equity and return on assets. We also consider external sources of finance that could unlock even more business growth. In the years ahead, we'll continue investing in the group as a whole with an eye on the long term.

For shareholder returns, our consolidated payout ratio currently

stands at approximately 30%. This figure remains open to review, but I want to emphasize that reinvesting profits to further our long-term growth prospects is ultimately in shareholders' interest. With that in mind, we'll try to keep the payout ratio at a level that enables such investment.

Thus, to build the value of our organization, we'll keep a solid fiscal foundation and maintain our foresighted strategy of investing capital in technology, sustainability initiatives, and talent.

Return on equity (ROE) and return on invested capital (ROIC)



The graph is predicated on a weighted average cost of capital (WACC) of approximately 5%.

→ p. 56 Financial Highlights



Section 3

Sustainability Management

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- 33 Strengthening Human Capital



The Sustainability Committee

Background, purpose

Critical to achieving sustainable growth is the ability to identify medium- and long-term risks and opportunities. In September 2020, we undertook a materiality analysis to identify material risks—the sustainability issues that matter the most to our organization and stakeholders. In October 2021, we established the Sustainability Basic Policy, a policy for integrating sustainability into our business practices.

In November 2021, we established the Sustainability Committee. The purpose of the move was to spearhead actions for addressing the material issues we identified, thereby improving the value of our organization over the medium and long term.

Sustainability Basic Policy

We, the Prima Meat Packers Group, aim to contribute to a sustainable society through the sustainable growth of our Group, based on our mission of “contribute to food culture and society through great taste and excitement.”

We shall disclose information in a transparent and fair manner and build strong relationships of trust through responsible dialogues.

For our customers

We shall deliver peace of mind and amazing experiences through proposals for solving social and environmental issues.

For our shareholders

We shall improve our corporate value sustainably through business activities.

For our employees

We shall establish a fair and diverse working environment with the aim of creating a more rewarding workplace.

For our partners

We shall build sustainable business activities through promoting fair and appropriate transactions.

For society

We shall contribute to a happy future by protecting the environment and addressing social and environmental issues.

Prima Meat Packers Co., Ltd.
Established October 04, 2021

Role, membership

As a voluntarily established body for advising the Board of Directors, the Sustainability Committee advises the Board of Directors on goal-setting and action plans for the material issues. It also monitors progress in addressing the material issues and updates the materiality matrix when necessary. The committee routinely reports to the board on important items of business.

The Sustainability Committee is chaired by the president and CEO and its membership consists of senior executives and other managers. The committee has six subcommittees.

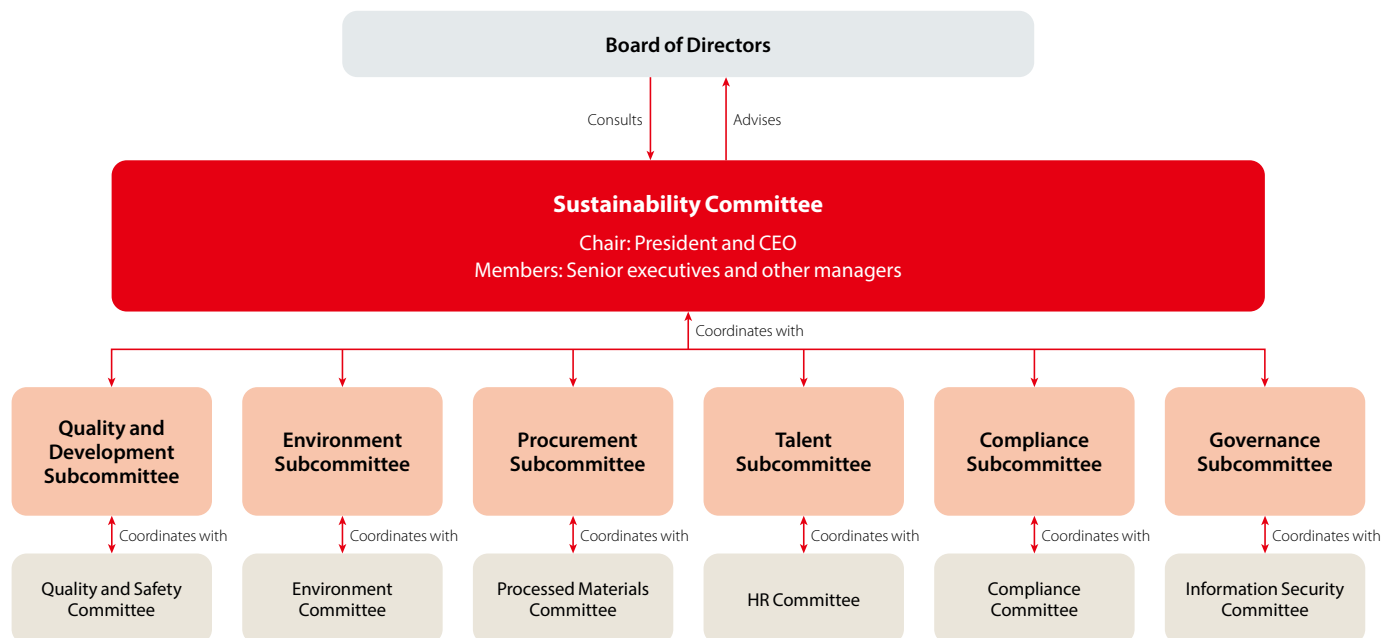
Actions in fiscal 2021

The Sustainability Committee held its first meeting in the year under review (ended March 2022). The meeting clarified the background to and purpose of the committee, clarified the roles of the committee and its subcommittees, and launched action plans for each sustainability issue.

In December 2021, we opened a sustainability webpage on our corporate website to disclose our sustainability initiatives.

In the current fiscal year (ending March 2023), the Sustainability Committee and its subcommittees held their second and third meetings. During these meetings, the members decided on targets and KPIs for the sustainability issues (see page 29).

Sustainability management structure



Discussing Sustainability with an Expert

Naoto Chiba

President and CEO

Naoya Hasegawa

Professor, Department of
Sustainability Studies,
Hosei University

Corporate purpose

Defining what the Company is for and what role it serves in society

In November 2021, we established the Sustainability Committee as part of our effort to demonstrate our commitment to sustainability. President Naoto Chiba talked with sustainability guru Naoya Hasegawa about the background to this move and what it is designed to achieve. The two also talked about the Company's plans and vision for sustainable management in the years ahead.

Organizational commitment to sustainability

Hasegawa In the last few years, you've shown your organizational commitment to sustainability. You performed a

materiality analysis in 2020 and launched the Sustainability Committee in the following year. Since then, you've established action plans and KPIs.

Chiba The world has so many different kinds of sustainability issues, and you can't address them all at once. That's why you start by pinpointing the issues that matter the most. But this only has meaning if you then develop and implement concrete actions to address the issues. We established the Sustainability Committee to drive forward this process.

Hasegawa Did you struggle to come up with meaningful KPIs? Companies usually find this a nightmare.

Chiba To contribute to the net-zero emissions by 2050, we

need to set out a roadmap with action plans and targets clarifying who does what. You're right; setting KPIs is a challenging task. It's also an ongoing task, as the KPIs require regular review. The Sustainability Committee has a number of subcommittees (see page 25) that will review and update the KPIs as part of a PDCA cycle, ensuring that the KPIs are always meaningful and relevant to our organization.

Hasegawa In your integrated report, you've communicated the actions you're taking to adapt to industry trends and drive business growth. I'm thinking of things like food safety, sustainable procurement of raw materials, and soy meat. These actions are compelling and suggest that you're taking sustainability seriously.

Discussing Sustainability with an Expert

The important of employee engagement

Hasegawa Action plans and KPIs make little difference without employee engagement.

Chiba At meetings of the Sustainability Committee, I scrutinize the tentative KPIs the subcommittees come up with. I'll ask why they chose that particular metric or that particular benchmark. Such robust communication helps ensure that the KPIs are valid and meaningful, as opposed to generic and bureaucratic. Consequently, employees feel more committed to achieving them.

Hasegawa You're saying that robust communication fosters employee engagement—that it encourages employees to proactively commit to the KPIs?

Chiba That's right. I believe that job satisfaction is one of the keys to employee engagement. Employees get a motivation boost when they achieve the departmental or personal targets set out in the action plan.

Hasegawa To that end, you must avoid the trap of sticking to past values and basking in past glories. You need a mindset that celebrates success in sustainability as well as in profit-making. How are you getting on in this regard?

Chiba It takes time for a new mindset to permeate through the workplace. The Sustainability Committee, together with its subcommittees, will provide a space for employees in different parts of the organization to come together and discuss how we can benefit society. Such interdepartmental communication will generate new insights and awareness.

Hasegawa Yes, communicating with people outside your own area helps build awareness. On that matter, did you know that some 70% of the CEOs of Japanese companies have never changed careers, compared to just thirty percent of their counterparts in non-Japanese companies? For a CEO, diverse career experience is a great asset. It gives you insights into sustainability and equips you to deal with times of uncertainty. You're one of the few CEOs in Japan who have changed their careers, in that you previously worked for a sogo shosha (general trading company).

Chiba Even the sogo shoshas are beginning to evolve. Back in my day, they typically restricted themselves to sectors like food and textiles or built vertically integrated supply chains specialized around particular products or sectors. Mind you, at the sogo shosha I worked for, I gained cross-sectoral experience, as I was involved in multiple product categories, including cereals, fruit, and meats. This broad experience gave me the flexibility to accept the shift in mindset—from a relentless pursuit of profit to a more sustainable approach to corporate development.

Doing our bit for the net-zero transition

Hasegawa At the start of this conversation, you mentioned the net-zero transition. ESG investors and ESG rating agencies place great importance on the Company's commitment to this agenda.

Chiba That's true. We conduct surveys among key supply-chain partners, and the results indicate that carbon reduction policies and climate-related disclosures are of interest



Naoya Hasegawa

Professor, Department of Sustainability Studies, Hosei University

Profile In 1982, Naoya Hasegawa joined Yasuda Fire and Marine Insurance Company. He engaged in the Company's securities operations, stocks operations, and financial planning. He also managed assets in the Company's department for Sompo Japan Asset Management. In 1999, he launched an eco-fund called Buna no Mori. A sustainability guru, Hasegawa has advised many universities as a part-time lecturer, and many corporate boards as an outside director. He is a Certified Member Analyst (CMA) of the Securities Analysts Association of Japan. The books he has authored include *SDGs to Pāpasu de Yomitoku Sekinin Keiei no Keifu* [Decoding the Lineage of Responsible Business Management Through SDGs and Purpose] (Tokyo: Bunshin-do, 2021), *Kigyōka ni Manabu ESG Keiei* [Learning ESG Management from an Entrepreneur] (Tokyo: Bunshin-do, 2019).

to our downstream supply-chain partners, which include big-name distributors.

Hasegawa Companies are showing increasing concern for scope 3 emissions—emissions from sources in the value chain. Prima Meat Packers deals with livestock farms, so a big issue for you is how to reduce methane emissions.

Chiba Yes, that's a very challenging issue. We can't achieve zero-emissions overnight, but we'll do what we can. Put it this way: we're working flat out to qualify for the Olympics, even if we may still lack the fitness to win the gold.

Hasegawa Even if you set modest targets, you can still get good ESG ratings as long as you present a compelling ESG narrative—a story about what the present situation is, what the challenges are,



Naoto Chiba President and CEO

Discussing Sustainability with an Expert

and what you're doing to overcome these challenges. If you proactively disclose your goals and KPIs, you'll earn decent kudos.

Chiba We haven't got the whole story yet, but we have parts of it. Take cattle farming. We're researching a feed formula that will reduce methane production. We're also optimistic about other technological solutions as we head toward the 2050 endpoint for net-zero. We're seeing progress in carbon capture and storage (CCS), which is a process for capturing carbon dioxide and storing it underground. In fact, it will soon be possible to transform carbon dioxide into meat substitutes. We're keeping a close eye on such technological trends, and we want to apply the technological innovations and present a compelling story as soon as possible. Mind you, we also want to challenge the notion that the meat industry is inherently problematic. Animal meat has important health benefits: it contains essential amino acids and nutrients that other food sources lack, and it also improves circulation. We should include these benefits in our storytelling.

Hasegawa Alternative protein sources such as plant-based meat, cultured meat, and insect protein have emerged as solutions

to the looming protein crisis, in which population growth causes protein demand to outstrip protein supply. However, that doesn't mean that the animal meat industry is going away. You need to keep communicating the benefits and problems of the meat industry with ESG investors and your stakeholders.

A narrative that resonates with consumers

Hasegawa Sustainability is an increasingly important issue for consumers, especially Gen Z (the generation born between 1997 and 2012). Gen Z consumers tend to be skeptical of business communications related to sustainability. Many feel that the statements are performance and insincere. What are you doing to build trust with Gen Z?

Chiba For the issues people care about, we start by doing what we can. Take plastic, for example. We produce huge amounts of plastics. Obviously the more we reduce, the better. It's also true that consumers nowadays prefer products with less plastic packaging and that many decline plastic carrier bags. Accordingly, we've started switching to alternative packaging in our products. Another example is animal welfare. For this, we've taken note of what farms in Western countries are doing and have started introducing free-access stalls in our hog farming business (see page 42).

Hasegawa What about proactive measures? Are you doing anything to actively change consumer behavior and gain consumers' confidence?

Chiba Yes. To encourage consumers to waste less food, we're taking steps to extend food life. One measure is to seal in the freshness. By sealing food as soon as it's processed, we can preserve the freshness for longer, and this also helps tackle shortages in retail staff. Our retailers are delighted about this measure. We work with them to promote the products in supermarkets. Similarly, we've started using high-pressure

processing to inactivate microorganisms. We want to roll out this technology to more of our products.

Hasegawa That's great. All this needs to be part of the story you tell customers and stakeholders.

Defining our purpose for the next hundred years


























Hasegawa From what you've said so far, I get the sense that you're taking many things into consideration in your sustainability strategy. At university, I talk to students about the sustainability initiatives of businesses. I advise my students to consider sustainability when searching for a potential employer. They should consider what vision the company in question has for 2030 and 2050, and what actions it's already taking. We live in an age when how you earn your money is no less important than how much you earn. In such a time, jobseekers need an eye for companies that are leading the way in sustainable corporate development.

Chiba In 2031, we'll celebrate our centenary. As we approach this milestone, we need to think about where we are headed for the next hundred years. As you say, this must be more than sales and profit targets. We need to ask ourselves what defines us as an organization—what our ultimate purpose is, what role we serve in society. Although we're known in Japanese as Prima Ham, and as Prima Meat Packers in English, meat is just part of our purpose. I personally see us as a provider of solutions for enriching culinary and gastronomic life. In other words, we provide all manner of protein sources, not just meat, to help people live longer, healthier, and brighter lives.

Hasegawa Japan is one of the top countries for food diversity. If you can further expand the range of protein sources underlying the Japanese diet, then you'll always have something valuable to offer.



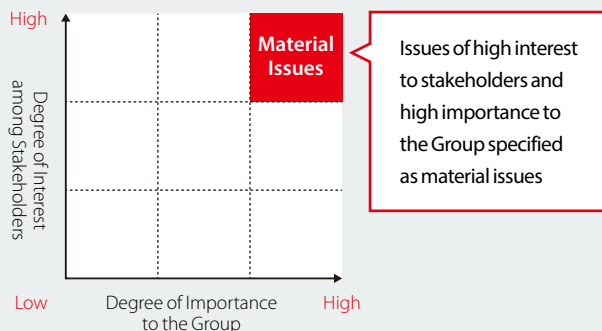
Materiality: Metrics and Targets

Category	Material issues	Metrics and targets	Related SDGs
Creating healthy, well-rounded dietary habits 	Securing safe, reliable food	<ul style="list-style-type: none"> Food Safety Management System (FSMS) operating in all major plants and farms by end of fiscal 2030 	   <p>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.</p>
	Recommending health-conscious products	<ul style="list-style-type: none"> Larger lineup of health-oriented foods 	  <p>Embracing innovation, we will develop health-oriented food. By selling such food, we will promote healthier, more nutritious diets.</p>
Contributing to global environmental protection 	Reducing greenhouse gas emissions	<ul style="list-style-type: none"> Fiscal 2030: CO₂ emissions from fossil fuel combustion in Japan (excludes emissions from overseas sources and from livestock) down 24.3% from fiscal 2021 level 	   <p>To minimize our climate impact, we will set medium- to long-term goals for reducing greenhouse gas emissions and use efficient and clean energy.</p>
	Reducing the volume of waste output	<ul style="list-style-type: none"> Fiscal 2030: Plastic and food waste per production unit down 5% from fiscal 2021 level At least 98% of food waste produced during production is recycled 	  <p>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.</p>
Strengthening supply chain management 	Achieving sustainable procurement of raw materials	<ul style="list-style-type: none"> Procurement policy established for stable supply of raw materials All tier 1 suppliers performing first-person audits 	   <p>In procuring raw materials, we will follow fair trading practices. We will ensure that our procurement activities are ecologically sustainable.</p>
	Addressing animal welfare	<ul style="list-style-type: none"> Directly managed pork farms compliant with feed management standards of the World Organization for Animal Health Animal welfare used as a criterion in supplier selection 	 <p>We will promote high standards of animal welfare in our hog farming business and beyond.</p>
Creating a workplace that promotes job satisfaction 	Respecting and promoting diverse workstyles	<ul style="list-style-type: none"> Fiscal 2030, Prima Meat Packers: 90% take up rate for paid leave and reduction in total no. of hours actually worked Fiscal 2030, Prima Meat Packers: 100% take-up rate for paternity leave (at least five days leave) among full-time male employees, women account for at least 40% of new full-time employees Fiscal 2030, all group companies: 100% of employees receive training in human rights awareness, yearly process in place for human rights due diligence Prima Meat Packers and its disability-friendly subsidiaries: Employees with disabilities account for at least 2.7% of total workforce 	  <p>Embracing diversity and inclusion, we will build a workplace where all employees feel valued and motivated.</p>
	Hiring and developing outstanding human resources	<ul style="list-style-type: none"> Fiscal 2030, Prima Meat Packers: Women occupy at least 10% of management posts 	 <p>We will create a culture that unlocks employees' full potential. We will build a workforce that makes a positive social impact through business activities.</p>
	Occupational health and safety that focuses on mental and physical health	<ul style="list-style-type: none"> A program is in place to promote mental and physical wellbeing of employees and their families 	 <p>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.</p>
Strengthening the management platform 	Strengthening corporate governance	<ul style="list-style-type: none"> Business transactions are free, fair, and transparent A program is in place to permeate compliance mindset among employees Best practices followed in ESG reporting, improvement in ESG ratings Information disclosed in fiscal 2022 in accordance with TCFD recommendations 	  <p>We will contribute to industry by upholding fair business practices, including a commitment to transparent and sustainable corporate development.</p>

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.

Defining material issues and how to address them

Following reviews by its subcommittees, the Sustainability Committee, along with the Board of Directors, defined metrics and targets for the material issues. The next step is to set actions to meet these targets. Action plans are being developed and implemented through a PDCA cycle in which the Sustainability Committee monitors the progress of the actions. We are also working to permeate sustainability awareness among employees.

Permeating sustainability awareness among employees

We take the following actions to permeate sustainability awareness among employees.

• Rewarding employees for learning

We encourage employees to undertake training and gain qualifications in sustainability so that they will take a more personal interest in sustainability action. In fiscal 2022, we started awarding employees with cash for completing the course.

• An expanded webinar program

In fiscal 2022, we expanded our in-house sustainability webinar program, which offers an accessible learning for employees. Whereas we previously offered one webinar course, we now provide three additional courses.

Applying the Recommendations of the Task Force on Climate-related Financial Disclosures

Climate-related risks and opportunities

Climate change is a serious global threat and one that drastically impacts business strategies and strategic planning across Prima Meat Packers Group. In response to the G20's request, the Financial Stability Board created the Task Force on Climate-related Financial Disclosures (TCFD). In line with these recommendations, we have committed to disclosing, and managing effectively, climate-related risks and opportunities.

We now (as of fiscal 2022, ending March 2023) structure

disclosures around the four thematic areas that the TCFD recommends: governance, strategy, risk management, and metrics and targets. This integrated report (pertaining to fiscal 2021, ended March 2022) discloses climate-related risks and opportunities, which corresponds to the second thematic area, strategy. We will incorporate the other three thematic areas in future integrated reporting (around the end of 2022) to enhance the quality of our disclosures.

We endorsed the TCFD recommendations in September 2022. In future reporting, we will structure disclosures around the four thematic areas that the TCFD recommends: governance, strategy, risk management, and metrics and targets.



Risk categories			Climate-related risks	Potential financial impacts	Magnitude	Timing
Major category	Subcategory	Sub-subcategory				
Transition risks	Policy and legislation	Carbon pricing mechanisms (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	<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

Applying the Recommendations of the Task Force on Climate-related Financial Disclosures

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"> • 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

Strengthening Human Capital

Creating a workplace that promotes job satisfaction

Financial capital is important, but so too are the five other capitals (manufactured, intellectual, human, social, and natural). Of these, human capital has become especially critical to companies in Japan owing to the country's shrinking labor pool. Accordingly, we have committed to developing our human resources and boosting job satisfaction to foster a mindset of innovation. This goal forms part of one of the themes in our medium-term business plan (from fiscal 2022 to 2024): to implement ESG strategy and make business foundation more sustainable.

Human capital was also an important theme highlighted in the materiality assessment we performed in September 2020. Specifically, under the category "creating a workplace that promotes job satisfaction," we identified the need to respect and promote diverse workstyles and the need to hire and develop outstanding human resources. We are now working on action plans to address these issues.

Supporting employee satisfaction

In February 2020, we conducted an opinion survey among employees

of Prima Meat Packers for the first time in the Company's history. In light of the responses, we launched the Employee-satisfaction Revolution Project. The project aims to future-proof Prima Meat Packers (ensure that the organization adapts to change and remains valuable) and make the workplace more empowering and productive. To measure progress toward these goals, we have set the following target: the fiscal 2024 employee survey should have at least a five percent increase in affirmative responses to questions related to employee engagement and opportunities to share their ideas.

Actions we have already taken include launching a company portal website to communicate the project goals and actions, added a new category to our employee rewards program, and published a list of managers.



A meeting concerning the Employee-satisfaction Revolution Project

Upgrading rules and procedures

In fiscal 2021, the Human Resources Department updated its rules and procedures, revising some existing content and adding some new content. One change involved training for managers. Previously, many managers would receive training to prepare for the rank of general manager. The focus then was on grooming the next generation of managers with an assumption of automatic promotion. The new system is more selective. It is designed to screen manager candidates by evaluating whether the person in question has the qualities required to become a general manager in the near future. Candidates undergo five to six months of training to acquire the necessary knowledge and skills. As part of their training, candidates deliver presentations on business cases and engage in group discussions. Their engagement and performance is evaluated objectively by a third-party assessor. Reforming the system in this way gives candidates a clearer idea of the purpose of the training, links training more closely to promotion, and raises employees' motivation.

The Human Resources Department also started offering internships and seminars to attract more new university graduates.

Medium-term business plan

1

Implement ESG strategy and make business foundation more sustainable

Develop talent and boost job satisfaction to foster a change mindset

Category of material issues



Creating a workplace that promotes job satisfaction

Raising employee awareness

Upgrading rules and procedures

Key actions in fiscal 2021

Actions taken in Employee-satisfaction Revolution Project

- We launched a Company portal website to communicate information about the project.
- **We added a new category to our employee rewards program (launched in fiscal 2018).**
- We published a list of managers.

Workplace upgrades

- We upgraded manager training.
- We introduced work-from-home and flextime programs.
- We started providing internships and seminars for fresh graduates.

Prima Idea: a new category in the rewards program

An employee survey conducted in 2020 revealed that employees lack opportunities to share their ideas and see their ideas implemented. Accordingly, as part of the Employee-satisfaction Revolution Project, we added a new category to the employee rewards program: Prima Idea. This category rewards employees who shared an idea for a value-creating business or project that the Company adopted.

Entries are only just open, so no winners have been chosen yet. We have already received many entries, suggesting that the scheme has captured employees' imagination.



Section 4

Business Overview

35 Processed Foods Business

39 Fresh Meat Business



Processed Foods Business



A broader product range to support richer, healthier diets

Proactive marketing in anticipation of the new normal

In fiscal 2021 (ended March 2022), conditions remained tough for the processed foods business. We struggled to supply some commercial products owing to import delays, and manufacturing costs increased beyond expectations following price rises in raw materials and oil. In February 2022, we upped prices of ham, sausages, and other processed foods, both those for commercial and consumer use.

On the other hand, we recorded sales growth (both in net sales and sales volume) in the ham and sausage category. This growth was driven by strong sales of our mainstay brand Koukun Sausage, which benefitted from continued demand for home cooking. Our current strategy for this business segment is to expand the market share of existing products, penetrate new markets, and forge new sales channels. We will continue this proactive marketing strategy in anticipation of 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.



Production upgrades that enhance both profitability and sustainability

Productivity is one of our strengths. In fiscal 2021, we boosted our productivity further by introducing technical innovations, including high-speed packaging, AI devices, and automated case packing. For our plant in Ibaraki, we invested in thermal processing to increase the plant's capacity for producing sausages. These actions, together with the dedication of our production staff, meant that our four directly managed plants achieved 104% of the productivity of the previous year.

We'll continue increasing productivity and production capacity through sustained investment to enhance production lines and improve production yield. As well as increasing profitability, these production upgrades will make our plants more sustainable. They will lighten the load on workers, making a more employee-friendly workplace. The upgrades will also reduce the environmental impact of our production activities. This approach will be embodied in the new Kagoshima plant when it enters service in 2023.

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.



Processed Foods Business

Strengths

- The Ibaraki plant and others boast superior productivity and competitiveness.
- Our cutting-edge tech allows us to differentiate our products.
- We have integrated development, production, and sales.
- 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.

SWOT analysis

Opportunities

- Demand for eating out will rise in the post-COVID landscape.
- Markets and distribution networks could change in our favor as we enter the new normal.
- We could boost sales by embracing e-commerce.
- The health-conscious market is growing.
- Overseas markets offer rich opportunities.
- Technological innovation could transform production processes.

Threats

- Raw material and oil prices are soaring amid turbulent exchange rates.
- Supply crunches, caused by outbreaks of swine disease or other factors, could drive up competition in procurement in Japan or overseas.
- Price wars can easily occur in our industry.
- Japan's shrinking population is creating a labor shortage and diminishing domestic demand.
- COVID-19 threatens the health of employees and their families.

Business strategies

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

Koukun Sausage has achieved double-digit growth for nine years running. We want to maintain the sales growth and make Koukun the most popular sausage brand in Japan.

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

To unlock further sales growth, we must find new downstream partners and increase business with our mainstay downstream partners, particularly in the food service sector. To that end, we will target a range of food service providers in the Chubu and Kansai regions.

Next 10: Build new growth drivers for the next ten years

Aiming to build new growth drivers for the next ten years, we are developing products such as dried meat snacks, processed seafood, flash-frozen products, and uncured products prepared using high pressure processing.

Production upgrades: Use the latest production technology to boost production capacity

The new plant in Kagoshima will enter service in January 2023, boosting our capacity to produce Koukun Sausage along with value-added items such as microwaveable foods.

Global: Build a solid hub for global expansion

We are building a hub for a full-scale expansion into Southeast Asian markets with bright growth prospects.

Set metrics and targets and work toward them using a PDCA cycle

Increase market share

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

Strengthen sales

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

Boost productivity

We will boost production capacity by 10% each year with a view to making Koukun Sausage the most popular sausage brand in Japan.

Future vision

Support richer, healthier diets

Processed Foods Business

Looking back

Foresightful strategies amid a harsh climate

Net sales

¥ **285.5** billion

Previous year ¥ **279.8** billion

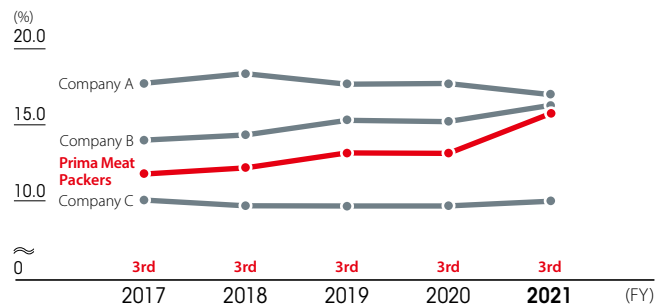
Segment's operating profit

¥ **14** billion

Year-on-year change **Down 20.6%**

* See page 58 for the assumptions underlying the above figures.

Ham, sausage: Annual comparison in market share



Source: Results of SCI consumer panel (a national consumer panel survey provided by Intage) on pork (ham, sausage, bacon, roast pork) consumption among people aged 15–69 at time of survey

Ham and sausage products top monthly ranking

In our B2C sales, we achieved a first in May 2021: our ham and sausage products topped the monthly ranking of national pork consumer sales.* This achievement vindicates our marketing strategy for consumer products. Under this strategy, we discern consumer needs using market surveys and point-of-sale data and engage with customers by issuing invitations to Tokyo Disney Resort® and offering gifts that combine a number of our products.

In our B2B sales, we ran short of some commercial products because the pandemic forced stoppages in overseas plants. On the other hand, sales picked up in the food service, where demand has recovered, albeit not quite to pre-pandemic levels.

As for sales to convenience stores, we developed new products as our convenience store partners requested. The new products helped drive up sales revenue. However, income from convenience store sales was less than last year's result.

* Results of SCI consumer panel (a national consumer panel survey provided by Intage) on pork (ham, sausage, bacon, roast pork) consumption among people aged 15–69 at time of survey.

Harnessing technological innovation to add value

When fiscal 2021 began, we were already using high-pressure processing (HPP) to produce a range of products with extended shelf lives and to produce foods with reduced salt and carbohydrates. In April 2022, we released a product range featuring reduced carbs and 30% less salt.

Noting that demand for frozen meals had risen with people spending longer at home, we expanded our range of food products that use individual quick freezing tech.

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 for a human to detect from a picture of the product. Previously, staff relied on the naked eye to check for quality issues such as contaminants (bone fragments, for example), discoloration, or breakage in a sausage skewer. The new system performs this task quicker and more accurately.

So far, the testing devices have only been introduced in the Ibaraki plant, but they will be rolled out to other plants too.

Private parties at Tokyo Disneyland®

As an official sponsor of Tokyo Disneyland® and Tokyo DisneySea®, a role we have enjoyed since the resorts first opened, we organize private parties and other events at the Disney attractions to create more opportunities to engage with customers directly. We have held such events since fiscal 2014, and they have proven popular with customers, both consumers and downstream partners.

The parties in fiscal 2021 were postponed because of the pandemic. We eventually held a party at Tokyo Disneyland® on January 28, 2022. It was attended by around 5,000 lucky winners of our prize draw.

Processed Foods Business

Looking ahead

Growing the existing business segments and forging new frontiers



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

In fiscal 2021, Koukun Sausage achieved 10% growth in sales volume, marking the ninth consecutive year of double-digit growth. Even though we upped the price to accommodate soaring raw material costs, the sausage brand remains as popular as ever. Particularly popular is the large zip-lock pack. We will keep promoting the brand to gain an even larger market share. Our marketing strategy includes promotional campaigns that tie in with theme parks that we sponsor. It also includes social media engagement (on Twitter and YouTube, for example).



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

In the category of products for convenience stores, we aim to increase sales of sausages with casings made from sheep intestines and to increase sales of bacon. To increase the market share of other processed meat products, we will look overseas and forge new sales channels, instead of selling only to big-name distributors. To strengthen our footing in the food service sector, we will deepen ties with our mainstay downstream partners and forge new downstream partners in the Chubu and Kansai regions.

3 Next 10: Build new growth drivers for the next 10 years

One new growth driver we are building is a smoked chicken snack, which is prepared in a vacuum fryer. We have built a network of confectionary retailers to stock the product, and it is already proving popular. In the pipeline are seafood products, which draw on our

The processed foods business, one of our two mainstay business segments, encompasses Koukun Sausage, which has served as a growth driver for many years. While continuing to build this brand and other traditional operations within this segment, we will also forge new frontiers. For example, we will establish a direct-to-consumer model and penetrate the seafood sector. We also aim to build smart factories that use advanced technology to minimize carbon footprint in production. Additionally, we will strengthen global operations.

expertise in producing steamed chicken strips. The seafood products will be sold to convenience stores. We will continue to develop products such as these to expand our focus from our traditional pork products like Koukun Sausage. As well as selling via vendors, we are also working to establish a direct-to-consumer model.



4 Production upgrades: Use the latest production technology to boost production capacity

We are introducing robotics and automation in our plants. The devices work alongside human staff to reduce everyone's workload. Examples include AI-driven quality testing and automated transporters. The plant in Kagoshima, which will enter service in January 2023, is a smart factory. It will boost our capacity to produce value-added items that are kind to the environment.



5 Global: Build a solid hub for global expansion

See page 16 for Steps to Penetrating Fast-growing Markets.

Fresh Meat Business



Our new hog farm: Driving growth and reaching the top in Japan's hog farming industry

Making hog farming more sustainable: Friendlier to pigs, friendlier to Earth

In fiscal 2021, the pandemic continued to create uncertainties and change. One change occurred in consumer needs: with people spending more time at home, demand rose among consumers for healthier and more convenient food products. For the meat industry, the year will be remembered for high feed prices (because of higher cereal prices) and higher costs in ocean shipping. The high feed prices impacted our hog farming business, but the effects were more than offset by returns on our investments in this business. Pig shipments for the year, at 443,000, exceeded our forecast.

Companies are increasingly expected to embrace sustainability, and we're committed to embracing sustainability in our fresh meat business. That means making the business friendlier to animals and friendlier to the environment. In fiscal 2021, our group farms installed free-access stalls to improve pig welfare.

We'll continue doing our part to make livestock farming more sustainable. Our new farm in Miyagi will use free-access stalls. The farm will also play a positive role in the community. For example, the pigswill will contain locally produced rice and scraps from locally produced food.

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 meat business.



Fresh Meat Business

Strengths

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

Weaknesses

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

SWOT analysis

Opportunities

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

Threats

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

Business strategies

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.

Raise in-house production

In fiscal 2021, 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%).

Develop new products and new sales channels

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.

Fully leverage global networks

We will launch businesses for markets at home and abroad by expanding overseas supply networks and developing original brands in collaboration with other members of the ITOCHU Group.

Make livestock farms more sustainable

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.

We will set **metrics and targets** 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 an optimum environment for the animals on our farms.

Future vision

Become the leading hog farming company in Japan

Fresh Meat Business

Looking back

Strengthening sales and production amid an unstable meat market

Net sales

¥ **134.6** billion

Previous year ¥ **137.8** billion

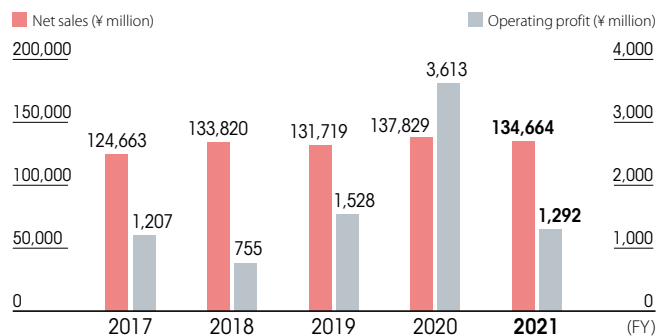
Segment's operating profit

¥ **1.2** billion

Year-on-year change **Down 64.2%**

* See page 58 for the assumptions underlying the above figures.

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



A smarter sales strategy to deal with earnings headwinds

In fiscal 2021, the fresh meat business posted negative growth amid earnings headwinds. In Japan, consumer demand for meat was sluggish relative to the spike in the previous year, and demand in the B2B sector remained low. Meanwhile, with supply disruption in pork and beef imports driving up meat prices, our retail partners had fewer opportunities to offer limited-time discounts in their stores and retail sales declined as a result. Alongside this, our bottom line was severely undercut by soaring animal feed prices and ocean shipping costs.

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. This gives us a clearer performance outlook, helping us set full-year forecasts.

Hog farming expansion on track

Aiming to become a leading hog farming company in Japan, we want to have our farms shipping 600,000 pigs a year by 2030. To that end, we have leveraged the assets of our farms more effectively, raised their capacity, and streamlined their operations.

Pig shipments are on the rise across Prima Meat Packers Group. Nikushitsu Kenkyu Farm, Ltd., has raised its capacity. Half of the increase came from building a shed that can house up to 3,000 pigs. Another 3,000 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 shed that can house up to 650 pigs. We also bought up Excel Farm Co., Ltd., which has a shipment capacity of 34,000. In fiscal 2021, Nikushitsu Kenkyu Farm and Kamifurano Farm Ltd. hit their targets for pig shipments.

Consequently, total pig shipments in fiscal 2021 exceeded our forecast. The number reached 440 thousand, compared to 420 thousand in fiscal 2020, 380 thousand in fiscal 2019, and 280 thousand in fiscal 2018. Pig shipments will rise further when our technology advanced farm in Miyagi enters service. The farrowing facility was completed in May 2022 and the first porkers have arrived in July 2022.



Fresh Meat Business

Looking ahead

Twin-track growth strategy: Boost productivity and penetrate new sectors



1 Use science to optimize the hog farming business

The new farm in Miyagi will lead the way in applying science and technology to streamline farm operations. 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 use digital technology to monitor and analyze temperature, humidity, and CO₂ levels. Through such efforts, the new farms will aim to raise production to European levels.

2 Improve customer focus in product development

A growing number of consumers want meat that is organic and ethically sourced. We already produce a range of organic pork products from antibiotic-free pigs reared on GM-free feed. The pork is sold to consumers via a big-name supermarket chain. We will continue targeting this ethically conscious market.

We also want to tap the halal market. To that end, we are

planning to build an integrated supply chain (production, processing, distribution, sale) for halal meats.

3 Develop new products and new sales channels

In 2021, we acquired the operator of The Meat Guy, which offers fresh meats online. This acquisition is a step in our project to penetrate the e-commerce market, and we will work synergistically with the operator to make the project a success. We are also working to add value to, and thus differentiate, our meat products. Examples include vacuum packing (which seals in the freshness longer) at the site of production, Takizawa Ham's flavored fresh beef, and frozen meat compatible with a new defrosting technique. Alongside this, we are working to expand sales of lamb and mutton.

4 Fully leverage global networks

We strive to fully leverage our global networks. In an example of

The new farm in Miyagi will play a leading role in our efforts to make our hog farming business stronger and more sustainable. We are developing new meat products, and forging new sales channels for these products, with a view to reaching an audience that supports organic and ethical brands. As part of our commitment to more sustainable livestock farming, we are improving animal welfare on our farms.

global partnership, Prima Meat Packers and Teys Australia produced an original brand of beef from grain-fed cattle in Australia. We have already started selling the beef in Japan. In the future, we will build a trilateral trade arrangement and sell the beef in Southeast Asia. We are also working with other members of the ITOCHU Group to sell beef in the Middle East and in Indonesia.

5 Make livestock farms more sustainable

We are committed to improving animal welfare. In fiscal 2021, Nikushitsu Kenkyu Farm started using free-access stalls and movable farrowing crates. The new farm in Miyagi will install free-access stalls in 2026. We are also phasing in free-access stalls across other farms.

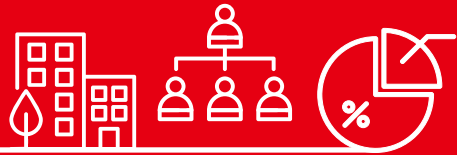
In June 2022, we established our own criteria for farm conditions and rearing practices, integrating the standards of the World Organization for Animal Health. Based on this criteria, we will improve farm conditions and rearing practices in farms across our group.

Commentary from an expert

Animal welfare has no endpoint. It's a continuous process of managing and improving animals' emotional and physical wellbeing. What matters is whether you can create a PDCA cycle to drive continuous improvements. According to the World Organization for Animal Health, businesses that handle animals should set their own targets for animal welfare. In light of this, I commend Prima Meat Packers Group for establishing its own criteria for animal welfare and committing to continuous improvements. I'm looking forward to seeing the organization make further progress along this line.



Shusuke Sato
Professor Emeritus at Tohoku University
Head of livestock operations at Yatsugatake Center Farm Specialized Training College



Section 5

Corporate Governance

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- 49 Risk Management
- 51 Messages from Outside Directors
- 53 Directors and Corporate Auditors



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.

Corporate Governance Basic Policy



<https://www.primaham.co.jp/en/ir/library/attaches/pdf/CorporateGovernanceBasicPolicy.pdf>

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, three 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 another 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 48).

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

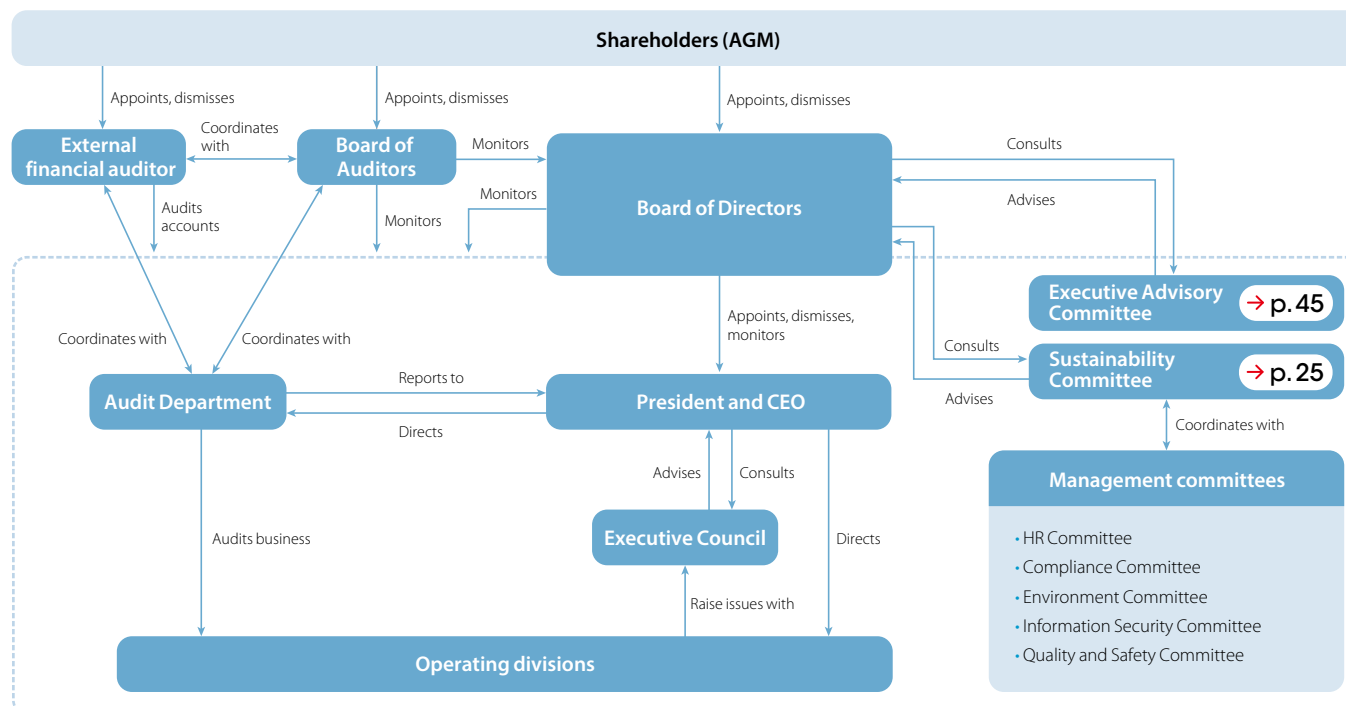
are delegated to the Executive Council and to the various management committees. Most members of the Executive Council are directors or executive officers (managers who have executive authority without fiduciary duties). The Executive Council and the management committees meet to review important business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

We have also established the Executive Advisory Committee and the Sustainability Committee, which serve as advisory bodies to the Board of Directors (see "Executive Advisory Committee" on page 45, and "Sustainability Committee" on page 25).

Main board agenda items in fiscal 2021

Management strategies	<ul style="list-style-type: none"> • Medium-term business plan • Reports of business execution • Acquisition of TMG International Co., Ltd. • Application for listing on prime market of TSE • Confirmation of second phase of Prima Next Project
Governance	<ul style="list-style-type: none"> • Remuneration of executive officers • Review of value in retaining shares held under cross-shareholding arrangements • Executives' performance evaluations • Evaluation of board effectiveness • Resolving rules on appointing and dismissing senior executives and plan for leadership succession • Internal controls • Establishing the Sustainability Committee

Corporate Governance Structure



Overview of 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 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 three 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 Committee reviews the president's proposals for appointing or dismissing executive officers, directors, or auditors.

- **Remuneration**

The Committee 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.

- **Leadership succession planning**

- **Important matters concerning corporate governance**

- **Conflicts of interest with the controlling shareholder**

Previous meetings

	Meeting	Agenda
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 evaluation of board performance evaluation in fiscal 2020 (responses, analysis)

Overview of Corporate Governance Structure

Improvements in governance



Evolution of Board of Directors		Context
Board membership	Percentage of outside directors	
2012 	17% (1)	<ul style="list-style-type: none"> • First outside director appointed
2016 	25% (2)	2015 <ul style="list-style-type: none"> • Company announces basic approach to corporate governance • Company announces independence criteria for outside officers 2016 <ul style="list-style-type: none"> • Number of outside directors increased
2018 	22% (2)	2017 <ul style="list-style-type: none"> • First board performance evaluation conducted • Executive Advisory Committee established 2018 <ul style="list-style-type: none"> • Performance-linked pay introduced
2019 	40% (2)	2019 <ul style="list-style-type: none"> • Board membership reduced (from 9 to 5), increasing percentage of outside directors 2020 <ul style="list-style-type: none"> • Basic approach to corporate governance updated. To safeguard interests of stakeholders, scope expanded to include monitoring of conflicts of interest with the controlling shareholder. 2021 <ul style="list-style-type: none"> • Basic approach to corporate governance updated. Resolved rules for appointing and dismissing senior executives, and a plan for leadership succession.
2022 	50% (3)	2022 <ul style="list-style-type: none"> • Number of outside directors increased by one (a woman)

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 2021 was conducted in April 2022, 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 convened in June to analyze and discuss the response data provided by the organization. For over 90% 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 2021.

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 2020 and whether they have been addressed

Verifying progress of business plan

The board received quarterly updates on performance in quantitative and qualitative metrics, enabling fuller discussions.

Leadership succession planning

After consulting the Executive Advisory Committee, the Board of Directors resolved a plan for leadership succession. The plan defines the knowledge and experience required of the next leader and outlines a strategy for grooming potential successors in the key roles leaders play.

Issues identified in fiscal 2021 (latest survey) and how they will be addressed

Verifying progress of business plan

This matter has been high on the agenda for some years, and we have worked to verify progress more analytically and with fuller discussion. To improve this further, we will continue approaching this matter strategically.

Overview of Corporate Governance Structure

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 2021, the board decided to end three cross-shareholding arrangements that no longer offer value. 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 2022.

Nominating and Remunerating Officers

Process for appointing and dismissing officers (senior executives, directors, and auditors)

In appointing and dismissing senior executives, and in nominating candidates for election as directors or auditors, 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 protocols, the Executive Advisory Committee reviews the protocols, and the Board of Directors ultimately determines them. In fiscal 2021, the Board of Directors resolved a plan for leadership succession.

Selecting outside director and outside corporate auditor candidates

To enhance oversight of directors and business execution in general, we now have three outside directors and three outside corporate auditors. The reasons for the latest nominations are stated on pages 53 and 54.

Remuneration for officers

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

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 profit. 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.

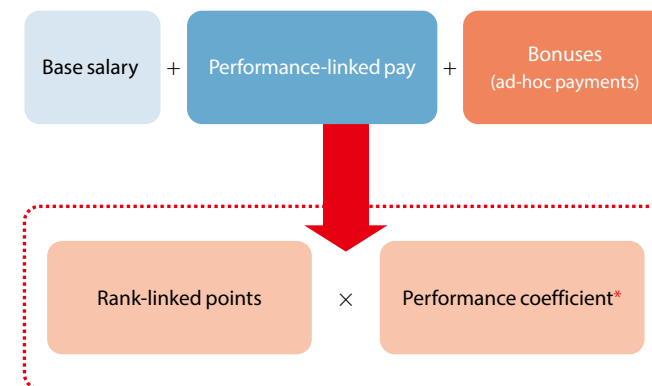
The Board of Directors determines, within a range approved by shareholders at the AGM, the relative weight of each remuneration component and how much each recipient will receive. In determining these items, the board follows the policy mentioned below and consults the opinion of the Executive Advisory Committee, on which the president sits.

Policy Concerning the Determination of the Details of Remuneration for Individual Directors



https://www.primaham.co.jp/ir/library/attaches/pdf/prima_esgdatabook2021_b.pdf#page=20 (Some sections in Japanese only)

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 profit in the Medium-term Business Plan.

Table showing remuneration amounts paid in fiscal 2021

Officer class	Total remuneration (¥ million)	By component (¥ million)			Eligible recipients
		Base salary	Performance-linked pay	Bonuses	
Directors (excluding outside directors)	101	94	7	-	3
Auditors (excluding outside auditors)	3	3	-	-	1
Outside directors/ auditors	65	65	-	-	5

Overview of Corporate Governance Structure

Skills matrix

Accurate as of September 1, 2022

	Diversity		General company experience					Industry specific	Board attendance in fiscal 2021			
	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
Naoto Chiba President and CEO	63	Male	●	●				●	15/15	100	-	-
Hidefumi Suzuki Director	64	Male	●	●			●	●	15/15	100	-	-
Kenichi Tai Director (part-time)	55	Male	●	●					15/15	100	-	-
Takeshi Yamashita Outside Director (part-time)	76	Male		●			●		15/15	100	-	-
Yuzo Ide Outside Director (part-time)	67	Male	●	●		●		●	11/11	100	-	-
Yoshino Tsujita Outside Director (part-time)	58	Female	●	●	●				-	-	-	-
Koichi Sato Outside Corporate Auditor	62	Male			●	●	●		15/15	100	17/17	100
Hideki Shimozawa Outside Corporate Auditor	59	Male			●		●		15/15	100	17/17	100
Kenichiro Soma Corporate Auditor (part-time)	55	Male		●	●				15/15	100	17/17	100
Akemi Sunaga Outside Corporate Auditor (part-time)	61	Female			●		●		11/11	100	12/12	100

Internal Control System

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

The 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.

Purposes of internal controls:

1. Ensure effective and efficient workflows
2. Ensure credible financial reporting
3. Ensure regulatory compliance

Internal control components

- Controlling environments
- Evaluating and managing risks
- Controlling activities
- Information and communication
- Monitoring
- Digital controls

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.

Situational risks that emerge

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

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.

Climate-related Risks

Climate change is a worldwide problem and one that impacts our business operations. Examples of the climate-related risks we face include higher prices for raw materials, animal feed, and packaging. Recognizing climate change as a major source of business risk, we have endorsed the recommendations of the Task Force on Climate-related Financial Disclosures (TCFD) and we disclosed climate-related information in accordance with the recommendations (see page 31).

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.

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 communicate such risks 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.

Risk Management

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. 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.

Anti-infection Measures

On March 17, 2020, we initiated a business continuity plan to deal with the growing threat of COVID-19. As part of the plan, we established a taskforce headed by the president. The taskforce worked to prevent or contain infections on Company premises primarily to protect employees and other stakeholders but also to fulfill our social responsibility to maintain stable supplies of food products. The actions taken included the following: 1) raising confidence among employees and other stakeholders, 2) forging new sales channels and distribution means to expand our clientele, 3) creating new business opportunities and ways of working, and 4) building solid supply chains. Through these actions, we created new value.

Risks Affecting Performance

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

Category	Risk	Description	Actions	Plan affected
Business environment	Price fluctuations in raw materials Material risk	Because we produce and sell fresh meat, processed pork (ham and sausages), and other processed foods, our performance may be affected by price rises in the livestock market or oil market, from which we procure raw materials and goods for such products. • 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	<ul style="list-style-type: none"> • Procure extra supplies of raw materials • Secure alternative sources of raw materials • Use commodity futures contracts • Secure ample stocks • Adjust sales price 	Policy 2
	Exchange rate fluctuation	Because we source raw materials and goods from the U.S., Europe, China, and other overseas areas, exchange rate fluctuations may affect our performance. Additionally, because the financial results of our overseas subsidiaries are denominated in local currency, our consolidated performance may be affected by the exchange rate that applies when we translate the results into Japanese yen.	<ul style="list-style-type: none"> • Use foreign exchange contracts to manage short-term fluctuations 	Policy 2 Policy 3
Business operation	Food safety Material risk	If any of the following issues occur in the production and sale of our products, we may harm customers' health and lose our credibility, which may threaten our continued operation: • A serious quality issue • A prolonged quality issue • Allergen contamination	<ul style="list-style-type: none"> • Apply quality management standards (HACCP, ISO 22000, 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	<ul style="list-style-type: none"> • Discuss/decide purchase price at Executive Council • Establish procedures for managing recent acquisitions • Review performance of investments at Executive Council 	Policy 2
	Regulatory compliance Material risk	A group business may be severely damaged if it commits a legal violation. • After violating the Food Sanitation Act or Food Labeling Act, a business is placed under administrative measures, resulting in reputational damage • After violating the cross-border trade laws, a business is placed under administrative measures, hurting its ability to produce and sell products • After violating the Antimonopoly Act, a business is placed under administrative measures, resulting in transaction restrictions and reputational damage • After violating labor laws, a business is placed under administrative measures, resulting in reputational damage • After violating environmental and recycling laws, a business is placed under administrative measures, harming its ability to recover and produce goods and causing reputational damage	<ul style="list-style-type: none"> • Observe quality management standards • Communicate code of conduct, use Compliance Committee to inculcate compliance culture, provide compliance training • Provide in-house rules, ensure directives are complied with, provide anti-bullying training • Ensure effective operation of environmental management system and Environment Committee 	Policy 1 Policy 2
Environment, emergencies	Natural disasters, accidents, incidents Material risk	If a natural disaster or accident harms the life, health, or property of a group company or one of our distributors, the affected entity may be forced to suspend supplies and rearrange production, distribution, and sales networks, resulting in severe damage to performance. • Natural disasters (e.g., earthquake, typhoon, major snowfall, tornado, volcanic eruption, torrential downpour) • Accidents (e.g., fire, explosion, traffic accident) • Incidents (e.g., terrorist incident, kidnapping, blackmail) • Armed conflict (e.g., civil unrest)	<ul style="list-style-type: none"> • Secure ample stocks • Buy extra supplies of key goods • Develop business continuity plans 	Policy 1
	Infectious disease Material risk	If COVID-19 persists, we may be unable to continue business activities, resulting in severe damage to performance. • Forced to suspend non-critical workflows • Forced to suspend production lines and sale of products • Office or plant forced to suspend operations	<ul style="list-style-type: none"> ◇ 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 actions in the medium-term business plan (read more about this on page 19) that would be threatened by the risk in question.

Messages from Outside Directors

In June 2021, the Tokyo Stock Exchange (TSE) revised the Corporate Governance Code, placing greater emphasis on monitoring management from an impartial perspective. We asked three outside directors for their thoughts on how the Prima Meat Packers Group is currently doing, what issues it needs to address, and how they see the group's future.



Yuzo Ide

Outside Director

Yuzo Ide joined Wacoal Corp. in 1977. In April 2006, he became a corporate officer of the Company (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 joined Prima Meat Packers' board as an outside director in June 2020.

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 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.

Yoshino Tsujita

Outside Director

Yoshino Tsujita is the representative director of Relier, Inc. Tsujita has experience working at a foreign-invested securities company and at Japan Tobacco Inc. For the latter, she managed the strategic planning and investor relations divisions. In March 2020, she founded Relier and launched an online kimono-sharing platform. She joined Prima Meat Packers' board as an outside director in June 2022.



Takeshi Yamashita

Outside Director

Advising and informing

In 2021, the TSE revised the Corporate Governance Code, tightening the principles on board effectiveness. In 2022, it reorganized its stock market into three segments, and Prima Meat Packers was listed on the top-tier Prime Market. Prima Meat Packers has organizational processes in place to fulfil the governance responsibilities of a top-tier listed company. Its Executive Council and Board of Directors communicate and coordinate closely with one another, and strategic priorities are additionally discussed at the Executive Advisory Committee, whose membership consists of the president and outside directors. Although the Company is a subsidiary of ITOCHU Corporation, it maintains operational independence as an exemplary member of the group. It also boasts a diverse board, and the board became even more diverse in June 2022, when Yoshino Tsujita joined as an outside director.

However, the management cannot afford to be complacent. One pressing issue the Company faces is the need to diversify its core workforce. In product development, the Company has exceptionally talented employees, many of whom have studied overseas. However, because the management scaled back recruitment in the past, relatively few of these employees are aged 30 to 45. To rebalance the age distribution, the management should step up mid-career recruitment, as opposed to relying on graduate hires. In the Company's materiality matrix, this task corresponds to two material issues: respecting and promoting diverse workstyles and hiring and developing outstanding human resources. It therefore falls under the remit of the Sustainability Committee, which was recently established to spearhead efforts to address material issues.

I believe that outside directors should take a hands-off approach. Their role is to help the Company steer clear of trouble and, when a crisis arises, to help the Company out of the crisis by sharing their professional insights. Crucially, an outside director should never substitute the role of a company manager. As an expert in compliance and corporate law, I believe my particular role is to presage changes in this area and advise the management accordingly. With my ability to read texts in nine non-Japanese languages, I survey foreign articles on the meat industry daily, particularly German texts, and then report to the board any news stories that could have implications for the Company.

International markets are more unstable than ever, but I trust that Prima Meat Packers will achieve growth in the manner expected of a company in the TSE's Prime Market.

Messages from Outside Directors



Yuzo Ide
Outside Director

Sharing a manufacturer's insights

I have served the board for two years. In my time, board meetings have always been robust and frank. President Chiba fields questions, and board members keep pressing him until they're satisfied, leaving no ambiguities.

Amid the pandemic, I was unable to visit the plants supplying the Company, but I have visited some of the supermarkets and convenience stores that sell the Company's products. These retailers stocked many products similar to those of the Company's, raising the question of how the Company can maintain its competitive advantage. One way is through effective branding. The Koukun series is very popular and has strengthened the Prima Meat Packers brand. However, many of the Company's products don't even display the Company name. An example of such anonymity is the fresh meat products sold in supermarkets. This is a missed opportunity for brand communication; shoppers are buying the products, but they aren't associating them with the Prima brand.

The management should lead the way in corporate governance through communication and action. As well as engaging with external stakeholders, the management should engage with employees in group companies based in Japan and overseas so that these employees have a strong understanding of the Company's strategies and future direction. This is particularly important with the two new members of the Prima family, TMG International and Rudi's Fine Food. The employees of these companies must be wondering what kind of organization Prima Meat Packers is. It's true that an employee of Prima Meat Packers has assumed leadership of Rudi's, but I have advised President Chiba to make time for online conferences with the team at Rudi's.

I'll keep sharing my professional expertise with the management to help the Company build its value and strengthen its market position. That's my job.



Yoshino Tsujita
Outside Director

Enlivening board discussions with an alternative viewpoint

When my daughter was young, I'd often take her to Tokyo Disney Resort®, so I've long had an affinity with Prima Meat Packers, an official Disney sponsor. Now as an outside director, I've found that the Company engages in strategic planning for the Company, particularly the strategy to deliver an emotional experience as well as delicious and safe food. Given Prima Meat Packers' longstanding heritage, I initially suspected that the organization may be clinging to outdated practices. However, I was reassured by the positive atmosphere in board meetings. Members engage in free, open discussions.

As a businesswoman with experience at a foreign-invested enterprise and at a global enterprise, I bring to the table creativity and flexible thinking. With these abilities, I can help enliven board discussions by asking pertinent questions and offering an alternative viewpoint. As a mother of children, I can advise the Company on how it can make its food even more convenient, nutritious, and safe.

My first task is to get a firm grasp of where the Company stands and what its business activities are. After joining the board, staff from each business division briefed me and gave me an opportunity to question them. As the pandemic subsides, I'd like to observe each workplace first-hand.

I feel excited about the challenges that lie ahead for the Company, including the challenge of developing new products for changing preferences and lifestyles and the challenge of expanding globally. Success in these tasks relies on a diverse and empowered workforce, so the Company must provide a workplace that unlocks talent. As someone whose career began shortly after the Equal Employment Opportunity Law came into effect in 1986, I consider diversity and inclusion my life's work. I'll be pushing the management to take the organizational measures to foster a diverse and empowered workplace culture, and I'll be keeping a close eye on whether these measures are working effectively.

Directors and Corporate Auditors

Directors



Naoto Chiba
President and
CEO

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

In charge of Compliance,
Legal and Environmental Affairs

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

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

Part-time

Independent Outside

- Apr. 1985 Professor at Hiroshima University
- Apr. 1997 Professor at Tokai University
- Jul. 1997 Registration as an attorney
- Apr. 1999 Part-time Lecturer of International Corporate Strategy at Graduate School of Hitotsubashi University
- Jun. 2003 Corporate Auditor of the Company
- Dec. 2003 Joined Hibiya Park Law Offices (current position)
- Jun. 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 attorney.



Yuzo Ide
Director

Part-time

Independent Outside

- Apr. 1977 Joined Wacoal Corp. (current Wacoal Holdings Corp.)
- Apr. 2006 Corporate Officer of Wacoal Corp. (operating corporation)
- Apr. 2008 Director and Senior Managing Corporate Officer of Wacoal Corp. (operating corporation)
- Apr. 2014 Director and Vice President Corporate Officer of Wacoal Corp. (operating corporation)
- Jun. 2014 Managing Director of Wacoal Holdings Corp.
- Jun. 2016 Retired as Director of Wacoal Holdings Corp.
- Jun. 2018 Retired as Director of Wacoal Corp. (operating corporation)
- May 2020 Outside Director of Cosmo Co., Ltd. (current position)
- Jun. 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.



Yoshino Tsujita
Director

Part-time

Independent Outside

- Mar. 1987 Joined Swiss Bank Securities Corporation
- Jan. 1989 Joined Salomon Brothers Asia Securities Ltd.
- Jun. 1999 Vice President of The Chase Manhattan Bank
- Feb. 2001 Vice President of JPMorgan Securities Japan Co., Ltd.
- Mar. 2002 Joined Japan Tobacco Inc.
- Jun. 2006 General Manager, Corporate Planning Division of Japan Tobacco Inc.
- Sep. 2014 General Manager, Compliance Office of Japan Tobacco Inc.
- Apr. 2016 General Manager, Media and Investor Relations Division of Japan Tobacco Inc.
- Mar. 2020 Representative Director of Relier Inc. (current position)
- Apr. 2020 Outside Director of Yukiguni Maitake Co., Ltd. (current position)
- Jun. 2022 Director of the Company (current position)

Reason for nomination

Yoshino Tsujita is qualified to direct, monitor, assist, and advise as outside director, particularly in relation to Prima Meat Packers' business strategies. With her extensive corporate experience in Japan and abroad, Tsujita offers insights in business management and diversity, along with in-depth knowledge of accounting and finance.

*The three outside directors (Takeshi Yamashita, Yuzo Ide, and Yoshino Tsujita fulfill Prima Meat Packers' independence criteria, in that they pose no potential conflict of interest with general shareholders as defined by the TSE.

Directors and Corporate Auditors

Corporate Auditors



Koichi Sato
Corporate Auditor

Independent Outside

Apr. 1984 Joined The Norinchukin Bank
Jul. 2004 Manager, Shizuoka Branch of The Norinchukin Bank
Jul. 2007 Head and Deputy Manager, General Planning and Development Office of The Norinchukin Bank
Jun. 2014 General Manager, Cooperative System Human Resource Development Div. of The Norinchukin Bank
Jun. 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
Corporate Auditor

Independent Outside

Apr. 1986 Joined The Mitsui Trust and Banking Company, Limited (current Sumitomo Mitsui Trust Bank, Limited)
Jul. 2008 Manager, Takamatsu Branch of The Chuo Mitsui Trust and Banking Company, Limited
Nov. 2009 General Manager, Head Office Business Division 5 of The Chuo Mitsui Trust and Banking Company, Limited
Feb. 2011 General Manager, Credit Card and Financing Planning Department of The Chuo Mitsui Trust and Banking Company, Limited
Jun. 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.



Kenichiro Soma
Corporate Auditor

Part-time

Apr. 1989 Joined ITOCHU Corporation
Oct. 2003 ITOCHU International Inc. (residing in New York)
May 2012 General Manager, Structured Finance Department, Finance Division of ITOCHU Corporation
May 2016 Deputy General Manager, Finance Division and General Manager, Structured Finance Department and CP & CITIC Strategy Department, Finance Division of ITOCHU Corporation
May 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
May 2020 CFO, Food Company of ITOCHU Corporation (current position)
Jun. 2020 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.



Akemi Sunaga
Corporate Auditor

Part-time
Independent Outside

Oct. 1989 Joined Auditing Department of Aoyama Audit Corporation (now PricewaterhouseCoopers Aarata LLC)
Feb. 1991 Joined Auditing Department of Chuo Audit Corporation
Aug. 1993 Registered as Certified Public Accountant
Oct. 1994 Registered as Certified Public Tax Accountant
Nov. 1994 Founded Sunaga CPA Firm, became its representative (current position)
Nov. 1996 Founded Marunouchi Business Consulting Ltd., became Representative Director (current position)
Jan. 2012 Founded Marunouchi Business Consulting Tax Co., became Senior Partner (current position)
Jun. 2020 Outside Director and Audit and Supervisory Committee Member at Ushio Inc. (both current positions)
Outside Director and Audit and Supervisory Committee Member at Yomeishu Seizo Co., Ltd. (both current positions)
Jun. 2021 Corporate Auditor at the Company (current position)
Jan. 2022 Senior Partner of Marunouchi Audit Corporation (current position)
Jun. 2022 Outside Director of KYB Corporation (current position)

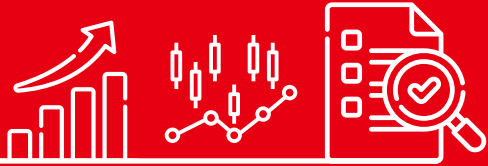
Reason for nomination

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.

* The three outside corporate auditors (Koichi Sato, Hideki Shimozawa, 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.

Executive Officers

President and Executive Officer	Senior Managing Executive Officers	Managing Executive Officers	Executive Officers	Executive Officers	Executive Officers	Executive Officers
Naoto Chiba	Yuichi Niimura Head of Corporate Strategy Div., Project Manager in Prima Next Project	Yuji Shinkawa Head of Sales Div.	Takumi Umehara President of PRIMAHAM (THAILAND) Co., Ltd., Chairman of PRIMAHAM FOODS (THAILAND) Co., Ltd.	Tokuo Miyazaki Head of Meat Procuring Dept. and Meat Sales Dept., Meat Business Div.	Munetoshi Niizeki Head of West Japan Branch, Sales Div.	Makoto Amino Head of Meat Production Department, Meat Business Div.
	Masahiko Yano Head of Meat Business Div.		Shinichi Koga Head of Financial & Accounting Dept.	Tatsuya Kudo Head of Quality Assurance Div.	Satoshi Nakajima Assistant Head of Corporate Strategy Div., Head of Corporate Strategy Dept., in charge of Prima Next Project	Keiko Sasajima Head of Development Div. and Product Strategy Dept.
	Takahiro Uchiyama HR, Finance, General Affairs, PR		Mamoru Kamada President of PRIMAHAM FOODS (THAILAND) Co., Ltd.	Toshihiro Tago Head of Production Div.		Yasushi Miyatake Head of IT Promotion Department, Corporate Strategy Div. and Prima Next Project Leader
				Takayuki Kanai Head of Human Resources Department		



Section 6

Data Section

56 Consolidated Financial Highlights

57 Non-financial Highlights

58 Eleven-year Summary Consolidated Financial Statements

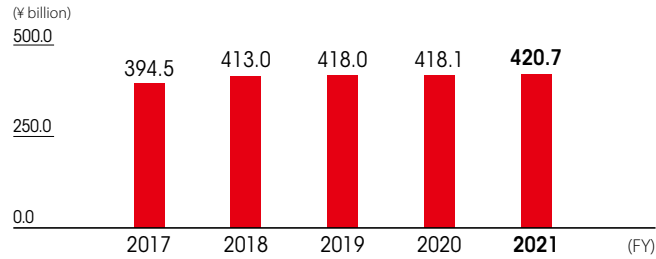
60 Company Information

62 Stock Information

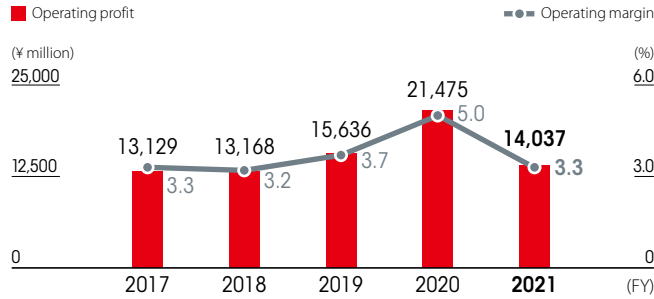


Consolidated Financial Highlights

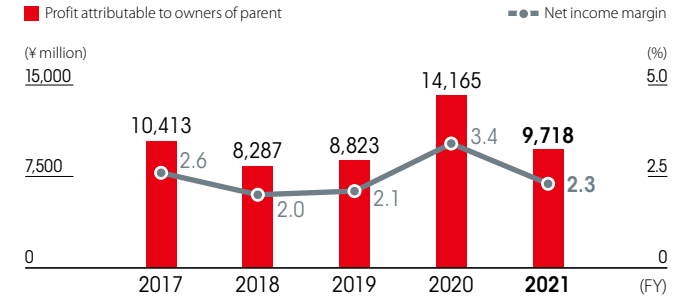
Net sales



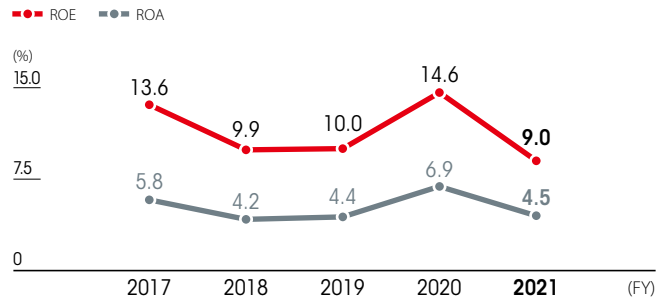
Operating profit / Operating margin



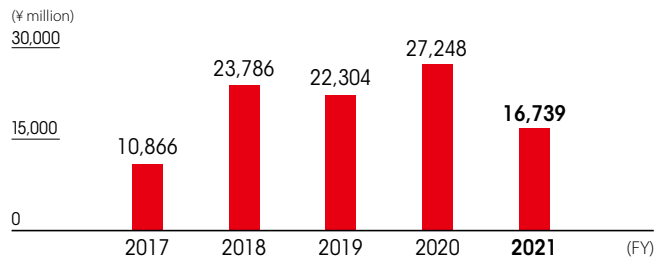
Profit attributable to owners of parent / Net income margin



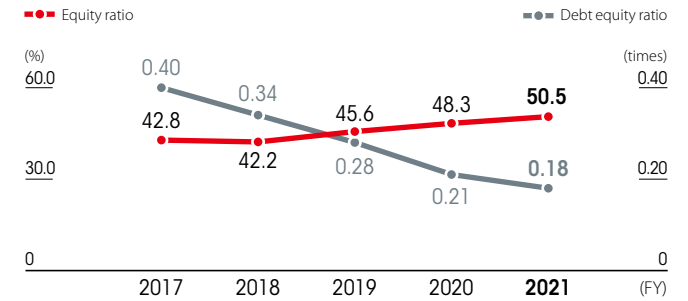
Return on equity (ROE) / Return on assets (ROA)



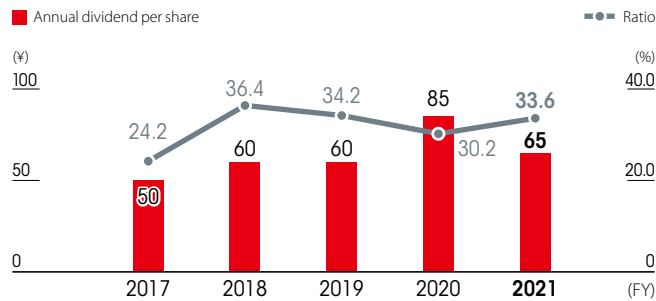
Cash flows from operating activities



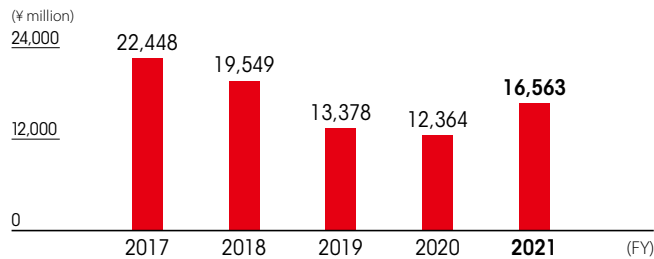
Equity ratio / Debt equity ratio



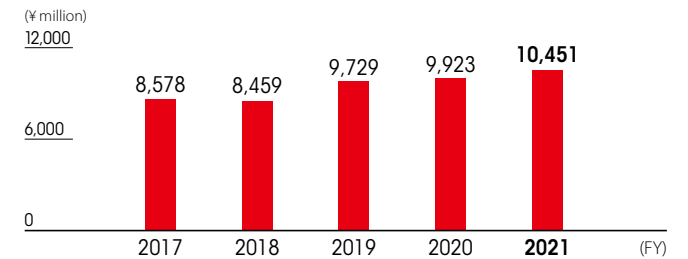
Annual dividend per share / Ratio



Capital expenditure



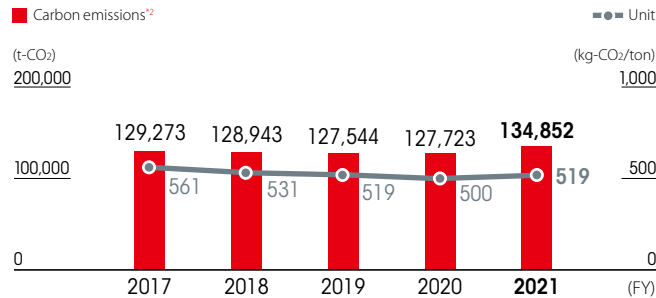
Depreciation and amortization



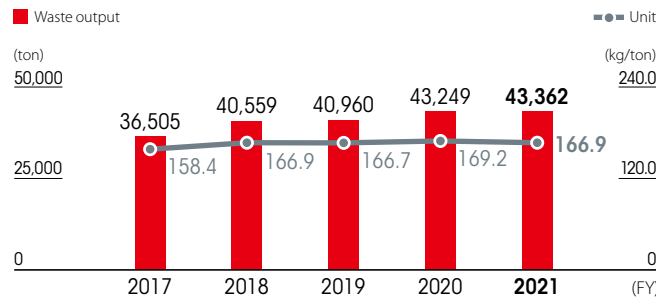
* See page 58 for the assumptions underlying the above figures.

Non-financial Highlights

CO₂ emissions (from 22 plants^{*1})

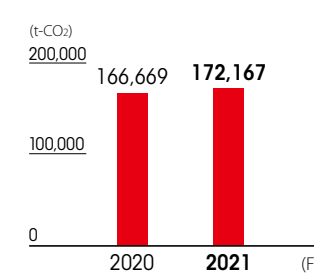


Waste output (22 plants^{*1})

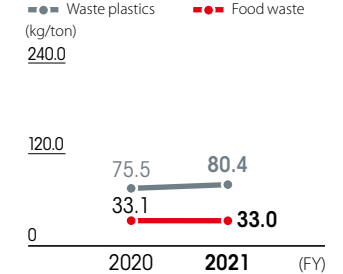


KPIs for environment-related material issues

Carbon emissions^{*3}

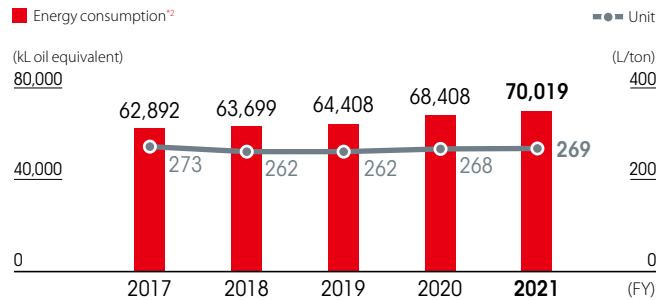


Waste output (Unit)^{*4}

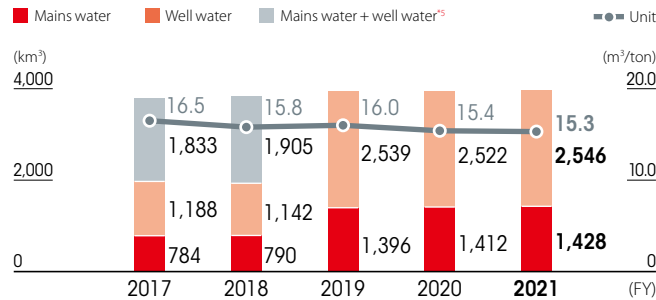


◆ See p. 29 for the KPIs for other material issues.

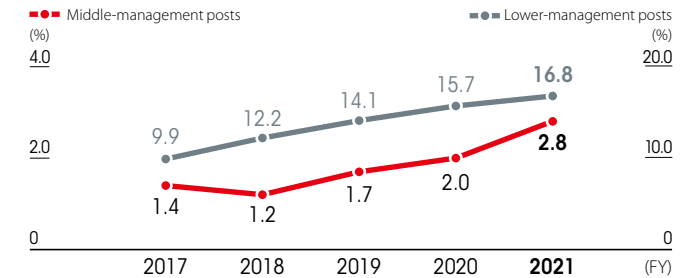
Energy consumption (22 plants^{*1})



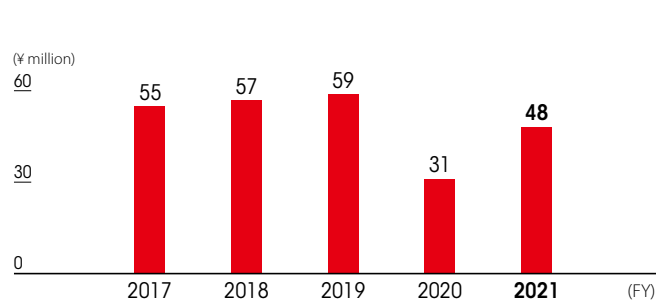
Water consumption (22 plants^{*1})



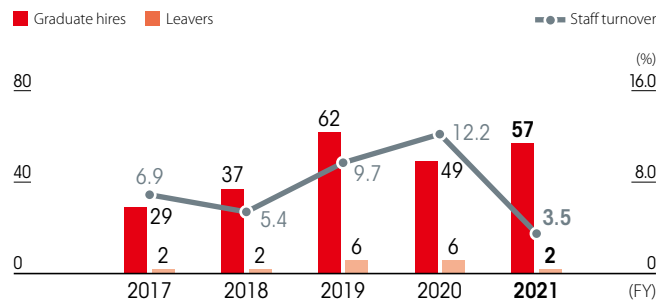
Percentage of women occupying middle- or lower-management posts (non-consolidated)^{*6}



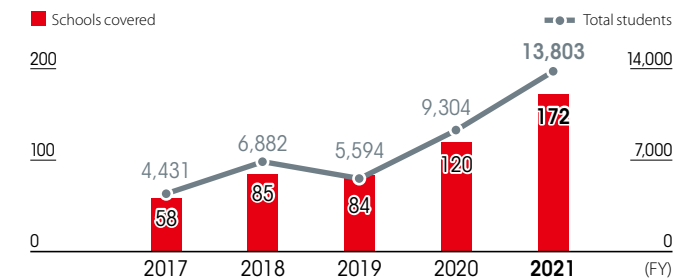
Training expenditure (non-consolidated)



Graduate hires, leavers^{*7}, staff turnover (non-consolidated)



Schools covered in food-related learning program, total students who attended



^{*1} The 22 plants were as follows: Prima Meat Packers' four plants, Prime Delica Co., Ltd.'s 12 plants, Akita Prima Foods Co., Ltd., PrimaFineFoods Co., Ltd., Prime Foods Co., Ltd., Shikoku Foods Co., Ltd., Prima Luca Co., Ltd., and Nishi-Nippon Best Packer Co., Ltd. ^{*2} Following careful examination, the figures for fiscal 2018 to fiscal 2020 have been retroactively amended from the figures disclosed last year. ^{*3} The goal is to reduce CO₂ emissions by 24.3% compared to the fiscal 2021 level by fiscal 2030. CO₂ emissions are defined as greenhouse gases emitted during the combustion of fossil fuels in Japan. This definition excludes all emissions from outside Japan and emissions from livestock. ^{*4} The goal is to reduce plastic and food waste output by 5% compared to the fiscal 2021 level by fiscal 2030. Waste output is measured relative to production output. ^{*5} The "mains water + well-water" portion pertains to 12 of Prime Delica's plants. For the fiscal years 2017 to 2018, the 12 plants provided no breakdown by type of water consumed. ^{*6} Excludes secondments ^{*7} "Leavers" means employees who leave the Company within three years of joining.

Eleven-year Summary Consolidated Financial Statements

Financial

	(FY)	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021
Statements of income (¥ million)												
Net sales		271,222	275,647	303,600	341,183	361,223	363,336	394,534	413,023	418,060	418,147	420,717
Cost of sales		225,035	230,056	256,169	293,272	310,871	303,483	333,426	350,266	351,290	360,167	367,971
Gross profit		46,187	45,591	47,431	47,911	50,351	59,853	61,108	62,756	66,769	57,980	52,745
Selling, general and administrative expenses		38,859	38,331	38,618	40,698	42,104	44,287	47,978	49,588	51,132	36,504	38,708
Operating profit		7,327	7,259	8,813	7,213	8,247	15,565	13,129	13,168	15,636	21,475	14,037
Non-operating income		924	1,154	995	1,126	930	859	873	1,173	1,044	1,246	1,189
Non-operating expenses		697	491	510	604	401	322	356	512	722	310	342
Ordinary profit		7,554	7,923	9,298	7,735	8,776	16,102	13,646	13,829	15,959	22,411	14,883
Profit before income taxes		6,957	7,906	8,794	8,039	10,029	15,337	14,790	13,944	15,338	21,916	15,106
Profit attributable to owners of parent		4,497	4,359	4,192	6,392	6,429	10,009	10,413	8,287	8,823	14,165	9,718
Capital expenditures		7,221	6,586	10,282	13,722	14,102	16,347	22,448	19,549	13,378	12,364	16,563
Depreciation and amortization		4,306	4,797	4,729	5,711	6,467	7,001	8,578	8,459	9,729	9,923	10,451
R&D expenditures		525	538	453	469	473	399	381	396	376	381	335
Cash flows (¥ million)												
Cash flows from operating activities		9,671	10,018	10,689	7,850	5,209	26,003	10,866	23,786	22,304	27,248	16,739
Cash flows from investing activities		(6,800)	(6,436)	(10,976)	(10,376)	(12,617)	(14,790)	(21,373)	(14,887)	(5,875)	(12,205)	(23,713)
Cash flows from financing activities		(3,237)	(5,876)	(36)	(818)	9,347	1,335	3,187	(7,347)	(7,924)	(7,509)	(6,616)
Free cash flows		2,871	3,582	(287)	(2,526)	(7,408)	11,213	(10,507)	8,899	16,429	15,043	(6,973)
Cash and cash equivalents at end of period		10,745	8,535	8,240	4,988	6,927	19,468	12,168	13,732	22,214	29,773	16,230

Note that the following applies to the financial information presented in this integrated report:

* Up to and including fiscal 2020, revenue pertaining to the government's scheme for regulating animal feed prices (*haigō shiryō kakaku anteiseido*) were recognized as "non-operating income," and expenses pertaining to such were recognized as "non-operating expenses." In fiscal 2021, the former is recognized as "net sales" and the latter as "selling, general and administrative expenses."

* The new ASBJ revenue standard is applied to the results for fiscal 2020 and 2021 (unaudited).

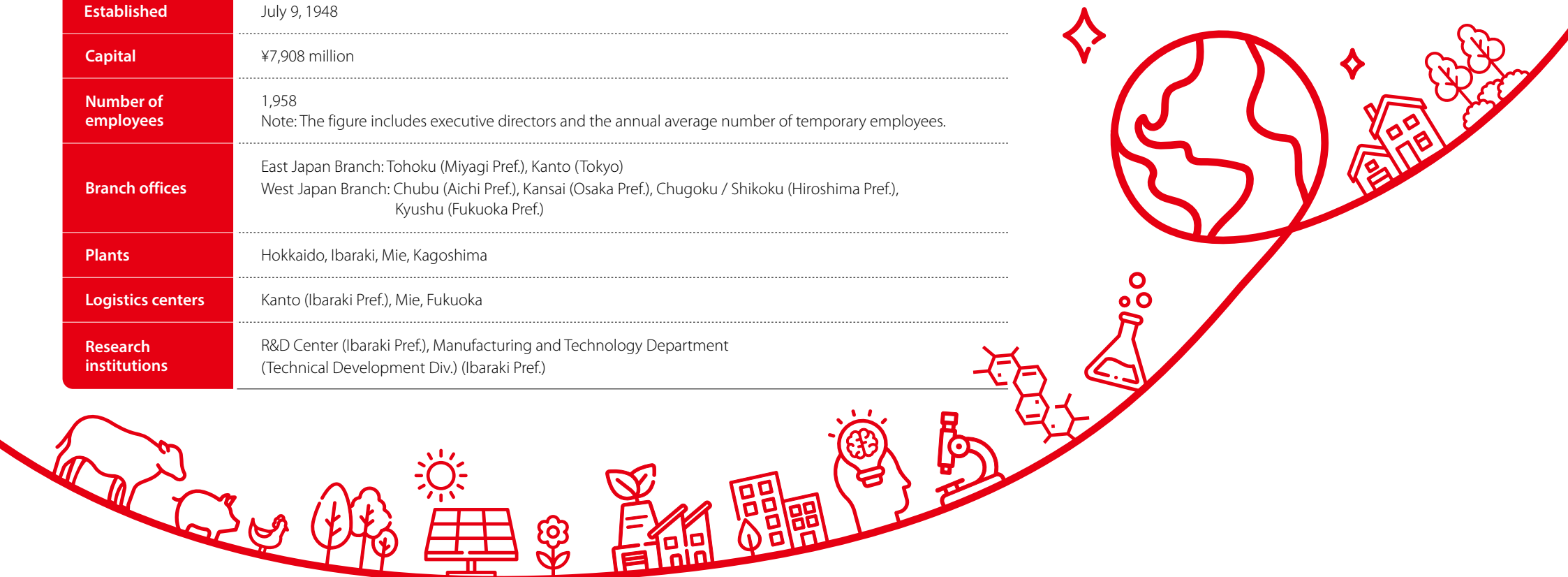
Eleven-year Summary Consolidated Financial Statements

Financial

	(FY)	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021
Balance sheet (¥ million)												
Current assets		52,693	53,352	51,814	61,088	69,241	78,113	79,329	82,857	87,310	98,747	95,828
Current liabilities		49,031	49,677	50,275	60,350	58,669	60,413	64,630	74,706	68,171	71,957	71,659
Net assets		36,607	42,251	47,307	56,526	70,030	79,198	89,274	94,635	100,134	114,761	122,567
Total net assets		106,475	110,637	119,261	141,661	153,511	170,919	189,751	203,862	198,530	214,542	221,721
Total liabilities		69,867	68,386	71,953	85,134	83,481	91,721	100,477	109,226	98,396	99,781	99,154
Interest-bearing debt		21,319	16,586	17,315	21,661	23,025	26,203	32,507	29,515	24,950	22,152	20,625
Net worth		31,146	35,736	40,086	49,948	63,158	72,019	81,180	86,114	90,573	103,632	111,860
Information per share (¥)												
Net profit		100.45	97.40	93.65	142.95	131.68	198.80	206.85	164.78	175.57	281.90	193.41
Net assets		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	2,226.09
Annual dividend		10	10	10	10	20	30	50	60	60	85	65
Key indicators												
Return on equity (ROE) (%)		15.6	13.0	11.1	14.2	11.4	14.8	13.6	9.9	10.0	14.6	9.0
Return on assets (ROA) (%)		4.4	4.0	3.7	4.9	4.4	6.2	5.8	4.2	4.4	6.9	4.5
Price book-value ratio (PBR) (%)		1.11	1.40	1.20	1.50	1.14	1.72	1.89	1.20	1.36	1.69	0.99
Operating margin (%)		2.7	2.6	2.9	2.1	2.3	4.3	3.3	3.2	3.7	5.0	3.3
Equity ratio (%)		29.3	32.3	33.6	35.3	41.1	42.1	42.8	42.2	45.6	48.3	50.5
Current ratio (%)		107.5	107.4	103.1	101.2	118.0	129.3	122.7	110.9	128.1	137.2	133.7
Debt equity ratio (times)		0.68	0.46	0.43	0.43	0.36	0.36	0.40	0.34	0.28	0.21	0.18

Company Information (As of March 31, 2022)

Company name	Prima Meat Packers, Ltd.
Head office	Shinagawa Seaside West Tower, 4-12-2 Higashi-Shinagawa, Shinagawa-ku, Tokyo 140-8529, Japan Tel: +81-3-6386-1800
Representative	Naoto Chiba, President and CEO
Detail of business	Manufacture and sale of hams and sausages, fresh meats, processed foods, and other products
Founded	September 1, 1931
Established	July 9, 1948
Capital	¥7,908 million
Number of employees	1,958 Note: The figure includes executive directors and the annual average number of temporary employees.
Branch offices	East Japan Branch: Tohoku (Miyagi Pref.), Kanto (Tokyo) West Japan Branch: Chubu (Aichi Pref.), Kansai (Osaka Pref.), Chugoku / Shikoku (Hiroshima Pref.), Kyushu (Fukuoka Pref.)
Plants	Hokkaido, Ibaraki, Mie, Kagoshima
Logistics centers	Kanto (Ibaraki Pref.), Mie, Fukuoka
Research institutions	R&D Center (Ibaraki Pref.), Manufacturing and Technology Department (Technical Development Div.) (Ibaraki Pref.)



Company Information



Number of group companies 36 (As of September 1, 2022)

●●● Consolidated subsidiaries ○○ Associates accounted for using the equity method

Processed Foods Business

Prime Delica Co., Ltd.	● Sagamihara-shi, Kanagawa	Manufacture of products for convenience stores
Primaham Meat Factory, Co., Ltd.	● Osaka-shi, Osaka	Manufacture and sale of meat products, slaughter, meat processing
Akita Prima Foods Co., Ltd.	● Yurihonjo-shi, Akita	Manufacture of processed foods
PrimaFineFoods Co., Ltd.	● Hiki-gun, Saitama	Manufacture of processed foods
Shikoku Foods Co., Ltd.	● Marugame-shi, Kagawa	Manufacture of processed foods
Prime Foods Co., Ltd.	● Maebashi-shi, Gunma	Manufacture of processed foods
Prima Luca Co., Ltd.	● Unzen-shi, Nagasaki	Manufacture of processed foods
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
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
Prima Environment Services, Ltd.	● Tsuchiura-shi, Ibaraki	Facility cleaning, environmental protection
PRIMAHAM (THAILAND) CO., LTD.	● Thailand	Manufacture and sale of processed foods
PRIMAHAM FOODS (THAILAND) CO., LTD.	● Thailand	Manufacture and sale of processed foods
Rudi's Fine Food Pte Ltd	● Singapore	Manufacture and sale of ham, sausages, and other meat products
Continental Deli Pte. Ltd	● Singapore	Sale of ham, sausages, and other meat products
Prime Bakery Co., Ltd.	○ Fuji-shi, Shizuoka	Manufacture of products for convenience stores

Fresh Meat Business

Pacific Ocean Breeding Co., Ltd.	● Futaba-gun, Fukushima	Live hog operation business
Japanmeat Co., Ltd.	● Miyakonojo-shi, Miyazaki	Live hog operation business
Clean Farm Co., Ltd.	● Miyakonojo-shi, Miyazaki	Live hog operation business
Nikushitsu Kenkyu Farm, Ltd.	● Soo-gun, Kagoshima	Live hog operation business
Excel Farm Ltd.	● Kanoya-shi, Kagoshima	Live hog operation business
Kamifurano Farm, Ltd.	● Sorachi-gun, Hokkaido	Live hog operation business
Yukizawa Co., Ltd.	● Odate-shi, Akita	Live hog operation business
Kamifurano Kobo Co., Ltd.	● Sorachi-gun, Hokkaido	Slaughter, meat processing, manufacture and sale of processed foods
Nishi-Nippon Best Packers Co., Ltd.	● Ichikikushikino-shi, Kagoshima	Slaughter, meat processing
Prima Logistics Co., Ltd.	● Shinagawa-ku, Tokyo	Meat distribution
KANTO PRIMA MEAT SALES CO., LTD.	● Kawasaki-shi, Kanagawa	Meat sales
KANSAI PRIMA MEAT SALES CO., LTD.	● Osaka-shi, Osaka	Meat sales
Tacky Foods Co., Ltd.	● Komaki-shi, Aichi	Slaughter, meat processing, meat sales
TMG INTERNATIONAL.CO., LTD	● Nagoya-shi, Aichi	Operation of online meat shop, manufacture and sale of meat
Swine Genetics International, Ltd.	○ The U.S.	Live hog operation business

Other

Tsukuba Food Evaluation Center Co., Ltd.	● Tsuchiura-shi, Ibaraki	Food inspection
PRIME TECH LTD.	● Tsuchiura-shi, Ibaraki	Development, manufacture, and sale of scientific instruments
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

Stock Information

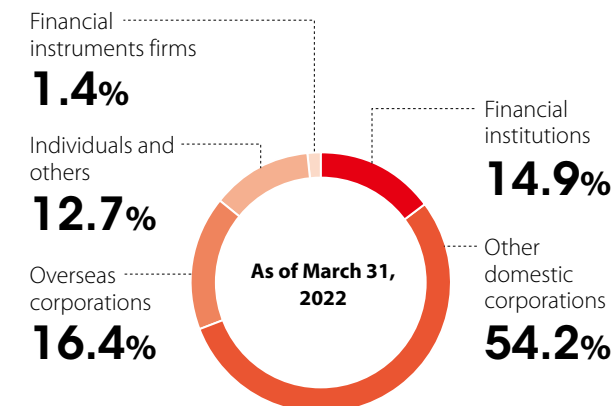
Major shareholders (As of March 31, 2022)

Name	Number of shares held (thousand shares)	Ownership ratio (%)
ITOCHU Corporation	22,950	45.6
The Master Trust Bank of Japan Ltd. (trust account)	3,762	7.5
ITOCHU-SHOKUHIN Co., Ltd.	2,262	4.5
Custody Bank of Japan, Ltd. (Trust Account)	1,289	2.6
BBH FOR UMB BANK, NATIONAL ASSO-PEAR TREE POLARIS VAL SM CAP FD	1,033	2.1
Takegishi Gakuen Educational Corporation	910	1.8
Sanshoku Co., Ltd.	800	1.6
The Norinchukin Bank	713	1.4
BBH FOR FIDELITY PURITAN TR: FIDELITY SR INTRINSIC OPPORTUNITIES FUND	614	1.2
Nippon Life Insurance Company	446	0.9

Shares and shareholders

Number of shares authorized	70,000,000
Total number of shares issued and outstanding (incl. 185,524 shares of treasury stock)	50,524,399
Number of shareholders	17,628

Stock distribution by type of shareholder



Trends in share price and trade volume (TSE)

