

THE STARZEN GROUP  
**INTEGRATED REPORT 2023**





## Management Vision

**Our goal is to become a global company that delivers everyday happiness through our food value chain.**

## Management Philosophy

### **Be a Company with Which Customers Feel Fortunate to Do Business**

We recognize that our mission is to fulfill our social responsibility to all stakeholders.

We strive to increase customer satisfaction through a constant focus on helping customers grow and earning their trust.

### **Become a Company Where Our Employees Are Happy to Work**

We are developing workplace environments and systems to ensure our people can continue working with us for many years with peace of mind.

This is based on our recognition that enhancing the satisfaction of our employees, as our closest stakeholder, is essential for us to grow sustainably and to fulfill our social responsibilities to customers and other stakeholders.

### **Grow through Our Work**

To remain a company deemed essential by society by consistently supplying safe and reliable products, we foster a workplace environment in which all employees enjoyably work to solve problems and personally grow through their jobs.



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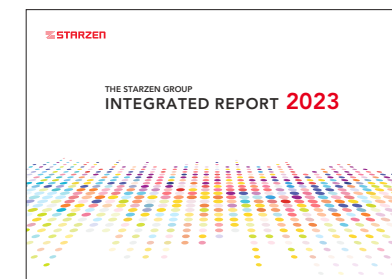
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### About the Cover

Based on our newly formulated Medium-Term Management Plan, the front cover of this report expresses how new challenges and various actions are being taken by our diverse pool of human resources, along with how our value proposition is expanding outward.



### Editorial Policy

Integrated Report 2023 targets all of the Starzen Group's stakeholders, including its shareholders and other investors, with the goal of deepening understanding of the Group and also providing new opportunities for dialogue. This integrated report provides additional details on our value creation process defined in 2022 along with its six forms of capital and business model to more clearly articulate the Group's value proposition and approach toward sustainable growth.

During the editorial process, we referenced the International Integrated Reporting Framework of the IFRS Foundation and the Guidance for Integrated Corporate Disclosure and Company-Investor Dialogues for Collaborative Value Creation of Japan's Ministry of Economy, Trade and Industry.

### Reporting Period

Fiscal year ended March 31, 2023 (April 1, 2022 to March 31, 2023)

Note: Contains some information applicable to other periods.

### Reporting Boundary

Starzen Co., Ltd. and its consolidated subsidiaries

Note: Contains information on some non-consolidated subsidiaries and associates.

### Cautionary Note Regarding Forward-Looking Statements

This integrated report includes forward-looking statements about the future performance of the Starzen Group. These statements are based on assumptions and beliefs that are judged from the information available at the time the report was published and involve risks and uncertainties related to economic trends, intensifying competition, laws and regulations, tax systems, and various other policies. Starzen therefore wishes to caution that actual results may differ materially from its expectations.

### Information Disclosure System

Financial information		Non-financial information	
<b>Integrated Report 2023</b>			
<b>IR Information</b> <a href="https://www.starzen.co.jp/en/ir/">https://www.starzen.co.jp/en/ir/</a>		<b>Sustainability</b> <a href="https://www.starzen.co.jp/en/sustainability/">https://www.starzen.co.jp/en/sustainability/</a>	
<b>Securities Report</b> <a href="https://www.starzen.co.jp/ir/library/securities.html">https://www.starzen.co.jp/ir/library/securities.html</a> (in Japanese only)		<b>Corporate Governance Report</b> <a href="https://www.starzen.co.jp/sustainability/file/governance_hokoku.pdf">https://www.starzen.co.jp/sustainability/file/governance_hokoku.pdf</a>	
<b>Financial Results</b> <a href="https://www.starzen.co.jp/en/ir/library/financial.html#library01">https://www.starzen.co.jp/en/ir/library/financial.html#library01</a>			
<b>Medium-Term Management Plan</b> <a href="https://www.starzen.co.jp/en/ir/management_policy/#management_policy01">https://www.starzen.co.jp/en/ir/management_policy/#management_policy01</a>			
Others			
<b>Company Information</b> <a href="https://www.starzen.co.jp/en/company/">https://www.starzen.co.jp/en/company/</a>		<b>Product Information</b> <a href="https://www.starzen.co.jp/en/product/">https://www.starzen.co.jp/en/product/</a>	
		<b>Domestic and Overseas Network</b> <a href="https://www.starzen.co.jp/en/company/?active-tab=tab-5#company-info05">https://www.starzen.co.jp/en/company/?active-tab=tab-5#company-info05</a>	

# Our History

For nearly seven decades since its foundation in 1948, Starzen has played a significant role in shaping Japan's food culture through our meat-focused business operations.

## Founded as Zenkoku-Chikusan Co., Ltd. Drives Japan's meat industry forward with first-of-a-kind initiatives

The Company was initially involved in buying and selling of work cattle. In 1949, the Company ventured into the meat business, successfully delivering beef carcasses to U.S. forces in Japan and establishing a footprint in meat wholesaling. The Company became a pioneer in Japan's meat industry after becoming the first domestic company to import frozen beef from Australia on a trial basis and to transport pork carcasses over long distances using ice-cooled trucks. The Company began manufacturing and selling ham and sausage in 1962 and listed its shares on the Tokyo Stock Exchange.

With the growth of its workforce resulting from business expansion, the Company focused on strengthening communication internally by launching a company newsletter and holding monthly meetings at each business location.



Company employees pictured with beef carcasses bound for U.S. forces in Japan (1954)



Opens Akune Office (1957)

## Increases processing capacity and expands sales network including overseas

With the Westernization of Japanese diets during the country's rapid economic growth period, the Company expanded its business presence by capturing the needs of the times. The Company concluded a sales agreement to supply McDonald's Japan with domestically produced hamburger beef patties and opened the Chiba Frozen Foods Plant in 1972. The Company also expanded its domestic meat processing plants and sales offices and established its first overseas offices in Australia and the United States.

Ahead of Japan's deregulation of imported beef, the Company established the Meat Safety and Inspection Center in 1989 amid growing calls for greater awareness of meat safety. The Company strove to supply safe products.



Opens Chiba Frozen Foods Plant (1972)



Opens Matsuo Plant (1984)

## Develops quality assurance system and expands imports

The environment surrounding food in Japan underwent significant upheaval amid the deregulation of imported beef and the growing number of dual-income households. The Company expanded its supply infrastructure for imported meats and fortified its presence in the processed foods and prepackaging businesses. In 1999, the Company changed its name to "Starzen" to symbolize its commitment to be a shining star for the world.

The Company built up its quality assurance system by acquiring the Safe Quality Food (SQF) certification and establishing a traceability system, amid rising consumer awareness toward food safety caused by livestock diseases and food-related incidents. Additionally, the Company established its Corporate Ethics Section and strengthened its compliance system.



Opens Kawasaki Packing Center (currently, Kanto Processing Center) (1998)



Announcement of the company's new name (1999)

## Focuses on becoming a manufacturer of meat products Strengthens sustainability management and overseas business

While Japan is experiencing a low birthrate and an aging population as well as labor shortages, internationally food security faces threats from rising populations and conflict. The Company is working to add even greater value to its products and raise management efficiency to transform itself into a respected multinational meat product manufacturer. With corporate social responsibilities increasing, we are working on various measures to achieve sustainable management, which include reducing food loss and streamlining logistics. Moreover, we are working to increase exports and enhance the functions of our overseas sites to facilitate the aggressive expansion of our overseas business, a target cited in our Medium-Term Management Plan.



Ceremony marking the first beef export bound for the EU (2014)



Introduces HAMDAS-RX, an automated deboning machine for pork ham, at STARZEN MEAT PROCESSOR Co., Ltd.'s Aomori Plant Misawa Pork Center (2017)

1948

- 1948 Founded as Zenkoku-Chikusan Co., Ltd.
- 1952 Begins delivering beef carcasses for the U.S. forces in Japan
- 1955 Begins importing frozen beef from Australia to address rising demand for meat
- 1957 Begins long-distance transport of pork carcasses using Japan's first ice-cooled trucks
- 1958 Commences Japan's first transport of pork carcasses using refrigerated trucks
- 1960 Begins producing boneless pork carcasses in preparation for the growing distribution volume of meat in Japan
- 1962 Establishes the Yokohama Factory, commences production of ham and sausage  
Lists its shares on the Second Section of the Tokyo Stock Exchange
- 1970 Changes company name to Zenchiku Co., Ltd.  
Standardizes boneless beef carcasses

1971

- 1971 Begins supplying hamburger beef patties to McDonald's Japan
- 1972 Establishes Chiba Frozen Foods Plant for manufacturing beef patties  
Establishes Zenchiku (Australia) Pty.
- 1977 Lists its shares on the First Section of the Tokyo Stock Exchange
- 1984 Commences operations at the Matsuo Plant specializing in meat processing  
Establishes Akune Zenchiku Co., Ltd. (currently, Akune Plant of STARZEN MEAT PROCESSOR Co., Ltd.) as a meat processing plant in Zenchiku's largest production area
- 1989 Establishes the Meat Safety and Inspection Center to manage product safety and hygiene

1991

- 1996 Begins adoption of HACCP (Hazard Analysis Critical Control Point), an international standard for food quality and safety control
- 1998 Establishes Kawasaki packing center and expands our prepackaging business
- 1999 Company name changed to Starzen Co., Ltd.
- 2000 Forms business and capital alliance with LM Foods Co., Ltd. (currently LOHMEYER CORPORATION), a long-established brand of ham and sausage
- 2003 Begins making improvements to its compliance system in order to fulfill its corporate social responsibilities  
Establishes traceability system
- 2004 Begins sharing information on the production history of domestic cattle  
Begins sharing information on the production history of domestic hogs  
Iwaki Sales Branch becomes the first in Japan's distribution industry to obtain SQF certification
- 2010 Begins exporting Wagyu beef processed at the Akune Plant

2011

- 2012 Turns LOHMEYER CORPORATION into a wholly owned subsidiary
- 2016 Forms capital alliance with Mitsui & Co., Ltd.
- 2017 Becomes the first in Japan to introduce HAMDAS-RX, an automated deboning machine for pork ham, at STARZEN MEAT PROCESSOR Co., Ltd.'s Aomori Plant Misawa Pork Center  
Promotes mechanization and labor savings
- 2017 Forms capital alliance with ADIRECT Singapore Pte. Ltd.
- 2018 Establishes Motomiya Plant in Fukushima Prefecture specializing in the production of baked hamburger steak
- 2021 Forms an operating alliance with Fuji Global Kitchen Inc.  
Establishes Starzen (Shanghai) Co., Ltd. in China
- 2022 Identifies materiality of the Starzen Group to promote sustainability management  
Forms business and capital alliance with Taisho Kaneyama Farm Co., Ltd.

## Trend in Net Sales

Net Sales (Fiscal 2022)  
¥425.1 billion



# At a Glance

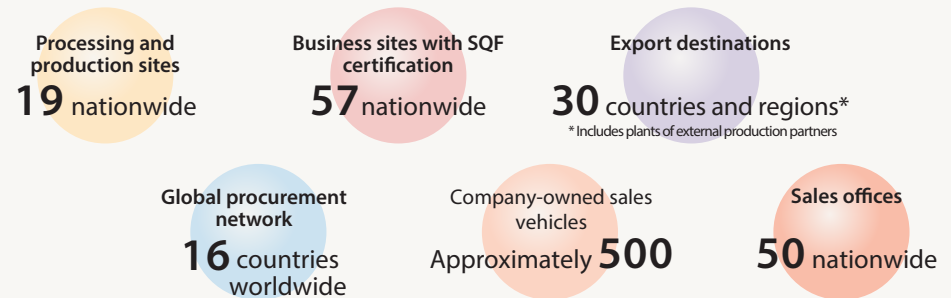
Starzen supplies customers in Japan and overseas with safe and secure products as an integrated food supplier for the meat industry.



## Robust supply chain

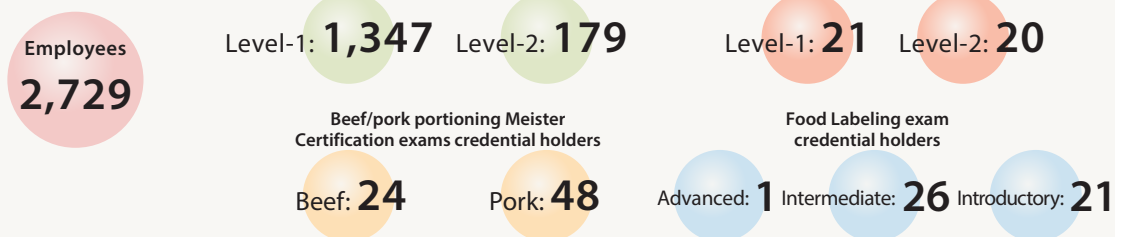
ensuring stable supplies, from upstream to downstream

Starzen has established a global supply system connecting producer to customer through its Groupwide network, thereby enabling stable supplies of safe, high-quality meats and processed foods.



## Group of meat distribution professionals

Starzen has earned a high degree of trust from its many customers worldwide for its unique solutions capabilities and responsiveness as a meat professional.



Note: The above figures are as of March 31, 2023.

## CEO Message



## Transforming our business model to support people's diets and contribute to the creation of a vibrant food culture

### Kazuhiko Yokota

Representative Director,  
President & CEO

### ■ Record-high net sales and profits in fiscal 2022

In fiscal 2022, the operating environment remained challenging as with the previous fiscal year, with the growth of meat consumption starting to level off, and with meat import prices, feed prices, and energy costs continuing to soar. Even under these circumstances, the Group was able to achieve record-high net sales and profits by strengthening collaboration among its business departments. Looking at meat and processed foods, sales increased across all segments, and in terms of bottom line, profits from all main products were up year over year, including domestic beef, which saw a recovery in exports and food service demand.

We believe that one of the major factors behind this strong performance was that the supply and sales departments within the Group, which had previously focused on individual optimization, meaning they were not always on the same page, stepped up collaboration along the same line of total optimization, called "Team Starzen." As a result, we were able to quickly and accurately supply products in response to sales opportunities. In addition, by purchasing imported meat that meets customer demand, we have built many success stories throughout the Group, such as significantly reducing inventory loss.

I believe that this is the result of our efforts to install "infrastructure cross-functionally" and instill "new ways of thinking among employees" as I have continuously communicated within the company since becoming President & CEO in April 2021.

### ■ Review of the first fiscal year under our new medium-term management plan

In order to achieve medium- to long-term growth and continue to contribute to society, we launched a new medium-term management plan, positioning the three years from this fiscal year onward as a "time for transformation." The theme of this plan is to "transform the earnings structure and engage in sustainable business operations."

Currently, various social issues are rapidly emerging around the world, such as climate change, resource depletion, and human rights violations.

## CEO Message

While these represent important management challenges for companies to realize a sustainable society, balancing this with short-term performance is no easy task. To resolve these issues, we must take a closer look at our current business model and earnings structure, and with this in mind, we decided to set out a clear policy for “transformation” in the new medium-term management plan.

Specifically, the three pillars of the medium-term management plan are “tackling the challenge of developing new businesses,” “domestic business transformation,” and “sustainability management and improvement in the management foundation,” and we intend to invest 40 billion yen over the next three years to achieve these pillars. The scale of this investment is extremely ambitious and unprecedented. Although depreciation will increase temporarily as a result of these investments, we have set a target ROIC of 5.5% or higher, and I will lead our executive management team with an emphasis on capital efficiency. Specifically, by calculating ROIC for each business division, we will strive to further enhance corporate value through detailed business portfolio management.

Specific measures, including human resources strategy and strengthening governance, which are indispensable for achieving the three pillars, are as follows.

### (1) Tackling the challenge of developing new businesses

The Group has grown in Japan using a business model that consistently delivers safe and secure meat and processed meat products to customers, with a focus on building an “integrated supply chain” from breeding and fattening/procurement to manufacturing, processing, and sales. Japan, however, is already facing a declining population in major cities outside of Tokyo, and even the population in Tokyo proper is expected to start declining by 2030. As the size of the market is expected to contract over the medium to long term, it will be difficult for us to achieve sustainable growth in the existing domestic market alone. On the other hand, demand for meat overseas is robust due to population growth and economic development in emerging countries. Therefore, we will focus on overseas sales to tap into new markets.

In the future, we will expand our integrated supply chain model used in Japan overseas with the aim of having overseas sales account for 15% of total sales by 2030. Specifically,



in order to expand exports of Wagyu beef, we will strengthen our export system by expanding our approved meat export facilities such as Akune Plant and Sannohe Beef Center, as well as taking concrete actions such as the fattening business of Australian Wagyu beef and investing in overseas beef suppliers. Additionally, in order to bolster our overseas sales capabilities, we will work with local partners to expand our meat sales model overseas.

In Japan, we will implement measures to increase the share of sales from e-commerce sites as well as ready-to-eat and food service industries, which had previously accounted for only a small share of sales, and will achieve positive results.

## CEO Message



### (2) Domestic business transformation

We will also usher in reforms to further solidify the position of our domestic business. Specifically, we will expand the functions of the Group's strengths; namely, "processing centers near production areas" attached to our meat processing plants in production areas and "processing centers near consumption areas" located in major urban centers. We will continue efforts to expand our product lineup in ways that resolve labor shortages facing our customers and to develop products with extended best-before dates to reduce food waste and loss, which is a social issue. Additionally, due to the recent surge in raw materials prices and the diversification of consumer lifestyles, there is growing demand for products that emphasize not only "price" but also "value," and with this in mind, we will step up our efforts for high-value-added products. We will build a

system for product development and improving marketing centered on processed foods and will promote both external branding, which results in a brand that continues to be chosen by customers, and internal branding, which instills our vision within the company, in order to strengthen our earnings base and achieve sustainable growth.

We will also focus on addressing the "2024 problem" that Japan is facing in logistics. We have sales offices nationwide, and we are working to improve efficiency by dividing the roles of "sales locations" that specialize in sales and "distribution centers" that focus on pickup and delivery. At the same time, through modal shifts, improvements in load efficiency, and changes to transportation and delivery management systems, we are developing mainline routes that cover the entire country, as well as consolidating outsourcing partners for offsite refrigerated and freezer storage and expanding logistics bases in major urban centers. Through this improved efficiency in logistics, we will strengthen our competitiveness.

### (3) Sustainability management and improvement in the management foundation

In order to increase operational efficiency, boost productivity, and speed up management decision-making, we have launched a digital transformation (DX) project called "Zeus" to renew aging core IT systems and reform business processes. As for core IT systems, we plan to revamp systems to enable centralized management within the Group to support the total optimization through the aforementioned "Team Starzen." We aim to complete this process by fiscal 2026. In terms of reforms to business processes, we have already achieved results such as improving the efficiency of the receiving operations of imported products through collaboration with outsourcing partners for refrigerated and freezer storage.

In addition, we have a subsidiary specializing in IT within the Group, and it enables us to respond to DX requirements in detail. We plan to integrate this subsidiary into Starzen on April 1, 2024, to further accelerate DX and business process reforms.



## CEO Message

### (4) Human resources strategy

In order to achieve the medium-term management plan, it is essential that we strengthen human capital. We established the Human Resources Committee as an organization to discuss and formulate specific strategies for securing and developing human resources. Through this committee, we will work to upgrade “infrastructure cross-functionally,” ensure the “mobility of human resources internally”, and instill “new ways of thinking among employees.”

With regard to human resources development, we have established a policy of enhancing the training system at each level, increasing learning opportunities, and have introduced an “internal recruitment system” to support the autonomous career development of each employee, providing opportunities for employees to transfer departments at will.

In addition, as part of our workstyle reforms, we have made the head office building a complete shared desk environment, allowing employees to choose where they work. As this creates active communication across the organization, we have started a plan to expand the shared desk system to all of the Group’s business sites.

Looking ahead, we will continue to foster a corporate culture in which each and every one of us can work with enthusiasm and take on all types of challenges, as well as one that supports the continuous growth of our employees.

### (5) Strengthening governance

We believe that strengthening corporate governance is vital for achieving sound growth and sustainable value creation for the entire Group.

We have been striving to ensure diversity of the Board of Directors by increasing the ratio of independent external directors and appointing female directors. In addition, from this fiscal year, we have further expanded the role of external directors and appointed external directors as members of the Nomination and Remuneration Committee, the Compliance Committee, the Sustainability Committee, and the Risk Management Committee, which are advisory bodies to the Board of Directors. In this manner, we are more actively incorporating external perspectives into management decision-making.

### ■ Message to stakeholders

Food is an indispensable part of our lives, and companies in the food industry have benefited from this bounty and continued to see stable business operations. In recent years, however, the rise of global instability and various food-related risks have created significant challenges for management.

Under such circumstances, I believe that it is in the interests of our shareholders to enhance corporate value by growing our business consistently and to pay stable dividends. Going forward, we will continue to maintain our dividend policy and return profits to our shareholders.

Our goal is not only to grow our operations but also to continue to be a company that achieves sustainable growth and that is needed and trusted by our stakeholders. We will contribute to resolving social and environmental issues, which continue to change. At the same time, we will strive to enhance the corporate value of the Group by carefully considering the opinions and expectations learned through dialogue with stakeholders and incorporating them into our management.

I humbly ask for your continued support as we move forward.



# Value Creation Process

**Management Vision**

Our goal is to become a global company that delivers everyday happiness through our food value chain.

**Management Philosophy**

Be a Company with Which Customers Feel Fortunate to Do Business  
Become a Company Where Our Employees Are Happy to Work  
Grow through Our Work

## Sustainability management

P. 26

### Materiality

**E** Environmental sustainability

**S**

- Creating an attractive workplace where employees are happy to work
- Pursuing safe, secure, and healthy food
- Maintaining and improving a stable and sustainable sourcing and supply chain system

**G**

Realizing highly effective corporate governance

### External environment

- Rising environmental awareness
- Declining birthrate and aging population
- Rising concern for health and food safety/ security
- Diversifying food needs and values
- Growing expectations to take actions for sustainability
- Increasing demand for meat worldwide and growing overseas markets
- Advancements in digitalization

### INPUT P. 10

- Financial capital**  
Robust financial base and investments in growth for value creation
- Manufacturing capital**  
Facilities and development capabilities for producing products unique to Starzen
- Intellectual capital**  
Know-how and advanced processing and manufacturing technologies amassed over the years
- Human capital**  
Utilization of human resources supporting value creation
- Social and relationship capital**  
Strong relationships built on trust with domestic and overseas stakeholders
- Natural capital**  
Initiatives for environmental conservation

### Group business

**New Medium-Term Management Plan P. 14**  
Transform the earnings structure and engage in sustainable business operations.

1 Tackle the Challenge of Developing New Businesses

2 Domestic Business Transformation

3 Sustainability Management and Improvement in the Management Foundation (Equates to solutions to material issues)

Expanded investments in human capital (Linked to management strategy)

**Business model P. 11**  
Always deliver safe and secure meats tailored to customer needs using the Group's supply chain.

Breeding and Fattening/Procurement

Meat Processing

Manufacturing

Processing Center

Sales

Nationwide logistics network

Quality assurance system resulting in customer confidence

ICT infrastructure linking the Group

### OUTPUT

**Domestic meat Imported meat**

- Various types of meat processed according to customer needs supplied both domestically and overseas
- Fresh meats made possible by many years of know-how from operating meat processing plants

**Processed foods Ham and sausage**

- Products with extended shelf life that help to reduce food loss and waste
- Simple, delicious products that can be quickly prepared
- Prepackaging products that address retail store labor shortages

**Others**

- Use of exports to create consumption opportunities for Japanese meats
- Highly flexible deliveries using the Group's logistics capabilities

### OUTCOME

**Customers**

Provision of food tailored to consumer needs

**Shareholders and investors**

Stable shareholder returns

**Business partners**

Sustainable supply chain  
Increased business opportunities with new and existing partners

**Local communities**

Development of food culture and local economies both domestically and overseas

**Employees**

Active utilization and growth of diverse human resources

**Environment**

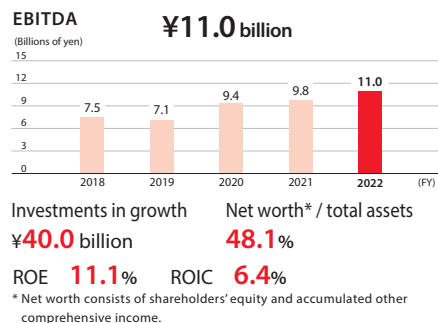
Mitigation of environmental impacts

## Six Forms of Capital

The following six forms of capital represent the source of the Group's value creation. Utilizing these forms of capital enables us to provide high-value-added products that meet the needs of the market and supply them in a stable manner, as well as develop business activities that help resolve various social issues and contribute to the realization of a sustainable society. We aim to create greater value by continuously improving and effectively utilizing these forms of capital.

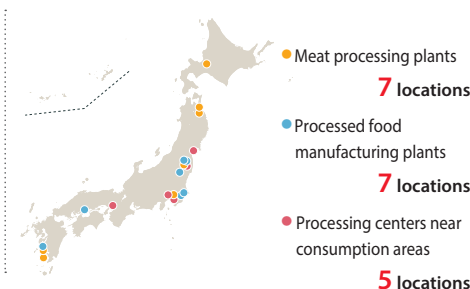
### Financial capital Robust financial base and investments in growth for value creation

In our medium-term management plan that kicks off in fiscal 2023, we have set quantitative targets such as ROE and ROIC, and we will grow profits by making investment decisions that are conscious of capital efficiency and investing in growth to expand our business domains. While maintaining financial soundness by improving asset turnover and engaging in disciplined fundraising, we will strive for the long-term growth of the Group and provide appropriate returns to shareholders.



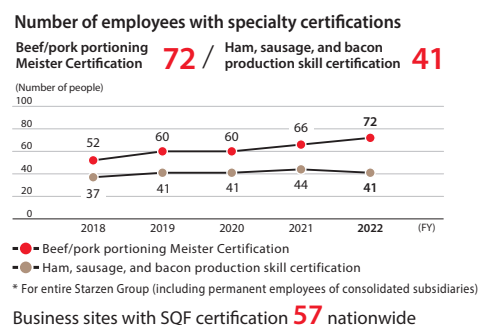
### Manufacturing capital Facilities and development capabilities for producing products unique to Starzen

We have an extensive procurement network in Japan and overseas, as well as meat processing plants attached to livestock processing plants, to ensure fresh, reliable raw materials. Based on customer requests from face-to-face sales, we have built an integrated production system to commercialize these raw materials and products processed from them at various plants and facilities.



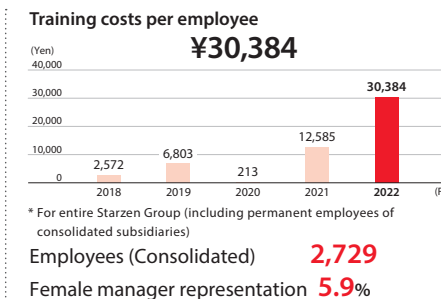
### Intellectual capital Know-how and advanced processing and manufacturing technologies amassed over the years

Of our employees, 113 hold certifications for production of beef and pork cuts as well as for manufacturing ham and sausages. We are utilizing our know-how and technology in processing, manufacturing, sales, and quality control of meat and processed meat products amassed over the years for product development and proposals. This includes promoting the acquisition of SQF certification, an international standard for food safety and quality, complementing our network of certified sites that is already the largest number in Japan.



### Human capital Utilization of human resources supporting value creation

We believe that human resources are our most important asset for implementing our business activities. With this in mind, our Management Philosophy states to "Become a Company Where Our Employees Are Happy to Work." In order to create a system that enables employees to play an active role and grow, we are taking various actions, such as expanding the training system, improving the workplace environment, and enhancing benefits.



### Social and relationship capital Strong relationships built on trust with domestic and overseas stakeholders

The Group attaches great importance to its relationships with customers and other stakeholders. Since our founding, we have emphasized relationships of trust with our business partners and customers in order to deliver safe and secure products to consumers. In recent years, we have been actively working to further strengthen our overseas procurement base and increase overseas sales, and we are building out our overseas network toward this end.



### Natural capital Initiatives for environmental conservation

The Group's business is built on the sustainable production of livestock products, and the conservation of the natural environment is indispensable for this purpose. The Group is working with producers and other stakeholders both domestically and overseas to reduce greenhouse gas emissions throughout the supply chain.

Scope	Unit	Emissions
Scope1*1		26,868
Scope2*1	t-CO <sub>2</sub>	32,261
Scope3*2		5,881,149

\*1 Scope 1 and 2 emissions for the entire Starzen Group  
 \*2 Scope 3 emissions for Starzen Co., Ltd.

## Business Model (Integrated Supply Chain)

# Starzen Group's Robust Supply Chain

In addition to handling a variety of meat from Japan and overseas, we manufacture and sell processed meat products to deliver "happiness" through food and "vibrant diets" to people in Japan and around the world.

The Starzen Group has grown its business footprint from meat wholesaling, transforming its distribution format from livestock to carcasses, portion cuts, and processed meats, while also expanded its functions as a leader in the industry. Today, we have created a system that allows us to resolve customer issues and make proposals that meet the diversifying needs of consumers as "Team Starzen," with the Group handling everything from breeding and fattening procurement, and processing to the manufacture, sales, and quality control of processed products and prepackaging.



### Breeding and Fattening/Procurement

In Japan, we have built a stable procurement base for domestically produced cattle, hogs, and chickens, which we produce at our own Group-affiliated farms, or have established cooperative relationships including business alliances with producers in major production areas. Overseas, we have developed cooperative relationships with local packers in Europe, the United States, Asia, and Latin America in an effort to stably import supplies of high-quality meat.



### Meat Processing

We operate seven fully integrated livestock processing plants nationwide that process beef, pork, and by-products. Each plant has obtained SQF certification, an international food safety management system, and manufactures safe, secure, and high-quality products, supplying them not only in Japan but also exporting them overseas.



### Manufacturing

We use raw materials procured in-house to manufacture processed meat products such as ham, sausage, roast beef, and hamburger steak. In addition to our own brands, we also offer contract manufacturing according to the customer's desired specifications.



### Processing Center

At our processing centers near consumption areas, we manufacture products such as prepackaged products that reduce the in-store workload of customers. We are also strengthening our approach to each sales channel, including retail, e-commerce, and food service, by manufacturing products with extended best-before dates using fresher raw meats at our local processing centers near production areas.



### Sales

We deliver products from approximately 50 sales offices in Japan using company-owned as well as contracted vehicles. By interacting directly with customers, we are able to respond flexibly to sales and make sales proposals that accurately suit their needs. In addition, we are growing our overseas sales, mainly for Wagyu beef.

#### Strengths

- Group-affiliated farms located at major production areas in Japan
- Stable supply of roughage from the grasslands of the Group-affiliated farms
- Allied livestock producers located in major production areas in Japan
- Production base with dairy farmers, including fertilized egg transplanting
- Strong purchasing power based on robust domestic sales capabilities
- Long-standing cooperative relationships with overseas meat packers

#### Initiatives for Sustainable Growth

- Stepping up initiatives with domestic and overseas producers
- Utilizing food residue (eco-friendly feed)
- Complying with animal welfare through industry-academia collaboration
- Initiation of meat production overseas
- Promoting diversification of overseas procurement countries
- Strengthening and expanding procurement base through overseas investment

#### Strengths

- Industry-leading processing technology and highly qualified personnel
- Advanced hygiene standards and quality from SQF-certified plants
- Permitted to export to 25 countries and regions
- Promoting automation and mechanization
- Attentive response to our customers exclusive to our in-house facilities
- Value-added functions such as Hyokan Cold Storage aging and processing centers near production areas

#### Initiatives for Sustainable Growth

- Increasing throughput by investing in plants
- Strengthening plant functions and initiatives to expand exports
- Promoting labor-saving solutions in plants through mechanization
- Expanding the functions of processing centers near production areas
- Installing solar power generation systems and EMS
- Securing engineers and passing on technology

#### Strengths

- Product manufacturing based on technology and know-how amassed over many years
- Advanced hygiene standards and quality from SQF-certified plants
- Attentive response to our customers exclusive to our in-house facilities
- Stable supply of raw materials through robust procurement capabilities

#### Initiatives for Sustainable Growth

- Consolidating manufactured items to increase productivity
- Expanding national brand products and reducing food waste and loss
- Introducing clean energy
- Implementing BCP initiatives such as two-plant systems
- Reducing owned assets by utilizing partner plants
- Securing engineers and passing on technology

#### Strengths

- Know-how and technology for meat cutting
- Advanced hygiene standards and quality from SQF-certified plants
- Stable supply of raw materials through robust procurement capabilities
- Manufacture of a variety of products to meet customer needs (Convenience, prepackaging, products with extended shelf-life, etc.)
- Ability to manufacture 24 hours a day, 365 days a year

#### Initiatives for Sustainable Growth

- Expanding functions of processing centers
- Sharing technology through personnel exchanges between processing centers
- Developing products that meet diversifying consumer needs
- Securing engineers and passing on technology
- Promoting collaboration with companies that own processing centers

#### Strengths

- Flexible delivery system with company-owned vehicles and contracted vehicles from bases nationwide
- Wide variety of product variations
- Know-how in meat sales and the ability to make proposals based on understanding customer needs through direct dialogue
- Relationships of trust with customers based on many years of experience
- Overseas sales through export systems and local subsidiaries

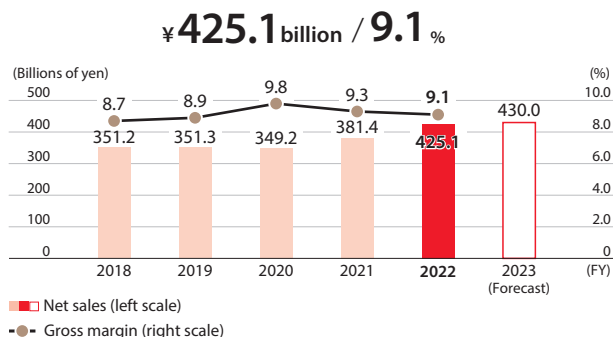
#### Initiatives for Sustainable Growth

- Establishing and integrating sales bases
- Strengthening the logistics system from production to sales
- Expanding sales to growth markets such as e-commerce
- Expanding overseas sales such as Wagyu beef exports and trilateral trade
- Securing sales staff and passing on sales skills

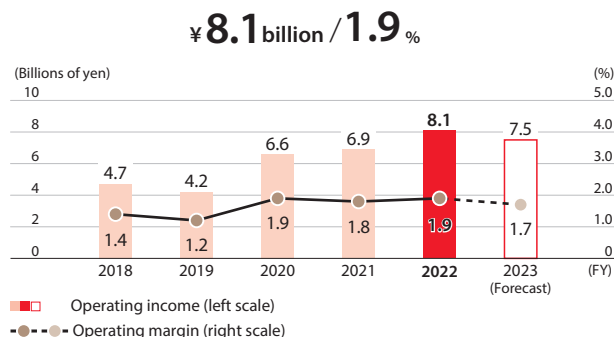


## Financial Highlights

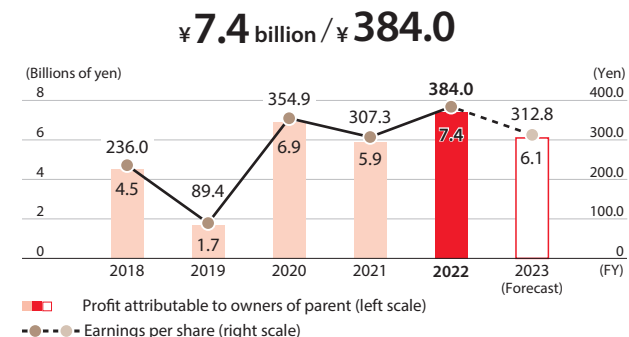
### Net sales / Gross margin



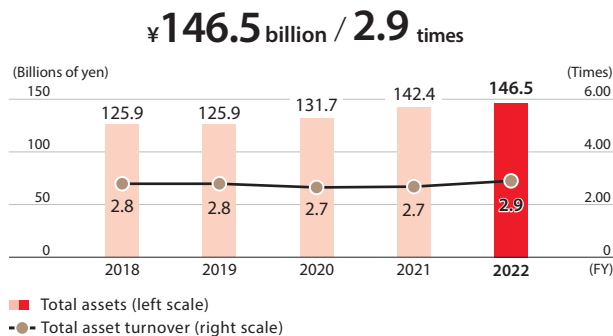
### Operating income / Operating margin



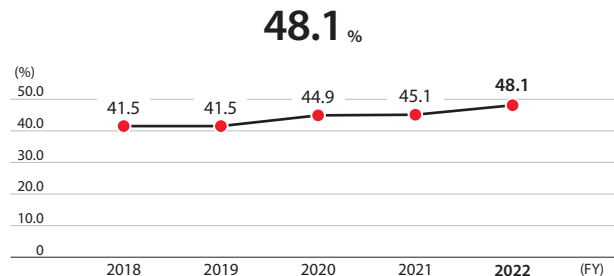
### Profit attributable to owners of parent / Earnings per share



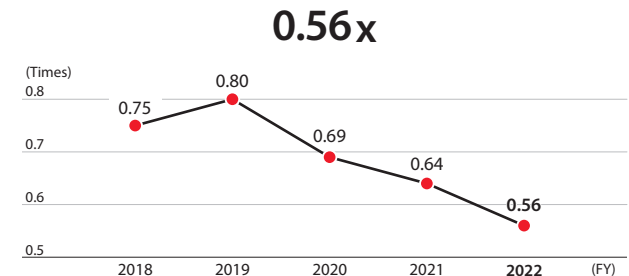
### Total assets / Total asset turnover



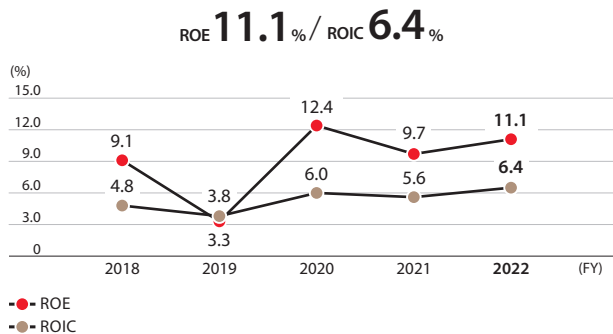
### Net worth / Total assets



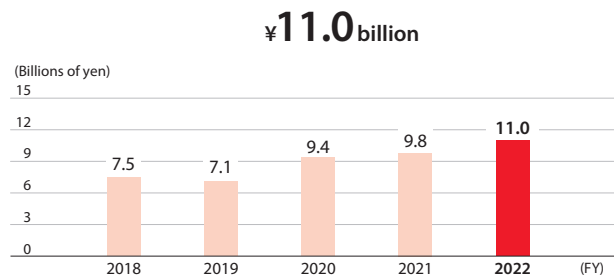
### Debt-to-equity (D/E) ratio



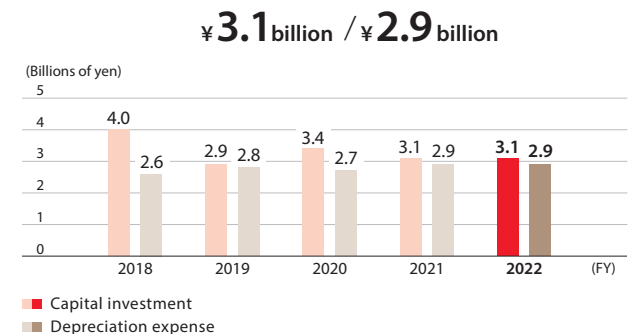
### ROE / ROIC



### EBITDA



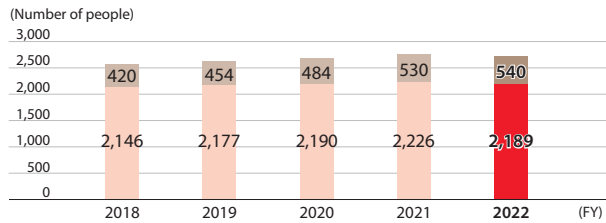
### Capital investment / Depreciation expense



## Non-Financial Highlights

### Employees\*

**2,189 men / 540 women**

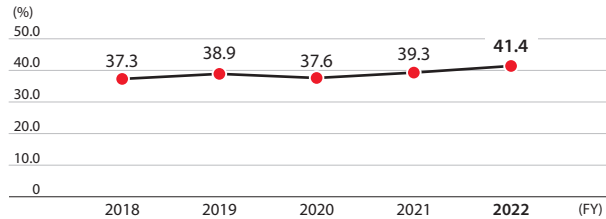


■ Male  
■ Female

\* For entire Starzen Group (including permanent employees of consolidated subsidiaries)

### Ratio of managerial staff hired mid-career\*

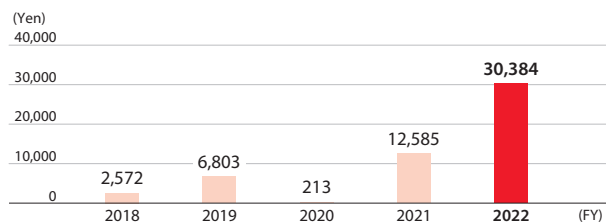
**41.4%**



\* Permanent employees of Starzen Co., Ltd. (including employees seconded to associates)

### Training costs per employee\*

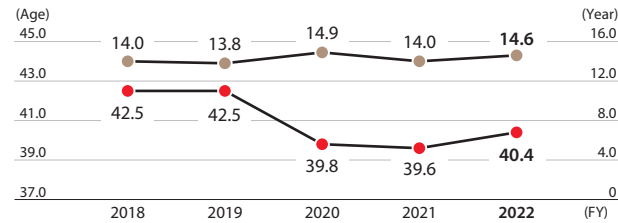
**¥30,384**



\* Permanent employees of Starzen Co., Ltd. (including employees seconded to associates)

### Average age\* / Average years of continuous service\*

**Average age 40.4 years / Average years of continuous service 14.6 years**

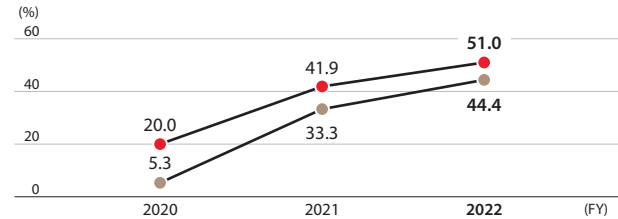


● Average age (left scale)  
● Average years of continuous service (right scale)

\* Permanent employees of Starzen Co., Ltd. (including employees seconded to associates)

### Ratio of childcare leave taken\* / Ratio of childcare leave taken by eligible male employees\*

**Ratio of childcare leave taken 51.0% / Ratio of childcare leave taken by eligible male employees 44.4%**

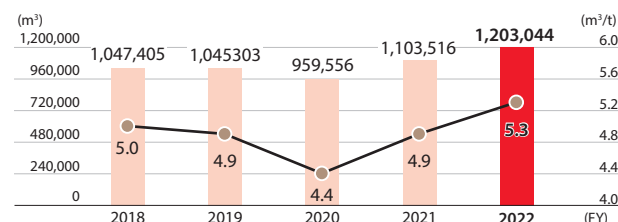


● Ratio of childcare leave taken  
● Ratio of childcare leave taken by eligible male employees\*

\* Permanent employees of Starzen Co., Ltd. (including employees seconded to associates)  
\* Childcare leave taken by male employees includes childcare leave as well as other leave for the purpose of childcare.

### Water usage\* / Intensity\*

**Water usage 1,203,044 m<sup>3</sup> / Intensity 5.3 m<sup>3</sup>/t**

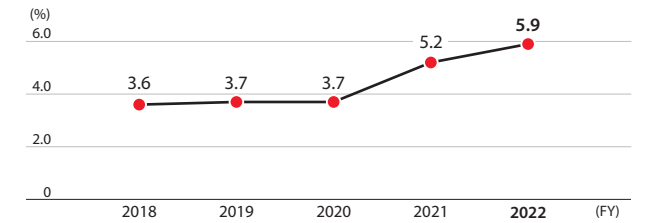


■ Water usage (left scale)  
● Water usage intensity (right scale)

\* Total for meat processing business (seven plants) and food processing business (seven plants)

### Female manager representation\*

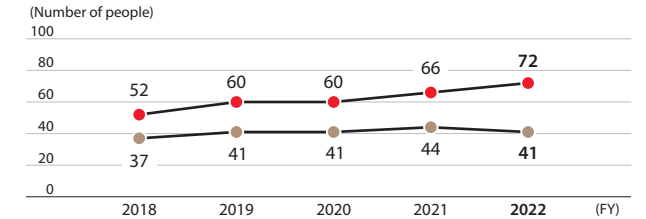
**5.9%**



\* Permanent employees of Starzen Co., Ltd. (including employees seconded to associates)

### Number of employees with specialty certifications\*

**Beef/pork portioning Meister Certification 72 / Ham, sausage, and bacon production skill certification 41**

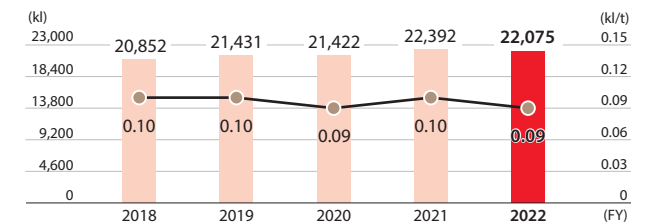


● Beef/pork portioning Meister Certification  
● Ham, sausage, and bacon production skill certification

\* For entire Starzen Group (including permanent employees of consolidated subsidiaries)

### Energy usage\* / Intensity\*

**Energy usage 22,075 kl / Intensity 0.09 kl/t**



■ Energy usage (left scale)  
● Energy usage intensity (right scale)

\* Total for meat processing business (seven plants) and food processing business (seven plants)

## Looking Back on the Previous Medium-Term Management Plan

### Numerical Targets and Results

The numerical targets for the final year of the previous Medium-Term Management Plan (MTP) are net sales of ¥380 billion, ordinary income of ¥6 billion, and EBITDA of ¥9.5 billion. Each of these targets were actually achieved in the plan's second year, and in the final fiscal year of the plan, each of these indicators was above the plan, breaking record highs. Meanwhile, regarding the other quantitative target of ¥35 billion in investments over the three years, we fell short of this target because of our more prudent approach to investing given rising uncertainty in the business environment caused by COVID-19. Furthermore, targets for net worth/total assets as well as ROE and D/E ratio were achieved as indicated in the table below.

(Billions of yen)

	Fiscal 2020 (MTP's 1st year)	Fiscal 2021 (MTP's 2nd year)	Fiscal 2022 (MTP's 3rd year)	Third-year target of MTP
Net sales	349.2	381.4	425.1	380.0
Ordinary income	8.6	9.1	10.2	6.0
EBITDA	9.4	9.8	11.0	9.5
Net worth/total assets	44.9%	45.1%	48.1%	40.0% or higher
ROE	12.4%	9.7%	11.1%	7.0% or higher
DER	0.7x	0.6x	0.6x	1.0x or less

### Results and Challenges of Basic Strategy

As a result of implementing the strategies in the previous medium-term management plan, we achieved certain positive outcomes, as shown in the table below, but we also became aware of new challenges. These challenges have been incorporated into the new medium-term management plan from April 2023 and are being addressed.

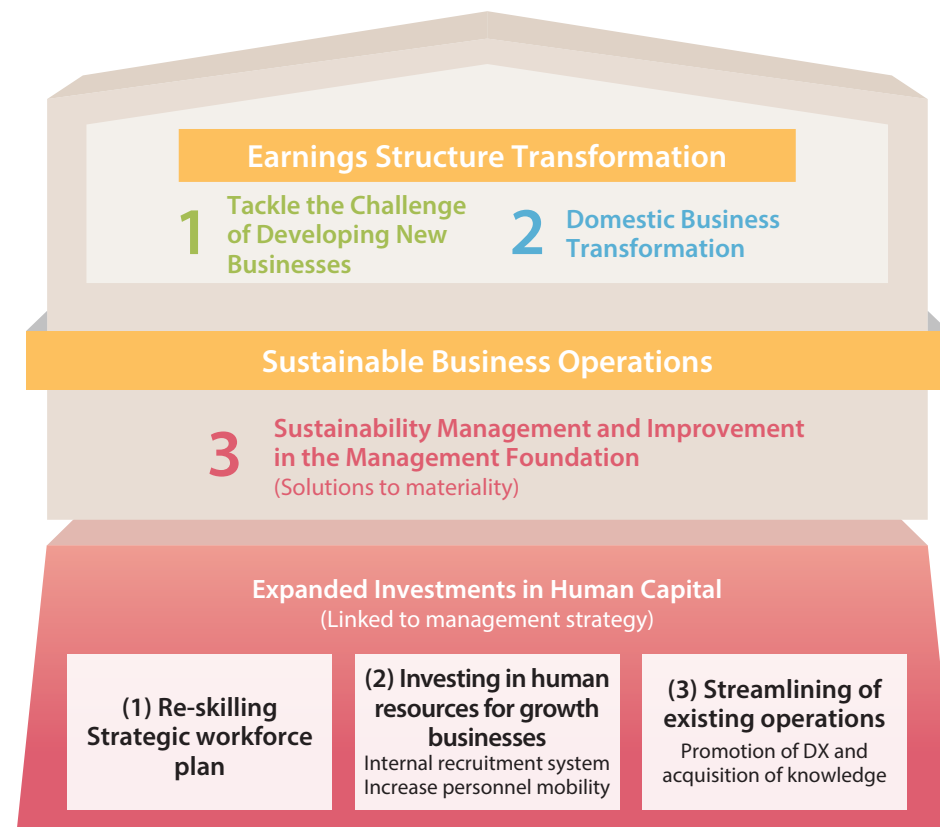
	Basic strategy	Outcomes	Issues
Strengthen earnings foundation	Strengthen and maintain foundation of core business	<ul style="list-style-type: none"> <li>Enhanced sales capabilities by strengthening the functions of the Sales Division</li> <li>Expanded meat processing plants and promoted mechanization</li> </ul>	<ul style="list-style-type: none"> <li>Restructuring of logistics network</li> </ul>
	Strengthen foundation as a manufacturer of meat products	<ul style="list-style-type: none"> <li>Newly established processing centers and promoted business alliances</li> <li>Extended the shelf life of products</li> </ul>	<ul style="list-style-type: none"> <li>Product development unique to Starzen</li> </ul>
	Grow into a global company and explore opportunities in meat substitutes	<ul style="list-style-type: none"> <li>Expanded business at overseas offices</li> <li>Manufactured and marketed Zero Meat brand</li> </ul>	<ul style="list-style-type: none"> <li>Enhancement of overseas human resources</li> <li>Further initiatives in meat substitutes</li> </ul>
Build a foundation for sustained growth	Build a foundation supporting the above	<ul style="list-style-type: none"> <li>Initiated the Zeus Project</li> <li>Started improving logistics bases</li> <li>Formulated Fundamental Policy on Sustainability</li> <li>Enhanced human resource regime and training system</li> </ul>	<ul style="list-style-type: none"> <li>Further improvement of business efficiency</li> <li>Response to global warming</li> <li>Securing and development of human resources</li> </ul>

## New Medium-Term Management Plan

### Overview

In our new medium-term management plan, we have adopted a backcasting approach to formulate actions and plan figures based on factors such as the market size envisioned 10 years from now and the future vision for the Starzen Group.

The theme of the medium-term management plan is to “transform the earnings structure and engage in sustainable business operations,” and the three-year period from fiscal 2023 is positioned as the foundational period for our long-term development and sustainable contributions to society. We will further strengthen our supply chain, transform our domestic business, and build a new earnings base by expanding our overseas business and sales to growing domestic markets. At the same time, we will work to resolve social issues through food, aiming to realize a sustainable society and enhance corporate value.



## New Medium-Term Management Plan

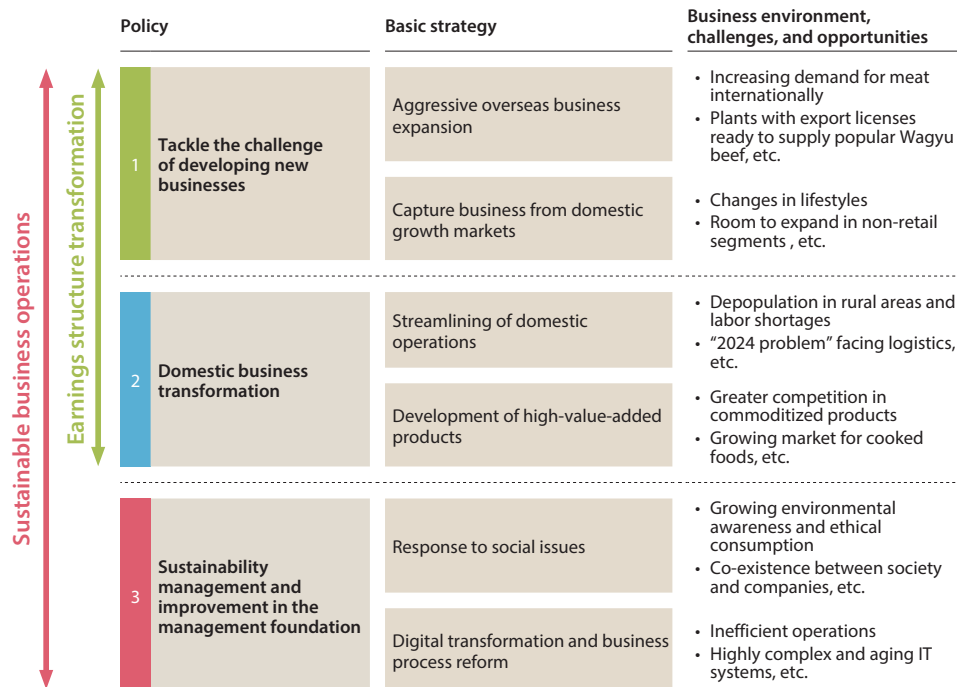
### Policy and Basic Strategy

Based on the issues from the previous medium-term management plan, the new medium-term management plan features three policies: “tackle the challenge of developing new businesses,” “domestic business transformation,” and “sustainability management and improvement in the management foundation.”

In terms of “tackling the challenge of developing new businesses,” we will aggressively develop sales in overseas markets where further growth is expected in the future and strengthen our approach to growth markets in Japan.

In the area of “domestic business transformation,” we will boost the efficiency of our domestic business by restructuring our group network for a new era of logistics. In addition, we will promote initiatives for high-value-added products by consolidating functions such as product development and branding and strengthening marketing functions.

As for “sustainability management and improvement in the management foundation,” we aim to evolve into a corporate entity that achieves long-term growth by strengthening our management foundation through digital transformation and addressing various social issues.



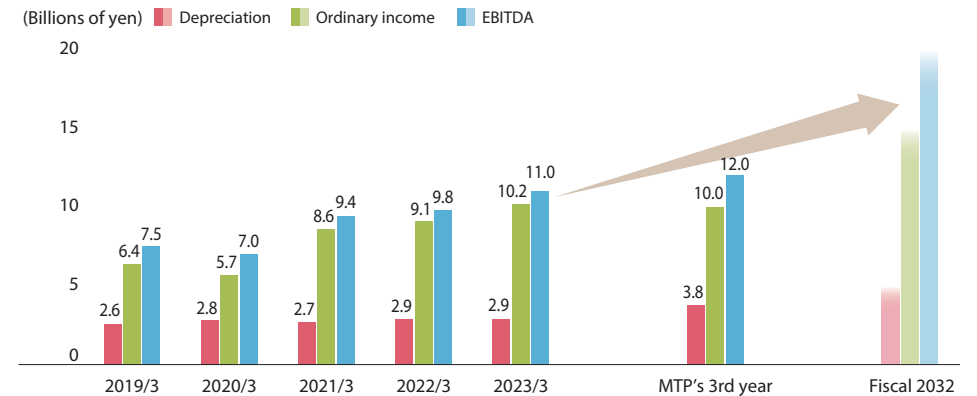
### Financial Targets

In the new medium-term management plan, quantitative targets include net sales of ¥440 billion, EBITDA of ¥12 billion, and ROIC of 5.5% or more by fiscal 2025, with an emphasis on “strengthening earnings power” in order to enhance long-term corporate value and contribute to the realization of a sustainable society.

To achieve these quantitative targets, we plan to invest a total of ¥40 billion yen over three years. We will make these investments while carefully examining whether they will contribute to the sustainable growth of the Group through verification of individual investment returns and ROIC.

On the financial side, we will raise funds in an optimal and disciplined manner in light of the financial environment and social situation, and will maintain a sound foundation with a net worth ratio of 40.0% or more and a D/E ratio of 1.0x or less.

### Indicative EBITDA / Ordinary Income



Other quantitative targets	
Net sales	¥440 billion
Net worth/total assets	40% or higher
ROIC	5.5% or higher
ROE	8% or higher
D/E ratio	1.0x or less

### Invest a total of ¥40 billion over three years

<b>1</b>	Aggressive overseas business expansion	¥12 billion
<b>2</b>	Streamlining of domestic operations	¥11 billion
	Development of high-value-added products	¥6 billion
<b>3</b>	Digital transformation and business process reform	¥5 billion
	Maintenance and upgrades	¥6 billion



## New Medium-Term Management Plan: 1. Tackle the Challenge of Developing New Businesses

### Background to Tackling the Challenge of Developing New Businesses

The theme of the Group's medium-term management plan is to "transform the earnings structure and engage in sustainable business operations." In Japan, the market is expected to contract due to the declining birthrate and aging population, while overseas, demand for meat is on the rise due to population growth and economic development in emerging countries. Therefore, overseas we have decided to grow sales, while in Japan, we have decided to make a full-fledged effort to increase sales to the food service industry, which has room for further growth, as a new business.

### Starzen's Strengths and Issues in Tackling the Challenge of Developing New Businesses

#### Strengths Integrated Supply Chain

Starzen is a group of meat distribution professionals with an integrated supply chain that spans from breeding and fattening to domestic and overseas procurement, processing and manufacturing, and sales. The Group's strengths include the ability to export Wagyu beef and other Japanese meats to 30 countries and regions\* through multiple plants with export certification licenses, as well as the ability to manufacture products that meet customer needs along with products with extended shelf-life using thorough hygiene controls and proprietary technologies at our processing centers. Our greatest strength, lies in our ability to supply a variety of domestic and overseas meats to customers in various business categories, while managing inventory, by making full use of our collective strengths in logistics, processing, manufacturing, and sales.

\*Includes plants of external production partners



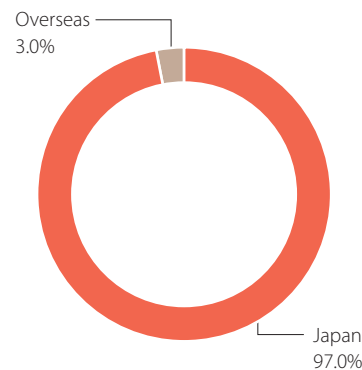
See page 11 for details about our supply chain. P. 11

#### Issues Increasing the Proportion of Overseas Sales and Food Service Sales in Japan

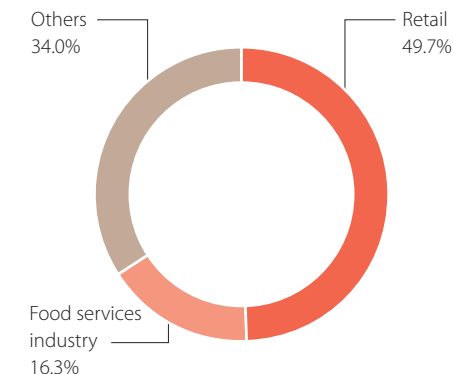
One of the Group's challenges in terms of sales is to increase overseas sales and strengthen its personnel structure to achieve this. Currently, more than 95% of the Group's sales are in Japan, raising concerns that the Group's sales will decline in the future due to the shrinking domestic market caused by the country's declining birthrate and aging population. Currently, we are working to expand exports mainly of Wagyu beef, and in the future, we will bolster local sales by selling meat produced overseas in overseas markets. To grow our overseas business, we will increase the number of local personnel and strengthen our corporate divisions, including finance and accounting and credit management.

Additionally, in the domestic market, there are many business categories and companies that are growing despite the difficult environment, and we believe that there is ample room for us to increase sales. The Group will bolster sales to food service companies that are particularly focused on overseas expansion and expand its operations both domestically and internationally.

Overseas sales ratio



Customer composition



## New Medium-Term Management Plan: 1. Tackle the Challenge of Developing New Businesses



### (1) Overseas Business Expansion

Demand for meat overseas is expected to continue to grow, especially in emerging countries. As part of our medium- to long-term targets for 2030, the Group intends to achieve an overseas sales ratio of 15%. In the upstream area, we have already expanded facilities at plants with export certification licenses, bolstered our Wagyu beef export system, and started a fattening business in Australia in cooperation with local producers.

In the downstream area, we are working to grow overseas sales by adding the role of sales office to overseas subsidiaries that have been mainly used as procurement sites.

## Initiatives to Strengthen the Supply Chain

### Upstream Initiatives

To respond to the growing exports of Wagyu beef, the Group is taking proactive steps in production areas in Japan. First, we completed expansion work at the Akune Meat Distribution Center and the Akune Plant in Kagoshima Prefecture, representing the flagship Wagyu exporting bases for the Group. This has increased the maximum throughput by more than 10% and significantly extended the shelf life of beef portions from 55 days to 85 days by improving the facility to maintain a cooler inside temperature. Also, we have introduced a vacuum-seal packaging line, where we cut and slice beef and place it in vacuum-packs using a special film. Overseas, loin and fillet cuts are popular as steaks, while demand for shoulder and thigh cuts used in thin slices such as shabu-shabu and sukiyaki remains somewhat low compared to loins due to the complexity of cutting and slicing. For this reason, the Group is working to increase exports of shoulder and thigh cuts by packaging them in small portions after cutting and slicing at the Akune Plant so that they can be easily made into products. In addition, in the spring of 2022, we launched Akune Gold, an exclusive brand for export, and were crowned the overall winner at the 2022 World Steak Challenge. Furthermore, the Sannohe Beef Center, located in Aomori Prefecture, has obtained a license for the export of Wagyu beef to

Taiwan, which is our main export destination. As a result, together with the Akune Plant, we have built a two-plant system in the north and south of Japan to expand Wagyu beef exports. As part of our efforts to bolster our Wagyu beef collection base, we will actively support and invest in large-scale producers.

Meanwhile, in Australia, we are targeting the Chinese and ASEAN markets, where demand for beef is growing, and we are developing a fattening business for Australian Wagyu beef in cooperation with local producers. Our original brand, Eight Blossom Beef, won the Silver Prize in two categories of the Wagyu Branded Beef Competition (in Australia) in recognition of its high quality. Furthermore, we launched a new brand called Imperial Blossom Beef and started distribution.

Through these domestic and overseas initiatives, we aim to strengthen our production and procurement base for beef sold overseas and expand our overseas business.



Vacuum-seal packaging line at the Akune Plant



Departure ceremony at Sannohe Beef Center for exports bound for Taiwan



Recognized as the World's Best Steak in World Steak Challenge



Received the Silver Prize at the Wagyu Branded Beef Competition



Feedlot of Australian Wagyu cattle

## New Medium-Term Management Plan: 1. Tackle the Challenge of Developing New Businesses

### Downstream Initiatives

We will apply the Group's strengths in meat processing, distribution, and sales cultivated in Japan to overseas sales and accelerate our efforts to tap into emerging demand in overseas markets. Until now, our overseas subsidiaries have mainly played the role of procurement base centered on exports to Japan, but we have also added sales office functions to their role. Specifically, in Singapore, Thailand, and the United States, we are working with local partners to develop our sales model of cutting meat and proposing it to customers, and we are making solid progress mainly with Japanese retailers and food service companies.

Furthermore, in China, which is the world's largest consumer of meat, we have started collaborating with local companies through our wholly owned subsidiary, Starzen (Shanghai) Co., Ltd., eyeing the eventual lifting of China's ban on Wagyu beef imports in the future. We are building a system that will ensure that we can offer the same wide variety of meats as we do in Japan and

deliver them in a timely manner to meet the needs of various customers.

In addition, we are promoting initiatives to foster greater understanding of our company among customers in the meat business overseas and to increase the number of Starzen fans. In April 2023, we held a tour inviting customers from overseas retailers and restaurants to Japan to visit our plants, partner producers, and customers' supermarkets and restaurants. By providing an understanding of the Group's functions, value chain, product quality, and safety, we were able to build greater relationships of trust and gain positive feedback, laying the groundwork for increasing sales in the future.



### New Human Resources Strategy for Overseas Expansion

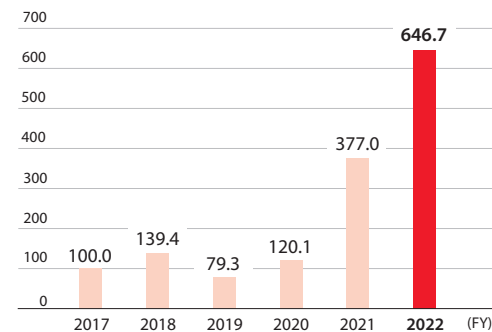
Until now, the Group's overseas subsidiaries have mainly focused on the development of suppliers and procurement for exporting products to Japan. In order to achieve our medium- to long-term target for 2030 of having overseas sales account for 15% of total sales, we must not only increase the number of local sales personnel but also secure human resources with the skills to manage them, as well as human resources with expertise in finance and accounting, customs clearance, and compliance with the laws and regulations of each country. Toward this end, we are promoting the following three human resources strategies.

#### Increasing Sales Personnel

Currently, our sales overseas are focused on exporting parts of Wagyu beef that are in demand. To further grow sales in the future, we need to expand sales of Japanese domestic meat other than Wagyu beef and meat sourced outside of Japan such as Australian Wagyu beef, in addition to sales of non-loin cuts of Wagyu beef. First, as for Wagyu beef sales, we are reassigning domestic sales employees with deep knowledge of meat to play an active role in our overseas business divisions. We will effectively convey the value of Wagyu beef, propose delicious ways to cut and eat it, and build a sales system that can gain the support of customers to grow sales.

On the other hand, to sell meat produced in other countries in its local markets, local human resources will be required who are familiar with the economic situation, food culture, and customs of the region. For this reason, we are increasing the number of employees hired locally, and at the same time, we are actively considering partnerships with local companies.

Trend in Sales of Our Overseas Subsidiaries



Note: Change in sales when fiscal 2017 is 100

#### Bolstering Administrative Divisions to Strengthen Governance

With the expansion of Wagyu beef exports, sales at our overseas subsidiaries have grown rapidly in recent years, and the number of employees at them has also increased. As a result, however, compared to the time when mainly focused on procurement for the Japanese market, our operations overseas have become more diverse and complex to include inventory, credit, and financing for sales, as well as personnel and labor management. In order for us to further grow our overseas sales in the future, it is essential that we raise the skill levels of local managers and employees. Furthermore in these administrative tasks, it is vital that we support departments with expertise in finance and accounting, human resources and labor, customs clearance, and the laws and regulations of each country. We established the Overseas Administrative Department in the Overseas Division and the Overseas Administrative Section in the General Accounting Department, Finance and Group Controller Division to strengthen support for the business and finance/ accounting aspects of our overseas subsidiaries. In addition, we are adding a system to support labor management and human resource allocation to administrative departments such as the Human Resources Department.

## New Medium-Term Management Plan: 1. Tackle the Challenge of Developing New Businesses

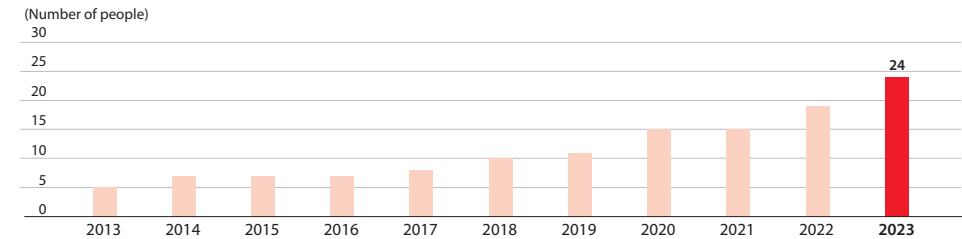
### Investing in Human Resources Development Overseas

To sustainably increase overseas sales, it is important to systematically develop in-house human resources who can play an active role overseas, in addition to reassigning current employees and recruiting talent from outside. That is why we are striving to provide our employees with as much experience as possible. Specifically, when hiring new graduates, we actively recruit students who show a desire to work overseas, and after they join the company, we have them study languages and gain work experience, and then rotate them to overseas subsidiaries at an early stage. By providing opportunities to take on leadership roles overseas, we help our employees gain practical experience.

Furthermore, by enhancing training, we support the acquisition of skills and knowledge that will enable them to play an active role in our overseas operations. We offer a wide range of growth opportunities necessary to play an active role overseas, such as next-generation management training and field training where employees are given long-term assignments at overseas meat

packers. We will continue to actively invest in the development of overseas talent to enhance our competitiveness in the global marketplace.

#### Number of Employees at Our Overseas Subsidiaries



## (2) Strengthening Approaches to Growth Markets Domestically

Even in Japan, where the birthrate is declining and the population is aging, there are many growing business categories and companies. For Starzen, sales to the food service industry remain at a low percentage of our domestic net sales, and we believe there is ample room to increase this figure. Therefore, we have positioned the food service industry as a domestic growth market and will work to strengthen our approaches toward it.

Specifically, we will promote strategies to grow market share, mainly with major food service chains. Additionally, we will provide products to food service chain customers that are expanding overseas, leveraging the Group's procurement capabilities, with the aim of growing net sales both in Japan and overseas.

### Increasing the Food Industry's Share of Net Sales in Japan and Overseas

In response to chronic labor shortages, there is a growing need in the food service industry for products that simplify the cooking process and allow even inexperienced staff to cook. To address these needs, we will strengthen our product proposals with a higher degree of processing, focusing on our specialty product groups such as roast beef, hamburg steak, and sliced and portioned meats, and will work to increase the share of net sales accounted for by the food industry, both domestically and overseas, as we increase meat ingredients.

Many major food service chains are expanding overseas with the aim of creating new growth markets, but when the number of stores is small during the entry phase, it is not easy for companies to find local suppliers who can deliver in small lots or sliced meats in small batches.

For Japanese food service chains that have overseas operations, the Group will strengthen its procurement capabilities and support for processing and logistics functions and sales in collaboration with local partner companies such as ADiRECT Singapore Pte. Ltd., a meat processing and sales company with which we maintain a capital and business alliance with, as well as Unibright FOODS, INC. in Los Angeles.



ADiRECT Singapore



Unibright FOODS



## New Medium-Term Management Plan: 2. Domestic Business Transformation



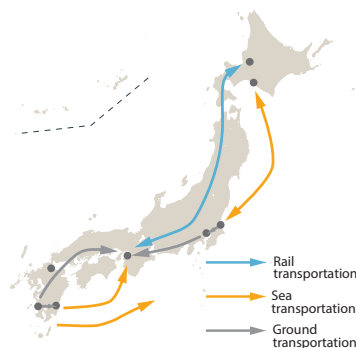
### (1) Streamlining Logistics Operations (Response to the "2024 Problem" of Logistics)

With the cooperation of many transportation companies, the Group has built a nationwide network of mainline routes (from our plants and production areas to sales offices) and last-one-mile delivery to customers, through which we deliver products to customers on a daily basis. However, in the face of the recent increase in the volume of goods being transported, various cost increases, and the imminent "2024 problem" of logistics in Japan, further operational improvements and efficiency are required. We are working to resolve logistics issues for a new era by making changes to transportation methods, fundamentally reviewing routes, and developing related infrastructure, such as developing east and west logistics bases, and unifying material standards.

#### Development of Mainline Routes

##### ▶ Modal Shift

The "2024 problem" of logistics raises concerns that goods cannot be transported as before due to the tightening of the upper limit on overtime work for truck drivers. As a countermeasure, the Group is piloting a modal shift to convert mainline routes from truck to ferry and rail transportation, with some having become regular services. In the case of rail transportation, there is data indicating that CO<sub>2</sub> emissions can be reduced up to about one-twelfth compared to truck transportation, and this is expected to have a significant effect as an environmental measure.



##### ▶ Improving Transportation and Delivery Mechanisms

Previously, there have been many issues posed by mainline services due to ambiguity in the rules for arranging logistics services within the Group and delays in systematization. In order to solve these issues, the Group, led by the Logistics Division, is working to improve the rules for arranging delivery services and to systematize work linked to the Zeus Project. We will also promote system connectivity with partner transportation companies and develop a system that can help address the coming "2024 problem."

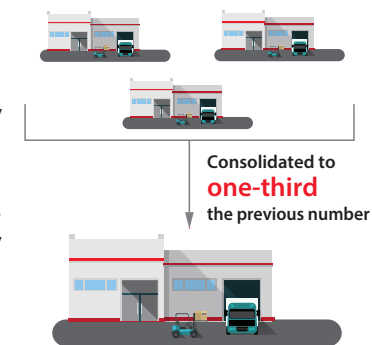
##### ▶ Standardization of Pallet Transportation and Cardboard Standards

Many of the product boxes in the meat industry are stacked inefficiently due to their differing sizes. As a result, loading and unloading is done mostly manually. Therefore, in order to improve the loading efficiency of products and on-site work efficiency, the Group has begun standardizing the cardboard boxes it uses and is also considering switching to on-pallet transportation, which is commonly used for daily necessities and beverages. By promoting these initiatives, we will further raise the efficiency of mainline logistics.

#### Development of Logistics Sites

##### ▶ Consolidation of Outsourcing Partners Used for Refrigerated and Freezer Storage

In the past, the Group used to store imported meats in more than 60 outsourced refrigerated and freezer storage facilities in the Tokyo metropolitan area, and when shipping, it took a lot of time and effort to go around and collect these products at many facilities. In order to improve the efficiency of these operations, we have consolidated the number of outsourcing partners that we use for refrigerated and freezer storage facilities to one-third. As a result, we have been able to reduce the number of monthly pickups by about 40%, improving the efficiency of pickup work, which used to account for a large part of transportation and delivery, and contributing to the reduction of CO<sub>2</sub> emissions.



##### ▶ Turning Sales Offices into Distribution Centers

Currently, we have begun reviewing the operations of the Group's approximately 50 sales offices in Japan. As the population continues to concentrate in certain areas and decline in others, we will divide our sales offices into offices that focus on sales and those that specialize in delivery as distribution centers, considering the characteristics of each area and the customers' plans. By doing this, we will streamline our distribution sites and our asset size. In addition, we are considering area-specific strategies such as promoting alliances with local partner companies without maintaining our own sites.

##### ▶ Strengthening East-West Logistics Sites

The "2024 problem" of logistics suggests that there will be many instances where long-distance mainline services that have been operated until now will no longer be viable. To respond to these changes, logistics sites other than in meat-producing areas that have been concentrated in Tokyo will need to be relocated to other areas, and relay logistics will need to be rolled out in various areas. We are now working to enhance our regional sites, including the east and west logistics sites, by significantly renovating Starzen Logistics Co., Ltd's Tokyo Logistics Center, which currently serves as our base of logistics operations in Tokyo, and by securing bases in collaboration with major refrigerated and freezer storage companies in the Kansai region.

## New Medium-Term Management Plan: 2. Domestic Business Transformation

### (2) Initiatives for High-Value-Added Products

In recent years, costs have continued to rise, symbolized by soaring raw materials prices and increased utility costs, and many companies in the food industry have been passing on cost increases to product prices. In addition, the COVID-19 pandemic has led to major changes in consumer lifestyles, increasing demand for products that are not only priced effectively but also offer value. In response to this situation, we are shifting our strategy from “price” to “value” and developing high-value-added products that are unique to Starzen to set us apart from competitors.

## Starzen's Strengths

### ▶ Hygiene Control

We are promoting the acquisition of Safe Quality Food (SQF) certification, an international standard that ensures food safety and quality, throughout the Group. Currently, 57 of the Group's business sites have obtained this certification, the largest number in Japan's food industry. Our seven meat processing plants nationwide are located at the same site as livestock processing plants. This means that we can slaughter and process meats in the same building without contacting the outside air, enabling us to produce meat with fewer initial bacteria numbers. These meats are also exported to countries and regions with strict hygiene standards, such as the EU, the United States, and Hong Kong. In addition, our plants that manufacture processed meat products make high-quality products in accordance with the SQF system. We are also able to deliver reliable products to customers by thoroughly controlling product temperatures at our sales offices. Furthermore, the Group has established Japan's first integrated SQF management system connecting production (farms) to distribution (sales offices) all under the umbrella of SQF.



Processing line at one of our SQF-certified plants

### ▶ Product Development

Using fresh meat produced at its meat processing plants in Japan and imported meats procured in-house, the Product Development Department at the head office and product development staff at each processed food manufacturing plant engage in product development while also utilizing the equipment and functions of partners. Specializing in meat ingredients, we concentrate our resources on product development unique to Starzen and maintain a high sales share in product categories such as roast beef and hamburger steak. With regard to products in specific fields for convenience stores and food service companies, we promote product development with the cooperation of partner companies such as Fuji Global Kitchen Inc., which manufactures in-flight meals and has strong product development capabilities. In this manner, by focusing on product development unique to Starzen, we will increase the ratio of high-value-added products such as processed foods and improve our profit margin.



Products being manufactured at Fuji Global Kitchen Inc.

### ▶ Functionality

The Group's strengths can be found in fully integrated livestock processing plants, processed food manufacturing plants, and processing centers that process and prepackage raw materials. In addition, we procure meat ingredients and develop products in-house both domestically and overseas, and have built a system that can respond to market needs. In particular, we operate two types of processing centers: processing centers near production areas and processing centers near consumption areas. At the former, we process and manufacture products that make the most of the characteristics of our rigorous hygiene controls and fresh raw materials. At the latter, we manufacture easy-to-use, time-saving products that improve customer productivity by replacing in-store work for customers who are suffering from labor shortages and that offer greater consumer convenience. In this way, we are able to accommodate the needs of our customers by processing and manufacturing based on the characteristics of each processing center.



Roast beef salad being made at a processing center near consumption areas

## New Medium-Term Management Plan: 2. Domestic Business Transformation

### Shelf-Life Extension

We harness our strengths in terms of functionality, including hygiene standards and product development capabilities, to create products that match market needs. One example is products with an extended shelf life. More than five million tons of food is thrown out annually in Japan. As a result, food waste and loss is now a social issue facing the country. Usually, meat and processed meat products are discounted in stores when their expiration date approaches, and if they remain unsold, they are thrown out. The Group has identified “reducing food loss and waste” as a material issue and is working to develop products with an extended shelf life. The benefits of extending expiration dates include expanding the sales area by making it possible to deliver products over long distances and increasing the profits of customers by reducing discounts and disposal at stores.

Our strength lies in our production of meat with fewer initial bacteria numbers at our SQF-certified meat processing plants attached to livestock processing plants. We use these meat and processed products at our processing centers near production areas and consumption areas to develop products with extended shelf life.

#### ▶ Gas Exchange Packaging

Gas exchange food packaging is a technology that removes the air inside the packaging material and replaces it with other gases such as carbon dioxide or nitrogen, which impede food degradation. In December 2022, we established the Gas Exchange Packaging Technology Review Committee to step up our efforts to extend shelf life and reduce food loss and waste through gas exchange packaging.



Gas exchange packaging line

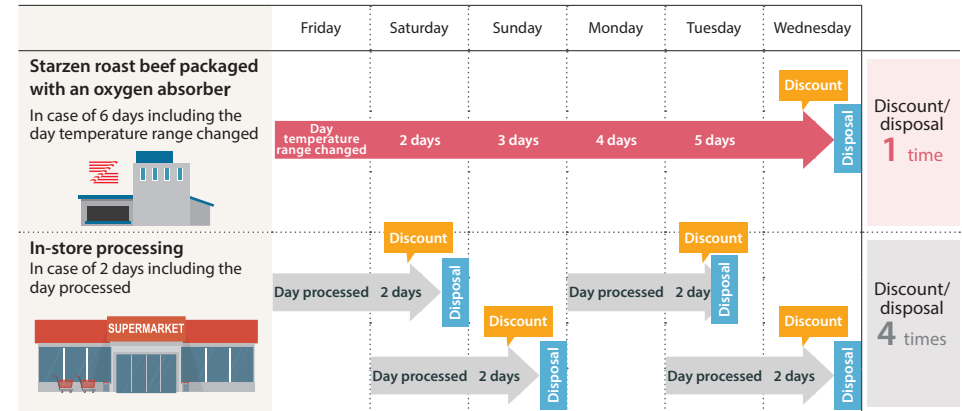
#### ▶ Vacuum-Seal Packaging

Vacuum-seal packaging using a special film that is highly elastic and fully covers the food maintains freshness and extends shelf life by slowing oxidation and reducing drippings (moisture occurring from products during storage). In order to grow sales, we introduced a vacuum-seal production line at the Akune Plant in July 2022 and developed a vacuum-seal packaged Wagyu beef sirloin that can be refrigerated for up to 40 days.



Wagyu beef sirloin steak in vacuum-seal packaging

### Benefits of Using Oxygen Absorbers in Roast Beef Packaging



#### ▶ Packaging with Oxygen Absorber

Packaging food with an oxygen absorber prevents quality degradation and discoloration due to oxidation by creating a deoxygenated state inside the packaging. The Group manufactures roast beef and roast pork products that have a longer shelf life than conventional packaging by using patented packaging material for specified heated meat products.



Roast beef packaged with an oxygen absorber

#### ▶ Industry-Academia Collaboration

The Group conducts joint research with universities and other research institutions. At the annual meeting of the Japanese Society of Food Microbiology for 2022, we presented the results of our research on the effects of gas exchange packaging on organ meats, which we conducted in collaboration with Professor Yukio Morita of Azabu University. These efforts were recognized at a meeting for excellence in research. Through such industry-academia collaboration, we are developing cutting-edge products and aiming to become a manufacturer of meat products with advanced technological capabilities.



Presentation of research results

## New Medium-Term Management Plan: 2. Domestic Business Transformation

### Expanding Products that Address Labor Shortages and Products that Offer Greater Convenience

The second type of product that matches market needs is our products that offer greater convenience. The Group is also actively developing products in response to changes in the social environment.

Among our customers in the retail industry, there has been a growing need for products that can replace or reduce store backyard work due to chronic labor shortages, which has become a social issue facing Japan in recent years. On the other hand, an increasing number of customers are operating their own processing centers to improve efficiency. There has been an increase in customer requests for raw materials that meet their specification in order to reduce time and workload at these processing centers.

Moreover, the number of dual-income households, single-person households, and elderly households in Japan is increasing, giving rise to growing demand for products that can reduce cooking time and the hassle of shopping. The Group will continue to focus on developing products and services in response to these changes in the social environment.

#### Products that Address Labor Shortages in the Retail Industry

##### ▶ Sliced Meats

Our processing centers near consumption areas close to customer stores supply prepackaged sliced meats that can be displayed directly on store shelves. Many retailers are facing a shortage of personnel to process meat in the backyards of their stores, and as a solution to this, more retailers are purchasing the Group's prepackaged sliced meats.



##### ▶ Meal Kits

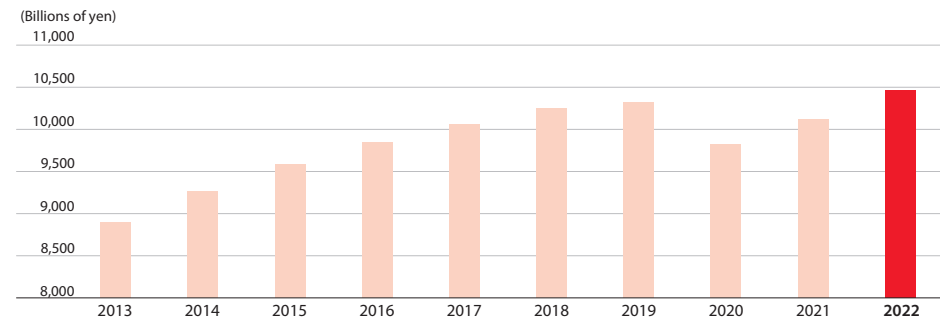
We supply meal kits that come with meat, vegetables, and sauce, and can be rearranged, placed on plastic trays, and then displayed in-store. As with sliced meats, our meal kits have been well received in response to the needs of retail industry customers who want to reduce the workload of store employees.



##### ▶ Supplying Meats that Facilitate Work at Customer Processing Centers

More and more customers are operating their own processing centers in order to resolve labor shortages. Each of these processing centers has its own raw material sizes and standards, and we supply products to these customers that meet their individual standards and specifications. This service capitalizes on the functions of our meat processing plants, which is one of our strengths, and we reduce the workload of processing work at customers' processing centers.

#### Trend in the Size of the Ready-Made Meal Market



Source: 2016–2023 white paper on ready-made meals by the Japan Ready-Made Meal Association

#### Products Providing Greater Convenience for Consumers

##### ▶ Seasoned Products

Seasoned products that can be easily prepared in a frying pan by adding your favorite vegetables are quite popular. Taking advantage of our strength in procurement, we offer a popular lineup that includes beef ribs, beef skirt steak, and pork belly, each seasoned with the perfect sauce, offering a great taste and enjoyable cooking experience.



##### ▶ Frozen Stock Meats

The COVID-19 pandemic caused an increase in demand for frozen meats that can be stored at home for a long period of time, and the sales floor for these products is expanding in supermarkets and other retail stores. We also have a lineup that takes advantage of our strengths as a meat company, such as domestic pork temple and beef hanging tender, and we have commercialized frozen sliced meats that allow consumers to use only their desired portion at a time.





## New Medium-Term Management Plan: 2. Domestic Business Transformation

### Additional Initiatives

In an increasingly competitive marketplace, strengthening corporate competitiveness and increasing earnings has become an urgent issue. The Group aims to achieve sustainable growth by establishing systems for offering more high-value-added products, strengthening branding, and expanding national brand (NB) products.

#### ▶ Structural Improvements

Developing high-value-added products is an important area for strengthening our competitiveness and growing earnings. In order to unlock greater growth going forward, we will need to collaborate and cooperate in various fields such as product development, marketing, and sales promotion. In the past, it was difficult for the Group to implement efficient initiatives as a whole because these functions were dispersed among plants and business divisions. In response, in April 2023, we established a system to consolidate these functions at the head office. This has facilitated collaboration and cooperation between divisions and promoted greater information-sharing. Office consolidation generated many benefits, such as the optimization of redundant functions, equipment, and personnel, along with the more effective use of management resources. Above all, we were able to build a foundation for a system that allows us to operate from the perspective of total optimization.

#### Benefits Following Function Consolidation

1. Facilitates collaboration and cooperation between divisions
2. Promotes more active information-sharing
3. Optimizes management resources and ensures their effective utilization
4. Results in operations from the perspective of total optimization

#### ▶ Branding

Due to the COVID-19 pandemic and deteriorating global situations, the operating environment surrounding Starzen remains extremely uncertain. In addition, new challenges are emerging in the domestic market, such as consumers' growing desire to save money and the diversification of people's lifestyles.

In April 2023, as part of our efforts to become a company that is chosen by both society and customers and one that continues to grow amid the changing environment, we formed a team of members from various departments within the Group to staff two projects related to external branding and internal branding.

In external branding, we aim to strengthen our earnings foundation and focus on building a brand that continues to be chosen from the consumer's point of view. Specifically, we will focus on product branding for processed foods and will restructure and redesign sustainable and value-added brands.

On the other hand, internal branding aims to instill our corporate philosophy and vision throughout the Group in order to achieve sustainable development and growth. To this end, we have clarified common values and standards of conduct throughout the Group and are working to raise awareness among each and every employee to contribute to the company's growth.

#### ▶ Expanding National Brand Products

While making structural improvements and implementing these two branding projects, we will also focus on expanding our product lineup, including ham and sausage, roast beef, and hamburger steak, which we sell as national brand (NB) products. NB products are particularly important because we plan, develop, manufacture, and sell them ourselves. We are now working to robustly promote our brand power and high level of quality.

Additionally, increasing the manufacturing ratio of NB products is an effective way to stabilize operations of manufacturing plants, reduce manufacturing costs, and improve production efficiency. With NB positioned as part of our sustainable growth strategy, we aim to increase our presence in the marketplace and continue to provide valuable products to our customers through the promotion of these initiatives.



Plump and Juicy Hamburg Steak



Cheese-in Hamburg Steak



## New Medium-Term Management Plan: 3. Sustainability Management and Improvement in the Management Foundation



### Digital Transformation and Business Process Reform

Since April 2019, the Group has been implementing the Zeus Project, which aims to revamp aging core IT systems and improve various operations. By renewing core IT systems and promoting the development of master data, we aim to improve frontline operations and speed up the creation of data for business analysis and managerial accounting, which used to require large amounts of time.

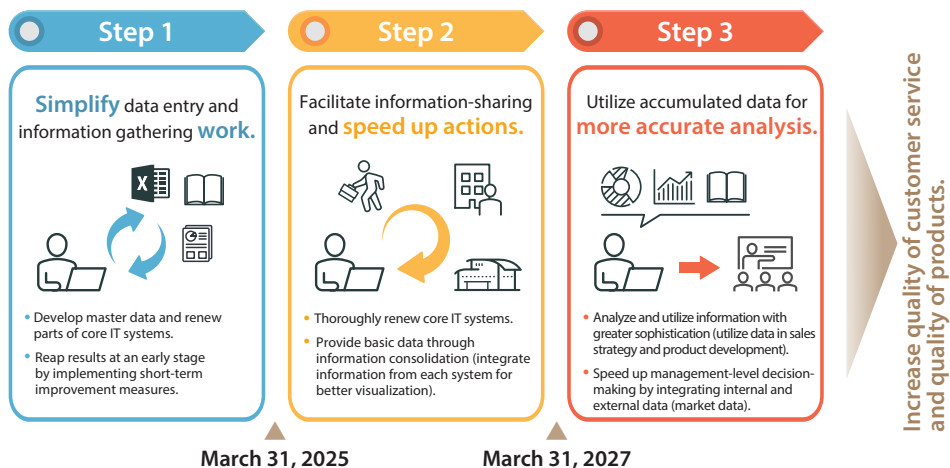
#### Renew Core IT Systems by Fiscal 2026

As highlighted in the Ministry of Economy, Trade and Industry's *DX Report* (released in 2018) under the "2025 Digital Cliff," current core IT systems in Japan, including the Group's, used for many years, are now aging, bloated, and overly complex, becoming a management issue for companies looking toward DX. To address these issues, we launched the Zeus Project in April 2019 and began taking steps for the renewal of our core IT systems and subsequent DX.

With regard to core IT system renewal, we have selected hardware and systems and defined various requirements, and we are now proceeding with the design and introduction phase to ensure that these systems are compatible with the latest technology. At the same time, we have also begun organizing master data such as that for products and business partners, which is currently scattered across multiple areas.

In parallel with core IT system renewal and master data revamping, we are developing and introducing the systems necessary for data analysis in each area. By March 2027, we will complete Step 2 in the figure below and will then refine our efforts in Step 3 so that we can perform more accurate analysis.

#### Promoting Core IT System Renewal with an Aim Toward Business Process Reform

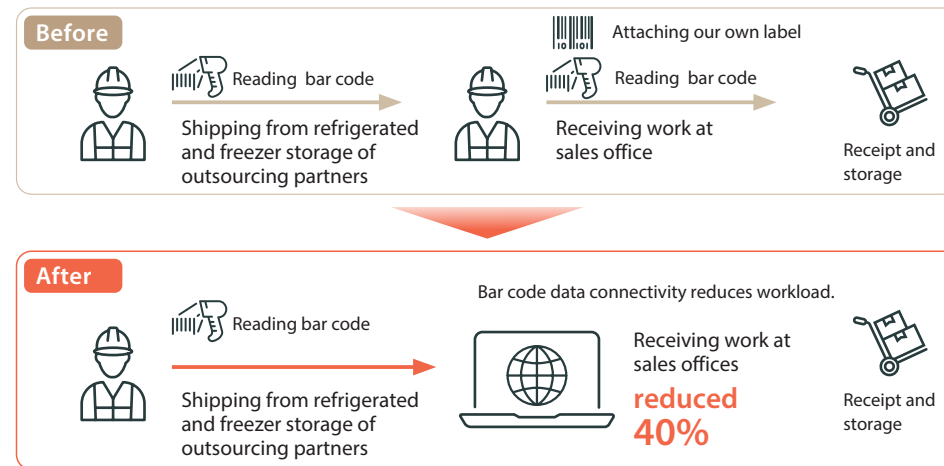


#### Start of Business Process Reform

We are also moving ahead with reforms to our business processes as necessary, beginning with the parts that can be addressed immediately. First, we have developed a system for the distribution of imported products to improve work efficiency.

For example, imported products are transported from refrigerated and freezer storage of outsourcing partners to our sales offices and then delivered to customers from there. As a result of system changes to ensure consistency in the information on product barcode labels, which was previously inconsistent, redundant work processes at each site have been eliminated, leading to significant improvements in operational efficiency. In terms of system and operational improvements related to logistics, we are also making progress in system improvements, such as linking orders from business sites and logistics arrangements. We believe that these efforts will lead to even greater results in the future.

#### Improvements in the Workflow for Receiving and Delivering Operations



## Sustainability (Materiality and Identification Process)

### Fundamental Policy on Sustainability

Since its founding, the Starzen Group has had as its mission to provide people with essential food and thereby aims to continue contributing to society. We will endeavor to continually improve our corporate value and realize a sustainable society by working to resolve various environmental, social, and economic issues through food while meeting the expectations of our stakeholders.

### Materiality

	Theme	Materiality	Relevant SDGs	Policy
E Environment	Theme 1 Environmental sustainability	Climate change		The Company will work to suppress and reduce CO <sub>2</sub> and other GHG emissions in all areas of its business, including livestock breeding and fattening, meat processing, production, and product distribution. We will also review methods of raising livestock and pursue ways to conserve water resources and reduce GHGs produced by livestock.
		Reducing food loss and waste		Reaffirming that our business exists thanks to the blessings that come from the precious lives of livestock, we will utilize new technologies to extend the shelf life and best-before dates. In addition, we will promote pig farming using eco-friendly feed, work on effective use of food resources, and reduce food loss throughout the supply chain.
S Society	Theme 2 Creating an attractive workplace where employees are happy to work	Labor practices		One of the tenets of our Management Philosophy is to make Starzen a company that our employees are happy to work for. Putting the health and safety of our employees first, we will prepare a comfortable and attractive working environment where employees can work for a long time with peace of mind. We will also foster a corporate culture in which everyone respects each other's thoughts and opinions and will work to create a workplace where each individual is enthusiastic about their job and can be proactive and autonomous in their work.
		Occupational health and safety		
		Employee satisfaction		
	Theme 3 Pursuing safe, secure, and healthy food	Quality and safety		Since the Company's founding, we have wanted to always deliver safe, secure, healthy, and delicious food to our customers. Based on this desire, we will continue striving to become a company that brings happiness to our customers through food as an integrated food supplier.
		Health and nutrition		
Theme 4 Maintaining and improving stable and sustainable sourcing and supply chain systems	Strengthening the supply chain		To achieve sustainable sourcing and supply, the Company will pursue the procurement of raw materials while considering social issues such as the global environment and animal welfare. In addition, we will work to train and cultivate raw material suppliers who will work with us to tackle the climate change issues and accompanying challenges facing the livestock industry. We will also work to diversify our suppliers and build long-term, stable relationships with them to prepare for the risk of supply chain interruptions caused by natural disasters and other events.	
	Promoting animal welfare		Reaffirming that our business exists thanks to the precious lives of livestock, we will pursue the "Five Freedoms" prescribed for animal welfare while taking the lead in improving the livestock farming environment together with veterinarians and universities and other research institutes, so that livestock can live their lives in safety and comfort. As the first step, we will gradually promote free-access-stall pig farms and work to improve the breeding environment so that sows have a safe and healthy gestation period.	
G Governance	Theme 5 Achieving highly effective corporate governance	Enhancing corporate governance		To achieve sustainable growth and improve corporate value in the medium to long term, we will sincerely engage with all stakeholders, including our shareholders, and build a robust organization befitting of a company that is listed on the Prime Market and that is capable of swift, bold, transparent, and fair decision-making.

### Identification Process

#### Step 1 Identification of social issues

We identified social issues related to our business operations referring to international standards and guidelines such as the GRI Standards, ISO 26000, the 10 principles of the United Nations Global Compact, and the Sustainable Development Goals (SDGs). In addition, we categorized these issues according to the perspectives of the environment, society, and management.

#### Step 2 Materiality assessment and prioritization

We assessed and prioritized the identified social issues based on the two axes of "importance to stakeholders" and "importance to our business."

#### Step 3 Discussions involving stakeholders

The heads of each of the relevant business divisions held discussions on each of the issues raised, and we also asked the opinions of an expert (Professor Eiji Hosoda\*, an outside member of the Company's Sustainability Committee and a professor at Tokai University\*) and consultants who specialize in ESG management.

\*Job titles are those held at the time of the identification of materiality.

#### Step 4 Officer interviews

Taking into account how these social issues will affect the Company's medium- to long-term management strategy, we conducted interviews with officers on issues that should be addressed as a priority.

#### Step 5 Finalization of materiality

Material issues to be addressed were approved by the Company's Board of Directors following a meeting of the Sustainability Committee held in February 2022.

## Initiatives for the Environment

The Group's business is built on the sustainable production of livestock products, and the conservation of the natural environment is indispensable for this purpose. The entire Starzen Group engages in initiatives for the environment from various perspectives.

### Conserving Energy and Transitioning to Renewable Energy

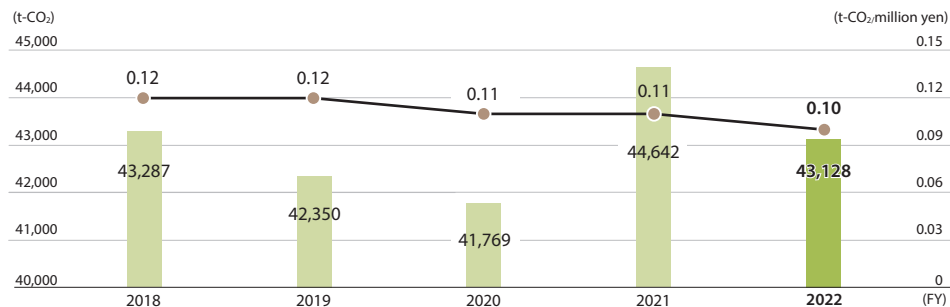
Most of the Group's greenhouse gases are emitted at its plants, each of which is actively introducing high-efficiency equipment when making capital investments. In order to promote the introduction of renewable energy, we are adopting solar power generation systems and switching to green electricity.

With regard to greenhouse gases emitted by the Logistics Division, in anticipation of the "2024 problem" of logistics facing Japan, we have promoted various reduction measures such as modal shifts and have begun to explore the purchase of EV trucks.

Additionally, we are taking urgent measures to reduce greenhouse gas emissions from livestock (such as cow belching) at affiliated farms domestically and overseas, which includes examining feed solutions for cattle to reduce methane gas emissions.

### GHG Reduction Committee

In order to address the challenges of climate change, we announced our support for the TCFD recommendations in December 2021 and set a target of reducing our greenhouse gas (GHG) emissions by 46% by the end of the fiscal 2030 compared to fiscal 2020. We established the GHG



■ GHG emissions (left scale) ● GHG emissions per unit of sales (right scale)

Note: Total for meat processing business (seven plants) and food processing business (seven plants)

Reduction Committee, which is comprised of the plant managers, which is working to create energy-saving initiatives.

First, we have gradually introduced an energy management system that can visualize the status of energy consumption in real time to gain a thorough understanding of the current situation and use this data in creating countermeasures.

### Initiatives for Food Loss and Waste

As a group of food companies, we are also working to resolve the important social issue of food loss and waste, and as our main countermeasure, we are promoting the development of products with extended shelf life. At the Group's meat processing plants, we are able to greatly extend the best-before date compared to conventional sliced meat packaging by placing meat with fewer initial bacteria numbers into vacuum-seal packaging or gas exchange packaging under advanced hygiene controls.

Furthermore, we are also introducing and supporting the use of eco-friendly feed among farmers. This feed is made from food leftovers or residue generated from food factories and the food service industry. Specifically, we are working to build a circular model in which hogs are fed eco-friendly feed made from food residues generated from supermarkets and restaurants, with the pork sold again in stores.

### Adoption of Eco-Friendly Packaging Materials

We are actively working to change our packaging materials in order to reduce our environmental impact. In the past, we used plastic as the primary packaging material for many products, but in consideration of environmental impact, we switched to eco-pillow packaging for sausages. Moreover, many of our products are provided in plastic food tray packaging, but we are gradually transitioning to recyclable eco-friendly plastic trays. From the development stage of new products, we consider packaging based on the premise of using eco-friendly plastic trays and aim to adopt these trays in more products.

Additionally, in order to convey our environmental efforts to our customers, we will expand our proprietary "Ecostar" logo denoting our environmentally friendly products based on our own standards.



## Initiatives for the Environment

### Endorsement of the TCFD Recommendations

The Starzen Group officially endorsed the recommendations of the Task Force on Climate-related Financial Disclosures (TCFD) in December 2021. Climate change is directly linked to the growing environment of healthy livestock and is closely related to the Group's business. Going forward, we will accurately identify the impacts of our climate change countermeasures on the Group through efforts to address our materiality and proactively disclose information based on the TCFD recommendations.



### Starzen's Response to the TCFD Recommendations

In February 2022, the Starzen Group identified issues of materiality that it must address over the medium to long term in order to realize a sustainable society. Among these, social and environmental issues caused by climate change are urgent issues, and in order to promote initiatives that address these issues, the new medium-term management plan includes an investment plan for the adoption of renewable energy and energy-saving equipment.

To disclose information based on the TCFD recommendations, we identified risks and opportunities for the Group by conducting scenario analysis and estimating the impacts on our business, domestic and overseas livestock industries, and consumers.

We organized these risks and opportunities into four categories: governance, strategy, risk management, and metrics and targets, with information disclosed based on actual figures for fiscal 2022.

Going forward, we will continue to work to raise the level of our scenario analysis and implement countermeasures.

### Progress of Each TCFD Item and Future Response Policy

<b>Governance</b>	In order to promote sustainability management, the Group has established the Sustainability Committee as an advisory body to the Board of Directors. The committee meets quarterly to deliberate on the formulation of policies related to sustainability promotion and the progress of materiality, reporting and making recommendations to the Board of Directors. Based on the committee's reports and recommendations, the Board of Directors is able to fully understand the status of the Group's efforts to promote sustainability and utilizes the information in the formulation of various strategies.
<b>Strategy</b>	The Group has formulated a scenario detailing the impacts on its business if the global average temperature rises by 1.5/2°C or 4°C by 2100 compared to pre-industrial levels. Based on the scenario, we will estimate the financial impacts of risks and opportunities that will significantly affect the Group's business and reflect the findings in our future strategies.
<b>Risk management</b>	In accordance with the Risk Management Regulations, the Risk Management Committee, which meets quarterly, deliberates and discusses Group-wide risks, including sustainability, and reports and makes recommendations to the Board of Directors. In our risk management, we have formulated a matrix based on the frequency of occurrence and the scale of damage, and we have established a system for fixed-point observation of material risks by the committee.
<b>Metrics and targets</b>	The Starzen Group has established a target to reduce its GHG emissions by 46% by fiscal 2030 compared to the base year of fiscal 2020. Trends in the Group's GHG emissions are posted on our corporate website. Going forward, we will continue to work to reduce our GHG emissions toward carbon neutrality. See page 27 for detail about GHG emissions  P.27

## Initiatives for the Environment

### Overview of Scenario Analysis

After aggregating information on business risks and opportunities, as well as identifying the risks and opportunities of climate change that the company faces, we narrowed down the key points to those with a particularly high degree of impact.

Based on the published climate change scenarios, we objectively predicted the future and quantitatively analyzed the impact on our business in each scenario (1.5°C and 4°C) while assuming various risks and opportunities.

### Identification of Risks and Opportunities

The results of identifying and assessing the importance of climate change risks and opportunities that may affect the Group's business are as follows.

Type	Risk/opportunity items		Impacts on business		Importance
	Category	Item	Risks/opportunities	Impacts due to risks/opportunities	
Transition risk/ possible opportunities	Policy/ regulations	Rising carbon prices	Risks	<ul style="list-style-type: none"> <li>Increased carbon tax burden or rising purchasing costs in response to increased carbon tax burden of suppliers</li> </ul>	Large
		Regulations on feed, water, and land	Risks	<ul style="list-style-type: none"> <li>Rising purchasing costs for beef and pork due to suppliers passing on regulatory compliance costs to product prices</li> </ul>	Medium
		Regulations to control livestock excrement	Risks	<ul style="list-style-type: none"> <li>Increasing costs for investigations and countermeasures</li> </ul>	Small
		Stricter regulations on plastics	Risks	<ul style="list-style-type: none"> <li>Increasing manufacturing costs due to the implementation of laws on plastics recycling (higher costs to purchase and recycle containers and packaging materials)</li> </ul>	Small
	Markets	Changes in consumer tastes	Risks	<ul style="list-style-type: none"> <li>Declining demand for products with large environmental impacts</li> </ul>	Large
			Opportunities	<ul style="list-style-type: none"> <li>Growing demand for development of products with low environmental impacts and for alternative sources of protein</li> </ul>	
		Rising fuel and electricity prices	Risks	<ul style="list-style-type: none"> <li>Increasing transportation and storage costs due to rising fuel prices, etc.</li> </ul>	Medium
			Opportunities	<ul style="list-style-type: none"> <li>Lower production costs from the utilization of solar, geothermal, or other forms of renewable energy</li> </ul>	
	Declining demand for fossil resources	Risks	<ul style="list-style-type: none"> <li>Rising costs for packaging materials and additives, and rising costs of refrigerants due to changes in demand for fossil resources</li> </ul>	Small	
	Technologies	Development of new low-carbon production technologies	Risks	<ul style="list-style-type: none"> <li>Growing capital investments to expand adoption of energy-efficient equipment and declining asset value of existing facilities due to the faster pace of technological innovation</li> </ul>	Medium
Opportunities			<ul style="list-style-type: none"> <li>Growing demand for compost made from livestock excrement due to reduced access to petroleum-derived fertilizer</li> </ul>		
Development of low-carbon products	Opportunities	<ul style="list-style-type: none"> <li>Increasing sales from the marketing of certified-sustainable beef products</li> </ul>	Medium		
Physical risk/ possible opportunities	Chronic	Increase in average temperature	Risks	<ul style="list-style-type: none"> <li>Adverse impacts on livestock, rising electricity costs related to refrigeration, freezing, and HVAC</li> </ul>	Large
		Impacts on crops used as feed caused by long-term changes in rainfall and weather patterns	Risks	<ul style="list-style-type: none"> <li>Rising prices for feed commodities because of poor crop yields caused by water stress</li> <li>Rising cost to restructure supply chains following the shift in areas suited for production</li> <li>Difficulty sourcing ground water due to saline intrusion in areas where groundwater is used for irrigation or industrial purposes</li> </ul>	Medium
	Acute	Increasing frequency and severity of extreme weather	Risks	<ul style="list-style-type: none"> <li>Declining productivity and damage to farms or livestock caused by the increasing frequency and severity of storm and flood damage</li> <li>Suspension of operations due to plant collapse or production equipment damages</li> <li>Suspension of transportation due to disruptions in logistics networks or warehouse damages, etc.</li> </ul>	Medium



## Initiatives for the Environment

### Definition of Scenarios

Referring to the climate change scenarios published by the International Energy Agency (IEA) and others, we selected scenarios in which the average global temperature is expected to rise by 1.5/2°C or by 4°C, respectively, by 2100 compared to pre-industrial levels. Recognizing that the effects of climate change are likely to materialize over a medium- to long-term time horizon, we are analyzing the impacts of climate change in 2050 as our timeline.

The assumptions used for each scenario are described below.

1.5/2°C: The impact of physical risks will remain limited, but responding to transition risks, such as various regulations and customer requests, will be necessary.

4°C: Governments' low-carbon policies are also limited, the transition to a low-carbon society is restricted to a limited extent, and physical risks will increase due to rising average temperature.

### Trial Calculation of Impacts on Our Business and Response

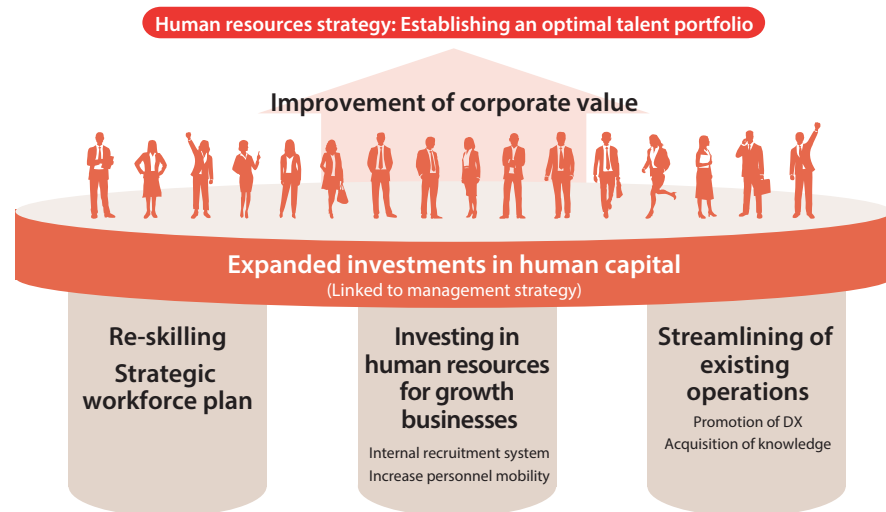
We organized the main climate change risks and opportunities facing the Group's business based on external information and estimated the impact of material risks and opportunities on our business based on forward-looking data on each risk and opportunity. We examined how our responses affect these impacts based on the estimates. The results are as follows. (The arrows indicate the degree to which risks and opportunities are expected to have a financial impact. ND=No Data)

Type	Risk/opportunity items		Impacts on business	Financial impacts		Timing of impact occurrence	Response
	Category	Subcategory		Risks/opportunities	1.5/2°C		
Transition risk/ possible opportunities	Policy/ regulations	Rising carbon prices	Increased carbon tax burden or rising purchasing costs in response to increased carbon tax burden of suppliers	↓	ND	Short term	<ul style="list-style-type: none"> <li>Adoption of renewable energy and energy-saving measures</li> <li>Extension of product shelf life using skin-packing with gas barrier and vacuum-seal packaging</li> <li>Measures to reduce GHG Emissions</li> </ul>
	Markets	Changes in consumer tastes	Risks: Declining demand for products with large environmental impacts Opportunities: Growing demand for development of products with low environmental impacts and for alternative sources of protein	↗	ND	Medium term	<ul style="list-style-type: none"> <li>Development of low-carbon products such as certified sustainable beef, etc.</li> <li>Establishment of production system and sales channels in preparation for rising demand</li> <li>Sales of Zero Meat brand</li> </ul>
Physical risk/ possible opportunities	Chronic	Increase in average temperature	Adverse impacts on livestock	ND	↘	Long term	<ul style="list-style-type: none"> <li>Efforts to ensure animal welfare</li> <li>Introduction of cooling systems in cattle sheds</li> <li>Cooperation with financing assistance for improving the breeding and fattening environment of suppliers</li> </ul>
			Adverse impacts on feed or raw materials procurement	ND	↓	Long term	<ul style="list-style-type: none"> <li>Support for suppliers to mitigate flood damage</li> <li>Diversification of procurement methods</li> </ul>
			Rising electricity costs related to refrigeration, freezing, and HVAC	ND	↘	Long term	<ul style="list-style-type: none"> <li>Adoption and transition to the latest energy-saving, high-efficiency industrial and business equipment</li> </ul>

## Initiatives for Society

In October 2022, we established the Human Resources Committee to implement specific measures for “tackling the challenge of developing new businesses” and “domestic business transformation” per the new Medium-Term Management Plan. The committee is now formulating specific strategies for securing and developing human resources.

### Human Resources Strategy Underpinning the New Medium-Term Management Plan



In the new medium-term management plan, which kicked off in 2023, the Group states a clear commitment to expanding investment in human capital for a new stage of growth and sets the stage for its future human resources strategy. In the past, we carried out recruitment and personnel transfers in response to requests from each business department. However from this fiscal year, we formulated a “workforce plan” and established a system that allows us to build an optimal human resources portfolio by systematically and strategically recruiting and developing the human resources needed for future business activities.

We especially recognize that there is an urgent need to recruit and train human resources who can support the development of overseas businesses, which we target to account for 15% of net sales by 2030 as a way to tackle the challenge of developing new businesses, as well as human resources who can plan and sell high-value-added products, which is the pillar of our domestic business transformation.

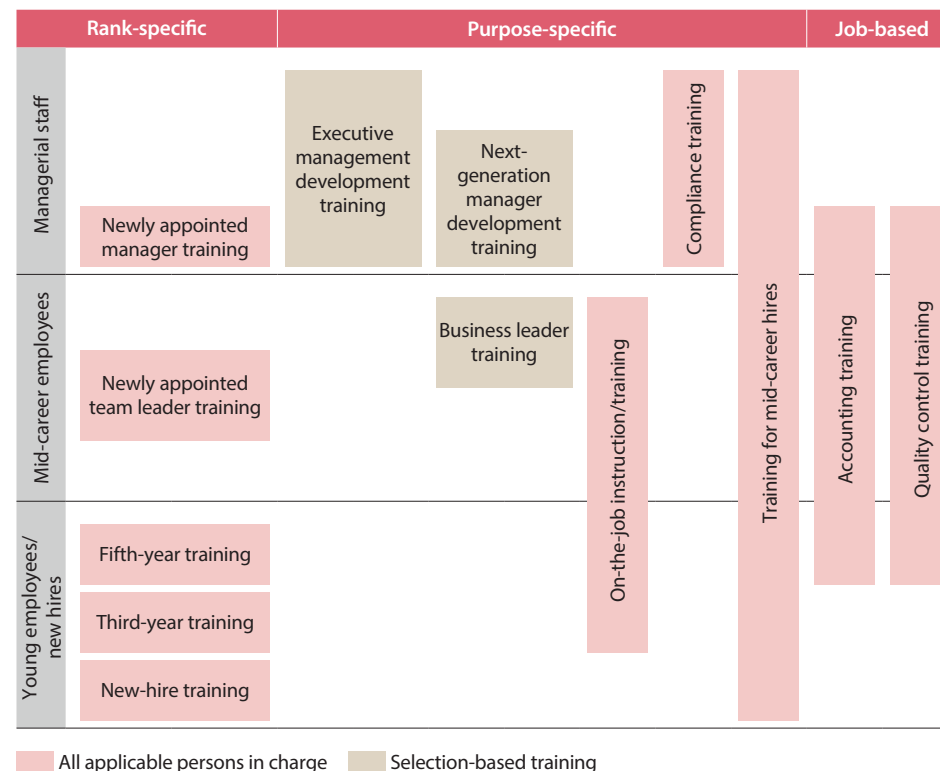
We will focus on investing in human resources in these areas and achieve a human resources strategy linked to our management strategy.

## Visualizing Human Resources and Education/Training Regime

In order to promote a human resources strategy linked to our management strategy, we introduced a new personnel management system in fiscal 2021, enabling integrated data management of the Group’s human capital and the so-called “visualization of human resources.” In the future, we will further utilize data to assign the appropriate people to the appropriate jobs in each department and contribute to the professional and personal growth of our employees.

To increase opportunities for employees to learn and grow, we have expanded rank-specific training, such as training in accordance with the year of employment, training at the time of promotion, and training for selected senior managers.

For example, in the training for executive candidates, we invited Mr. Kunio Ito, Director of Hitotsubashi University CFO Education and Research Center, to be an instructor, and through the one-year training curriculum, we aim to instill a wide range of knowledge and enhance participants’ logical thinking skills.



## Initiatives for Society

### ■ Strategic Workforce Plan

The Group aims to create a workplace environment where everyone can play an active role and is working to enhance systems to ensure the diversity of human resources. In addition, we will continue to carry out activities to improve employee engagement and will continue to create a corporate culture and organization that can take “tackling the challenge developing new businesses” and “domestic business reforms” as set forth in the new medium-term management plan, and a system that enables growth.

### Securing Diversity in the Workforce

Under our Management Philosophy of “Become a Company Where Our Employees Are Happy to Work” and “Grow through Our Work,” we have created an environment where diverse human resources can play an active role. Regardless of the type of hiring, whether new graduates or mid-career professionals, we appropriately evaluate their abilities and work achievements and actively assign and promote them. As a result, more than 40% of the Group's managers are mid-career hires.

Promoting career opportunities for women is also an important issue, and we are working to create a comfortable working environment with the goal of increasing female manager representation to 10% by the end of fiscal 2027. Specifically, we have increased the period during which shortened work schedules are provided for childcare for parents of children who have yet to enter fourth grade of elementary school, and we have established a system that allows employees to choose flexible work styles through telework and staggered working hours. To encourage male employees to take childcare leave, we have expanded the number of days of maternity leave for spouses and treat childcare leave at the time of birth as special paid leave.

In terms of improving the workplace, we first implemented a shared desk environment across

floors at our headquarters building in February 2022. As a result, we have achieved significant results, such as more-active communication across departments among employees working at the headquarters. Looking ahead, we will continue to improve the workplace environment at our business locations nationwide.

### Enhancing Employee Benefits

In order to maintain and improve the health of our employees, we aim to be recognized as a company with excellent health practices, and in 2020 we received Silver certification from the Tokyo Metropolitan Federation of Insurance Societies. This fiscal year, we will step up our health awareness activities for our employees and aim to obtain “Gold” certification.

We have introduced systems that contribute to the promotion of employee health, such as increasing the age at which people are subsidized for comprehensive medical exams and the creation of a new company-specific online consultation system to encourage employees to receive reexaminations. Furthermore, we have introduced Group Long-Term Disability (GLTD) insurance for employees who are unable to work for a long period of time due to illness or injury, so that they can concentrate on their medical treatment with peace of mind by covering the loss of income during that time.

### Internal Recruitment System (Career Challenge System)

With the aim of improving employee engagement, we introduced the Career Challenge System, an internal recruitment system, in fiscal 2022.

Under this system, departments that want to supplement their human resources can recruit transfer applicants from within the Company and match employees who have the desire and ability to work in that department.

With the introduction of the system, employees can take on the challenge of working according to their preferences without having to change jobs outside the Company, providing them with options for their career development.

This has led to the discovery of talent that did not materialize in the previous approach to organizational management, the prompt securing of job-ready human resources from within the Company, and the promotion of career autonomy among employees.

In the future, we will consider expanding the system to the entire Group so that more employees can reap the benefits.



Shared desks (Shinagawa headquarters)

## Initiatives for Society

### For Sustainable and Stable Procurement

Through its business, the Group aims to contribute to the resolution of various social issues in the supply chain by working on the 10 principles of the United Nations Global Compact and the Sustainability Development Goals (SDGs).

#### Supplier Survey

We will conduct surveys of meat suppliers and producers domestically and overseas to confirm whether they are complying with our sustainability activities, human rights, compliance, and other policies. Through this survey, we aim to help our partners understand the Group's philosophy, work together to address social issues, and build a safe and sustainable collaborative relationship.

#### Akita Junsui Pork

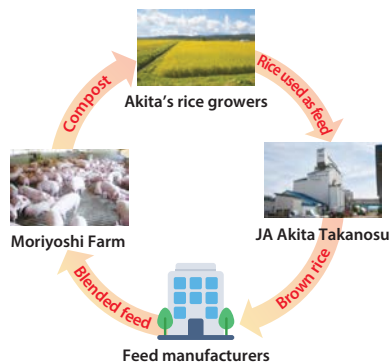
The Group is also promoting initiatives to maintain and develop local industries.

Launched in 2014, Akita Junsui Pork is a brand that results in "locally produced" hogs fed with rice produced by farmers in northern Akita and "recycling-oriented agriculture" that uses compost from pig farms for rice paddy fields. We will continue to deepen cooperation with production areas and support the revitalization of local economies.

#### Acquisition of Grassland in Ashoro

Our Group-affiliated farm in Ashoro City, Hokkaido acquired new grassland locally. As feed prices continue to soar, we have started activities to supply feed at Group-affiliated farms and supply hay as feed to neighboring farmers that we do business with as part of our efforts to build and maintain supply chains with the aim of securing domestic feed and sustainable farm operations.

#### Recycling-oriented Agriculture



Grassland in Ashoro

### Agriculture-Welfare Collaboration

We support the agriculture and welfare cooperation (Nofuku in Japanese) advocated by Gassan Welfare Association, and we support the sale of Gassan Shorthorn beef raised by people with disabilities who belong to the welfare association.

This Nofuku initiative received the second prize at the Nofuku Awards 2022, which recognizes excellent examples of diverse human resources, including people with disabilities, playing an active role in the agriculture, forestry, and fisheries industries.



Gassan Shorthorn cattle

### Soy Meat

We have been producing Zero Meat hamburg steak, along with ham and sausage, made from soybeans without the use of animal ingredients, as well as marketing commercial-use versions, together with Otsuka Foods Co., Ltd. The Zero Meat series has been well received for being delicious, healthy, and environmentally friendly for both consumer and commercial-use products. We continue to ship stable supplies of these products to retail stores and major restaurant chains.

Going forward, we are committed to increasing sales of Zero Meat products as a means to set ourselves apart in order to meet the diverse tastes of consumers.



Zero Meat

### Efforts to Ensure Animal Welfare

The Group has identified "promoting animal welfare" as one materiality and is working to realize the "Five Freedoms" representing international norms for animal welfare. In 2022, we eliminated teeth clipping of piglets at Group-affiliated farms, installed drinking water facilities at all livestock processing plants in the Group, and completed the installation of video cameras to ensure proper handling of livestock and prevent accidents.

In addition to new initiatives such as the production of educational videos on the humane treatment of livestock, employee training, and free-stall research through industry-academia collaboration, we regularly provide opportunities for discussions with outside experts.

## Initiatives for Society

### Quality Assurance System

We are working to build a quality assurance system befitting a leading manufacturer of meat products and to raise awareness of quality among employees.

#### Starzen Group Quality Policy

**1. Legal and regulatory compliance**

The Starzen Group complies with all legal and regulatory requirements pertaining to food.

**2. Groupwide quality assurance regime**

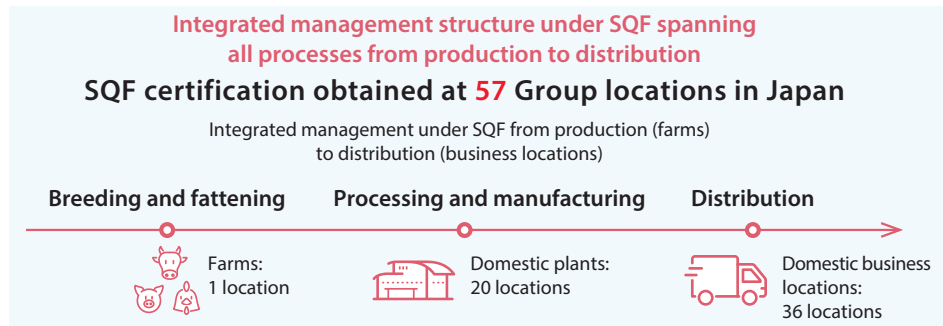
The Starzen Group continuously upgrades its quality assurance regime on a coordinated Groupwide basis to ensure that its food products are safe and reliable.

**3. Customer first**

The Starzen Group earnestly listens to customer feedback and strives to provide complete, accurate information to customers.

### Safety and Quality Assurance System

The Starzen Group focuses first and foremost on making safe and secure products. With “customer first” as a continuous motto, one of the Starzen Group’s most important missions is to deliver delicious products that customers can enjoy with peace of mind. Based on this, the Starzen Group encourages its applicable business sites to obtain Safe Quality Food (SQF) certification under the Hazard Analysis and Critical Control Point (HACCP) system. By obtaining SQF certification in the breeding and fattening business, including partner producers, we will build an integrated quality assurance system, spanning from upstream to downstream meat distribution, thereby aiming to further increase the quality of our meats. Our integrated management structure built under SQF spanning from production to distribution is a first in Japan.



Also, in order to strengthen our foundation as a processed meat manufacturer, we are working to foster a culture of food safety. As a culture rather than a rule, we aim to instill an awareness of hygiene management in each and every employee. Reporting directly to the President & CEO, the Quality Assurance Division regularly instructs quality control managers of each subsidiary and business site, who in turn educate staff at each of their respective business sites. SQF is used as one of the tools in this training.

### Quality Guidance for Suppliers and Production Partners Domestically and Overseas

As we increase the handling of highly processed products, there is a growing reliance on external partner companies for contract processing. We have established management regulations for outsourced manufacturing and check whether the same level of hygiene control as the Group is implemented in the product manufacturing processes of suppliers and production partners. From this fiscal year, we have also engaged an outside consultant to further ensure our safety management system from a medium- to long-term perspective, and we are working to further improve the hygiene controls of our partners by checking compliance from the impartial perspective of a third party.



### Developing Human Resources in Quality Management

We conduct various training programs and distribute educational videos in order to raise the level of knowledge on quality control among all Group employees. In particular, in fiscal 2022, we held online training for quality control personnel stationed at sales offices nationwide on important matters related to food safety, such as temperature control and food labeling. The content of the training is shared with other staff by quality control personnel to improve the knowledge of everyone working at the sales office. In addition, we provide training to quality control personnel at our plants in line with their career stage. In particular, we reviewed our training system last fiscal year and decided to focus on developing the next generation of quality control personnel. We also provide classroom training to acquire knowledge and on-the-job training at plants in the form of training not only for young quality control personnel but also for mid-career employees, including transferees and mid-career hires.





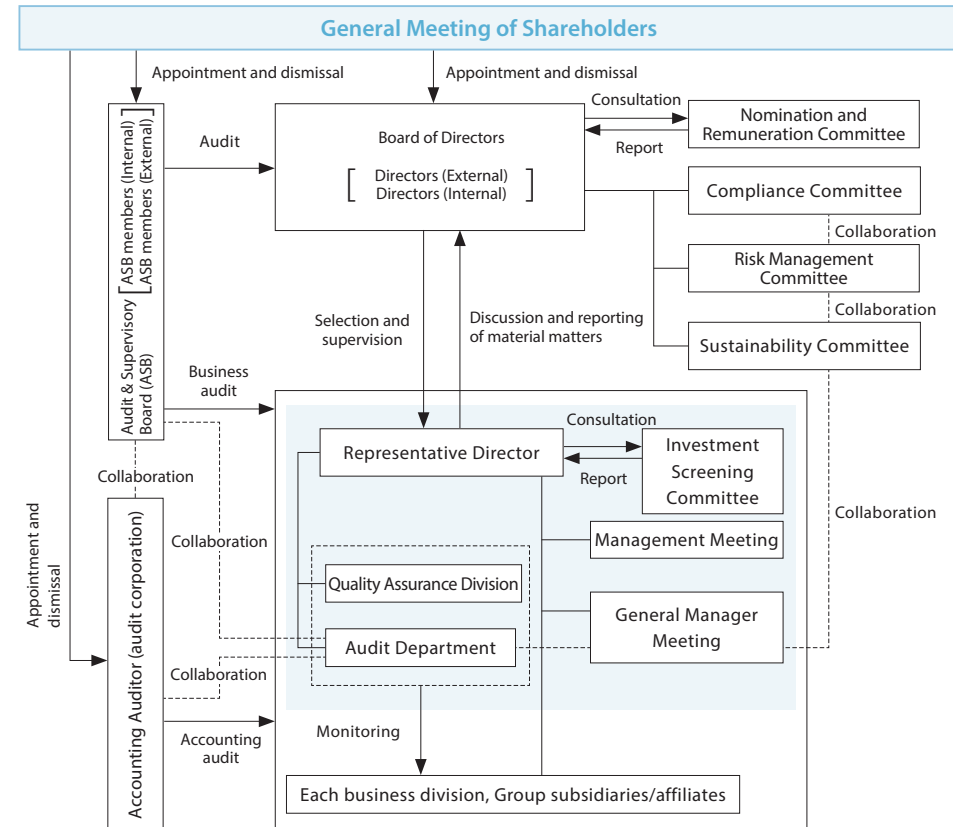
## Corporate Governance

Starzen has strengthened its corporate governance with the understanding that fulfilling its social responsibilities to all stakeholders, including shareholders, customers, suppliers, debtholders, local communities, and employees, forms an important part of its mission. While striking a proper balance between management oversight and business execution, we are working toward sustainable growth and enhancement of corporate value by making decisions transparently, fairly, swiftly, and decisively.

### Corporate Governance Structure

The Company adopts the governance structure of a Company with a Board of Auditors. The Board of Directors makes important decisions pertaining to management and oversees the execution of business, while the Audit & Supervisory Board and Audit & Supervisory Board members independent from the Board of Directors audit the execution of duties by the Board of Directors and other matters. To facilitate swift decision-making related to the execution of business, the Company has adopted the Executive Officer System where management-level decision-making is separated from oversight and business execution. Furthermore, to complement and enhance governance functions, the Company's Management Meeting and General Manager Meeting convene monthly to discuss and share essential matters, and the Company has also established the Nomination and Remuneration Committee, Compliance Committee, Risk Management Committee, and Sustainability Committee as advisory committees to the Board of Directors, as well as the Investment Screening Committee as an advisory body to the Representative Director.

Corporate Governance Structure (As of April 1, 2023)



Organizational structure	Company with Audit and Supervisory Board
Number of directors	9 persons
Of which, number of external directors	4 persons
Directors' term of office under Articles of Incorporation	1 year
Number of Audit & Supervisory Board members	3 persons
Of which, number of external Audit & Supervisory Board members	2 persons
Accounting auditor	Ernst & Young ShinNihon LLC

## Corporate Governance

### Explanation of Structure and Instructional Design

#### Board of Directors and Directors

##### ▶ Role of the Board of Directors

The Board of Directors formulates business strategies and plans and is also responsible for important management decision-making and the supervision of business execution as required by laws and regulations, the Articles of Incorporation, and Company rules.

##### ▶ Overall composition

The Board of Directors comprises a maximum of 20 directors, in accordance with the Articles of Incorporation. Directors are required to possess a wide range of knowledge, experience, and skills, and they are appointed from among candidates capable of performing the duties required of directors. The Company appoints multiple external directors (at least two of whom must meet Independence Criteria for Independent External Directors).

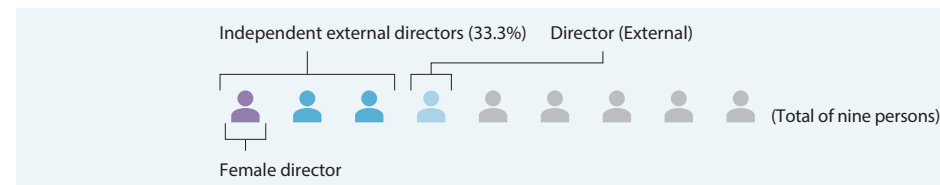
##### ▶ Role of external directors

External directors participate in important decision-making by the Board of Directors and monitor the decision-making process. They also offer advice based on their own experience and insight regarding reports on management progress at Board meetings. In particular, independent external directors, using their independence standpoint, ensure that there are no conflicts of interest between the Company's management and its shareholders. At the same time, they monitor the Company's management to protect the rights of shareholders and ensure that profits are shared with them.

##### ▶ Term of office

As specified under the Articles of Incorporation, the term of office for directors shall be until the close of the General Meeting of Shareholders relating to the fiscal year ending within one year after election. As a general rule, the term of office for external directors shall not exceed eight years in consideration of ensuring independence.

##### ▶ Composition as of April 1, 2023



#### Audit & Supervisory Board and Audit & Supervisory Board Members

##### ▶ Role of the Audit & Supervisory Board and its members

Assuming responsibility on behalf of the shareholders, the Audit & Supervisory Board functions as an institution independent from the Board of Directors. In such capacity, the Audit & Supervisory Board has the authority to request business reports from the Company or its subsidiaries according to law. In addition, through audits of business and financial performance and the appointment and dismissal of accounting auditors, the Audit & Supervisory Board audits the execution of duties by directors, as well as the internal control system, performance, and financial condition of the Company and its subsidiaries. The Company endeavors to provide sufficient staffing to ensure effective oversight by Audit & Supervisory Board members.

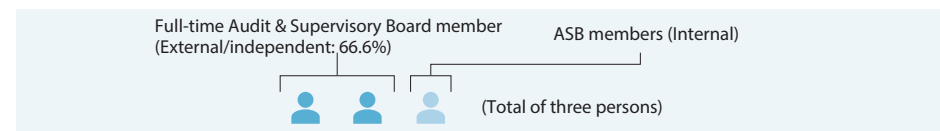
##### ▶ Overall composition

Audit & Supervisory Board members include individuals with appropriate expertise in finance and accounting. Members are limited by the Articles of Incorporation to a maximum of six, at least half of whom must be external members.

##### ▶ Term of office

Audit & Supervisory Board members' term of office expires at the conclusion of the annual General Meeting of Shareholders for the last fiscal year ending within four years of the director's appointment per the provisions of the Articles of Incorporation. External Audit & Supervisory Board members are limited to serving a maximum of eight years in total from the standpoint of ensuring their independence.

##### ▶ Composition as of April 1, 2023



## Corporate Governance

### Nomination and Remuneration Committee

#### ► Roles

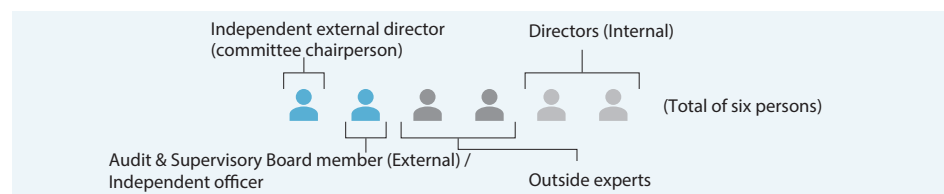
Serving as an advisory body for the Board of Directors, the Nomination and Remuneration Committee deliberates and reports to the Board of Directors regarding the following matters.

- (1) The appointment and dismissal of directors and executive officers, and management succession plans
- (2) Remuneration systems for directors and executive officers
- (3) Appointment, dismissal, and remuneration of advisors and counselors if appointed after the retirement of the Representative Director and President & CEO

#### ► Overall composition

The Nomination and Remuneration Committee is chaired by an independent committee member. As a general rule, the Nomination and Remuneration Committee is made up of a majority of independent members in order to ensure the independence of the committee itself.

#### ► Composition as of April 1, 2023



### Compliance Committee

#### ► Roles, etc.

The Compliance Committee was established in order to establish a compliance structure at the Group. In principle, it meets three times per year. The Compliance Committee deliberates on the contents of the Compliance Program defining the establishment of the compliance structure, confirms the program's implementation, and reports its findings to the Board of Directors as necessary.

#### ► Composition since April 2023

The Compliance Committee is chaired by the Representative Director and President & CEO and comprises two external officers as external members as well as four internal directors and two executive officers as internal members.

### Risk Management Committee

#### ► Roles, etc.

The Risk Management Committee was established in order to examine and assess various risks facing the entire Group. In principle, it meets four times per year. The Risk Management Committee assesses and analyzes all types of risk in terms of the expected scale of damages and frequency of occurrence. Based on this, the committee examines measures for improving response levels companywide and reports its findings to the Board of Directors.

#### ► Composition since April 2023

The Risk Management Committee is chaired by the Director in charge of the Corporate Division and comprises two external officers as external members as well as three internal directors and three executive officers as internal members.

### Sustainability Committee

#### ► Roles, etc.

The Sustainability Committee was established to promote sustainability management. In principle, it meets four times per year. The Sustainability Committee deliberates on the status of reviews on policies for sustainability management covering the entire Group and the progress of actual measures and reports its findings to the Board of Directors.

#### ► Overall composition

The Sustainability Committee is chaired by the director in charge of the Corporate Division and comprises two external officers as external members as well as three internal directors and three executive officers.

## Corporate Governance

### Strengthening of Corporate Governance Structure

(Year)	2000	2005	2010	2015	2016	2017	2018	2019	2020	2021	2022	2023
<b>Separation of management and business execution</b>	● July 1999 Introduced executive officer system								● July 2020 Substantially transferred authority by revising the Regulations on Authority			
<b>Officer appointments</b>				● April 2015 Established Remuneration Committee		● January 2016 Established Nomination Committee		● June 2017 Nomination and Remuneration Committees integrated		● June 2022 Increased independent directors (external) to at least one-third of the Board of Directors		
<b>Committees</b>	● April 2003 Ethics Committee		● April 2014 Changed name of Ethics Committee to Compliance Committee		● June 2008 Established Risk Management Committee		● October 2020 Established Sustainability Committee		● April 2020 Established Investment Screening Committee			

At the shareholders' meeting held in June 2022, we significantly reduced the number of directorships, increased the ratio of external directors to one-third, and appointed the Company's first female director. In April 2023, in addition to the Nomination and Remuneration Committee, external officers now participate in the Compliance Committee, Risk Management Committee, and Sustainability Committee as external members, thereby strengthening governance functions. Going forward, we will further strengthen corporate governance by fulfilling the items listed below.

<b>Revitalization of the Board of Directors</b>	<ul style="list-style-type: none"> <li>• Provide ample opportunities for preliminary deliberations utilizing pre-briefings and meetings of the Investment Screening Committee, etc.</li> <li>• Enhance training opportunities, including organizing visits to frontline operations, etc.</li> </ul>
<b>Strengthening of risk management</b>	<ul style="list-style-type: none"> <li>• Strengthen collaboration between the Compliance, Risk Management, and Sustainability committees.</li> <li>• Identify and share risk governance situations.</li> </ul>
<b>Enhanced Group governance</b>	<ul style="list-style-type: none"> <li>• Promote collaboration between the Board of Directors and each committee.</li> <li>• Establish mechanism for sharing information between the Corporate Division and departments in charge of subsidiaries/associates.</li> </ul>

### Evaluation of Effectiveness

#### Evaluation of Board of Directors' Effectiveness

In accordance with the Basic Policy on Corporate Governance, the Company annually analyzes and evaluates the efficiency of Board of Directors' meetings and the effectiveness of Board decisions through self-checks in order to ensure effective decision-making by the Board. The method and results of these evaluations in fiscal 2022 are as follows.

#### ► Evaluation method

The Company held a survey of directors and Audit & Supervisory Board members. Based on survey answers, the Company conducted an analysis and evaluation of the effectiveness of the Board of Directors. In addition, the Company identified issues to be addressed going forward.

#### Questions

- |  |  |  |
|--|--|--|
| 1 Composition of the Board of Directors        | 4 Roles and expectations for Audit & Supervisory Board members | 7 Governance structure and overall effectiveness of the Board of Directors |
| 2 Operational status of the Board of Directors | 5 Relationship with shareholders and other investors           | 8 Other  |
| 3 Support structure for external directors     | 6 Training   |  |

#### ► Evaluation result

The results of the survey conducted in June 2023 indicated that the Board of Directors engages in active discussions because of the pre-briefings on agenda items ahead of Board of Directors meetings and open discussions from broad perspectives introduced to resolve the issues found in the previous survey. As such, the effectiveness of the Board of Directors has been ensured in general.

On the other hand, survey respondents pointed out that there is room for improvement in terms of approaches to explaining agenda items at meetings of the Board of Directors (allocating time based on the importance of the agenda item, etc.), providing opportunities to external officers to visit frontline operations to understand the Company's operations better, and enhancing the training system for officers. The Company has already taken action in response to these findings and is working to further increase the effectiveness of the Board of Directors.

## Corporate Governance

### Officer Remuneration

#### Remuneration for Directors and Executive Officers

##### ► Fundamental policy

The Company determines directors' and executive officers' remuneration according to the following basic policy.

- (1) Ensure the transparency, fairness, and objectivity of officer remuneration.
- (2) Design a remuneration scheme that incentivizes improvement in operating performance.
- (3) When setting individual remuneration amounts, determine the appropriateness in light of remuneration levels at suitably comparable companies. Also take into account the Company's other officers' and employees' remuneration level.

##### ► Determination process

The Nomination and Remuneration Committee deliberates on the remuneration scheme for directors and executive officers, discusses methods of setting their individual remuneration, and reports to the Board of Directors.

Remuneration for each director is determined by the Board of Directors within the total amount of remuneration approved in advance by the General Meeting of Shareholders. When approving remuneration, the Board of Directors emphasizes a decision-making process that is transparent, fair, and objective, respecting the reports by the Nomination and Remuneration Committee.

The remuneration amount of each executive officership is determined by resolution of the Board of Directors emphasizing a decision-making process that is transparent, fair, and objective, and that respects the reports by the Nomination and Remuneration Committee.

##### ► Remuneration for directors and executive officers

The remuneration for internal directors and executive officers consists of base remuneration, performance-based remuneration, and stock remuneration with limited transferability, the last of which is intended to incentivize its recipients to pursue sustained growth in the Company's corporate value. Remuneration for external directors consists solely of a fixed amount.

#### Remuneration for Audit & Supervisory Board members

Remuneration for Audit & Supervisory Board Members consists solely of a fixed amount. Remuneration for individual Audit & Supervisory Board members is determined by the Board and kept within limits determined through a resolution of the General Meeting of Shareholders.

##### Total remuneration paid in fiscal 2022

Classification	Number of recipients (Number of people)	Total amount by remuneration type, etc. (Millions of yen)			Total (Millions of yen)
		Base remuneration	Performance-based remuneration	Stock remuneration	
Director	16	143	124	32	299
Of which, external directors	(5)	(18)	—	—	(18)
Audit & Supervisory Board members	4	45	—	—	45
Of which, external Audit Supervisory Board members	(3)	(26)	—	—	(26)
Total	20	189	124	32	345

Note: One unremunerated director is not included in the table above.

### Group Governance

The Company established the Subsidiaries and Associates Management Regulations to increase management efficiency and strengthen the governance of Group companies.

##### ► Basic policy on Group management

- (1) Determine and administer matters to be reported and discussed among Group companies and the divisions in charge of them.
- (2) Dispatch the Company's officers and employees to Group companies as officers and accounting managers to administer operations.
- (3) The Company's Audit Department shall conduct internal audits of Group companies and report the results to the Company's Representative Director.



## Corporate Governance

### Cross-Shareholdings

The Company may hold equity stakes in business partners only when it deems such investments to be conducive to medium-to long-term growth in the Starzen Group's corporate value by, for example, helping to build stable, long-term relationships with such business partners or strengthen existing relationships through business alliances.

The Company assesses whether cross-shareholdings are owned for appropriate objectives and whether the benefits and risks of owning them are commensurate with its cost of capital. The Board of Directors checks this during its first meeting of every fiscal year and discloses its findings. Based on the review, the Company will move to reduce its equity stake in companies for which it determines ownership is of limited value.

## Compliance

### Basic Policy

The Group has established a Management Vision, Management Philosophy, and Principles of Conduct, which all officers and personnel across the entire Group act in accordance with. It has also issued a Code of Conduct and Guidelines for Conduct and is committed to fostering impeccable ethics in order to gain the trust of business partners and stakeholders. At the same time, we carry out compliance activities, having instituted the Compliance Regulations, Fundamental Policy on Sustainability, Fundamental Policy on Human Rights, Fundamental Policy on Industrial Safety and Health, and Fundamental Policy on the Environment.

### Compliance Promotion System

We established the Compliance Committee as an advisory body to the Board of Directors, with the purpose of increasing social trust and establishing a spirit of compliance within the Group. In principle, the committee meets three times a year. General managers and presidents of subsidiaries/associates, who serve as compliance officers, are responsible for administering our compliance program based on deliberations of the Compliance Committee. Compliance managers, serving under compliance officers, operate the compliance program appropriately. In case of a compliance violation or possible violation, information is shared immediately according to the reporting line of manager, officer, and then the headquarters department in charge of compliance. Serious incidents are reported to the Compliance Committee and the Board of Directors to make improvements to the compliance promotion system and compliance program operations. When necessary, the auditing division and Risk Management Committee are involved in an effort to strengthen compliance.

### Main initiatives in fiscal 2022

- Working to improve the work environment so that our employees are happy to work at Starzen by energizing communication through the shared desk system and an improved company newsletter with valuable content
- Devising ways to foster awareness of compliance better suited to the actual situation by incorporating items common to the entire Group and items specified by each division to the compliance check conducted annually by all employees
- Promoting mutual trust with employees and building relationships of trust through regular one-on-one meetings held semiannually and compliance week held once a year

### Support Desk

We have established the Compliance Support Desk (including Whistleblower Hotline) that employees and their families can use at any time in order to achieve a more open workplace environment and enhance self-improvement to prevent compliance violations, as outlined below. We check to make sure that corrective measures and recurrence prevention are functioning effectively.

### Compliance Support Desk (including Whistleblower Hotline)

- 1 Support Desk (internal)
- 2 Compliance Support Desk (external: private sector)
- 3 Whistleblower Hotline (external: law office)

## Corporate Governance

### Risk Management

#### Basic Policy

The Group ensures its business continuity and stable development by dealing appropriately with the various risks it faces, including economic loss, business interruption or suspension, and loss of trust or brand image. These risks could impede achievement of our Management Philosophy, Management Targets, and Management Strategy.

#### Risk Management System

To avoid operating risks and minimize damages should they materialize, we have established the Risk Management Regulations and the Risk Management Committee, which deliberates on the

issues and countermeasures related to Groupwide risk management and promotion.

#### Monitoring

The Risk Management Committee reviews the Group's risk management policy, system, and countermeasures. It also analyzes risks that have emerged and reviews risk assessments quarterly to confirm and examine the prevention and recurrence prevention of these risks. The committee's risk assessment results are reported to the Board of Directors.

#### Important risks and countermeasures

Risk category	Anticipated risk events
Compliance	<ul style="list-style-type: none"> <li>• Violations, findings, and disciplinary action involving related laws</li> <li>• Disclosure of false information</li> <li>• Response to the "2024 problem" facing Japan's logistics industry</li> </ul>
Food safety	<ul style="list-style-type: none"> <li>• Contamination, shipment of defective products, health damages</li> <li>• Recalls (recall cost and reputational damage, etc.)</li> <li>• Improper/falsified labeling</li> </ul>
Stable procurement of meat	<ul style="list-style-type: none"> <li>• Outbreak of livestock/poultry disease causing production shutdown</li> <li>• Operating delays, labor strikes at ports, or customs clearance problems</li> <li>• Rising costs due to soaring electricity, fuel, and feed prices along with personnel costs</li> </ul>
Fluctuating meat prices	<ul style="list-style-type: none"> <li>• Decline of profitability due to negative spread between purchase price and selling price</li> <li>• Profitability squeezed by rising surplus inventory and existing inventory</li> <li>• Impacts on domestic meat prices caused by lower import duties</li> </ul>
Overseas business/export transactions	<ul style="list-style-type: none"> <li>• Damage claims due to contract violation</li> <li>• Receivables management</li> <li>• Geopolitical instability</li> </ul>
SDGs/ESG	<ul style="list-style-type: none"> <li>• Lack of initiatives to reduce GHG emissions</li> <li>• Distrust from investors and reduced corporate value due to disclosure insufficiencies</li> <li>• Insufficient efforts to ensure animal welfare</li> </ul>
Information security	<ul style="list-style-type: none"> <li>• Information leakage (insider, confidential, customer, personal information, etc.)</li> <li>• Cyberattack or computer virus</li> <li>• System failure (network or power source)</li> </ul>
Human resources and labor matters	<ul style="list-style-type: none"> <li>• Worker shortages due to depopulation or aging population</li> <li>• Exodus of talent due to declining appeal of the Company or job duties</li> </ul>

Countermeasures
<ul style="list-style-type: none"> <li>• Top management communication, expanded employee training, and frontline coaching</li> <li>• Perform checks by multiple employees and conduct internal audits</li> <li>• Streamline logistics operations and restructure of logistics bases</li> </ul>
<ul style="list-style-type: none"> <li>• Enhanced quality control and quality assurance system</li> <li>• Maintain level utilizing external certification regime (SQF and ISO)</li> <li>• Quicker information-sharing and periodic reviews of product standards (including raw materials)</li> </ul>
<ul style="list-style-type: none"> <li>• Diversify suppliers for stable supply and strengthen collaborative systems with partner farms</li> <li>• Share market information and enhance inventory management</li> <li>• Gather information on import destinations and diversify suppliers (meat packers and production areas)</li> </ul>
<ul style="list-style-type: none"> <li>• Monitor appropriate inventory levels</li> <li>• Improve management of buying/selling on balance</li> <li>• Expand sales of added-value products such as brand meats and processed foods, etc.</li> </ul>
<ul style="list-style-type: none"> <li>• Clarify quality standards in contracts</li> <li>• Utilize external information and regularly review credit</li> <li>• Stricter payment terms</li> </ul>
<ul style="list-style-type: none"> <li>• Strengthen initiatives to reduce GHG emissions by the Sustainability Committee and GHG Reduction Committee</li> <li>• Appropriate and proactive disclosure</li> <li>• Regularly gather information from relevant organizations, repair facilities, and training employees</li> </ul>
<ul style="list-style-type: none"> <li>• Conduct security training for employees, establish regulations, and make them known to all</li> <li>• Continue to strengthen information systems and security</li> <li>• Execute contracts with multiple network companies and training for changeover to backup equipment</li> </ul>
<ul style="list-style-type: none"> <li>• Establish Human Resources Committee and promote mechanization and labor savings</li> <li>• Create attractive workplaces (convincing personnel evaluations and compensation, rewarding work, and comfortable workplace culture, etc.) and enhance training systems</li> </ul>

## Directors



**Kazuhiko Yokota**  
Representative  
Director, President &  
CEO

Apr. 1986 Joined Zenchiku Co., Ltd. (currently, Starzen Co., Ltd.)  
Apr. 2013 Executive Officer, Starzen Co., Ltd.  
Apr. 2015 Managing Executive Officer  
Jun. 2016 Director  
Apr. 2018 Managing Director  
Apr. 2020 Senior Managing Director  
Apr. 2021 Representative Director, President & CEO (current position)

### Reasons for appointment

Mr. Yokota has served as an officer for the Company and Group companies. Since becoming President & CEO in April 2021, he has been responsible for the Group's overall management and led the Group based on his wealth of knowledge and experience. Mr. Yokota was reappointed as Representative Director because he is indispensable for facilitating the Group's management and further enhancing corporate value.



**Masao Uzurahashi**  
Managing Director

Sept. 2008 Joined Starzen Co., Ltd.  
Apr. 2014 Director, General Manager of Broad Area Sales Department, Starzen Broad Area Sales Co., Ltd.  
Apr. 2015 Managing Director, Starzen International Co., Ltd.  
Apr. 2016 Executive Officer, Starzen Co., Ltd.  
Apr. 2016 Executive Vice President, Starzen International Co., Ltd.  
Jun. 2017 Director, Starzen Co., Ltd.  
Apr. 2018 President & CEO, Starzen International Co., Ltd.  
Apr. 2021 Managing Director (current position)

Supervisor of Sales Division, Overseas Division, McDonald's Division, and Logistics Division

### Reasons for appointment

As Managing Director, Mr. Uzurahashi is responsible for the Group's overseas business, import/export operations, sales and overall logistics operations. Mr. Uzurahashi was reappointed as Managing Director because he is indispensable for boosting overseas transactions amid growing demand for meat in international markets and further enhancing corporate value.



**Masamichi Takahashi**  
Managing Director

Apr. 1986 Joined Zenchiku Co., Ltd. (currently, Starzen Co., Ltd.)  
Apr. 2010 Director, STARZEN MEAT PROCESSOR Co., Ltd.  
Apr. 2016 Managing Director, Plant Manager of Aomori Plant  
Apr. 2017 Executive Officer, Starzen Co., Ltd.  
Apr. 2018 Senior Managing Director, STARZEN MEAT PROCESSOR Co., Ltd.  
Jun. 2019 Director, Starzen Co., Ltd.  
Apr. 2020 President & CEO, STARZEN MEAT PROCESSOR Co., Ltd.  
Apr. 2023 Managing Director, Starzen Co., Ltd. (current position)

Supervisor of Breeding and Farming Division, Production Division, and STARZEN MEAT PROCESSOR Co., Ltd.

### Reasons for appointment

As Managing Director, Mr. Takahashi is responsible for the Group's overall meat processing operations and supply of processed foods and oversees the production business which manages the Group's farms. Mr. Takahashi was reappointed as Managing Director because he is indispensable for the Company's aim of further enhancing corporate value using his many years of experience in his field.



**Ryuso Sadanobu**  
Director

Apr. 1981 Joined The Mitsui Bank Limited (currently, Sumitomo Mitsui Banking Corporation)  
Dec. 2006 Senior Vice President, Head Office, Sumitomo Mitsui Banking Corporation  
Jun. 2008 Joined Starzen Co., Ltd.  
Jul. 2009 General Manager of Finance Department  
Apr. 2013 Executive Officer, General Manager of Finance Department  
Apr. 2015 Executive Officer, General Manager of Finance and Accounting Division  
Jun. 2021 Director (current position)

Supervisor of Finance and Accounting Division

### Reasons for appointment

Mr. Sadanobu is responsible for the Group's Finance and Accounting Division having served previously in key positions in finance and accounting. Mr. Sadanobu was reappointed as Director because he is indispensable for the Company's aim of further enhancing corporate value using his many years of experience at a financial institution.



**Tsunehiro Sana**  
Director

Apr. 1985 Joined The Mitsubishi Bank, Ltd. (currently, MUFG Bank, Ltd.)  
Jan. 2013 General Manager of Kamakura Branch, MUFG Bank, Ltd.  
Nov. 2015 Joined Starzen Co., Ltd.  
Nov. 2015 General Manager of Group Human Resources Department, Planning and Administrative Division  
Oct. 2017 General Manager of Planning and Administrative Division  
Apr. 2020 Executive Officer, Administrative Division  
Jun. 2022 Director (current position)

Supervisor of Corporate Division and Administrative Division

### Reasons for appointment

Since joining the Company, Mr. Sana has served in the key positions of General Manager of the Human Resources Department and General Manager of the Administrative Division, and he plays an important role in establishing management strategies and strengthening corporate governance based on his broad knowledge and experience. Mr. Sana was reappointed as Director because he is indispensable for the Company's aim of further enhancing corporate value.



**Wataru Ohara**  
Director (External)

Apr. 1975 Joined The Mitsui Bank Limited (currently, Sumitomo Mitsui Banking Corporation)  
Jun. 2010 Representative Director and Executive Vice President, Sumitomo Mitsui Financial Group, Inc. (currently, Teikoku-Soko Co., Ltd.)  
Apr. 2013 Representative Director and CEO, Teisoh Co., Ltd. (currently, Teikoku-Soko Co., Ltd.)  
Jun. 2017 Director (External), Starzen Co., Ltd. (current position)  
Jun. 2022 Special Advisor, Teikoku-Soko Co., Ltd.

### Reasons for appointment

Mr. Ohara has many years of experience as a senior executive of both a financial institution and a non-financial company. He possesses extensive experience in and keen insight into all aspects of corporate management. The Company reappointed him as an external director to benefit from his oversight of the Starzen Group's decision-making processes and ability to offer appropriate advice from the standpoint of shareholders' common interests.



**Kaku Yoshisato**  
Director (External)

Apr. 1991 Joined Mitsui & Co., Ltd.  
Apr. 2019 General Manager of Oils & Fats, Staple Food Project Division, Food Business Unit, Mitsui & Co., Ltd.  
Jun. 2020 Director (External), Starzen Co., Ltd. (current position)  
Apr. 2021 General Manager, Livestock & Fisheries Project Division, Food Business Unit, Mitsui & Co., Ltd. (current position)  
Jun. 2021 Outside Director, Prifoods Co., Ltd. (current position)  
Jul. 2022 Outside Director, Mitsui & Co. Seafoods Ltd. (current position)  
Sept. 2022 Outside Director, Zalar Holding S.A. (current position)

### Reasons for appointment

Mr. Yoshisato has served in a number of key positions at Mitsui & Co., Ltd. He possesses keen insight and an extensive network in the food industry. The Company reappointed him as an external director to benefit from his oversight of the Starzen Group's decision-making processes and ability to offer appropriate advice from the standpoint of shareholders' common interests.



**Masanori Matsuishi**  
Director (External)

Apr. 1986 Research Associate, Nippon Veterinary and Zootechnical College (currently, Nippon Veterinary and Life Science University)  
Apr. 2008 Professor, Nippon Veterinary and Life Science University  
Apr. 2015 Vice Chairman, Japan Society for Meat Research (currently, Japan Society for Meat Science and Technology) (current position)  
Apr. 2021 Head of School of Food Science and Technology, Nippon Veterinary and Life Science University (current position)  
Jun. 2021 Director (External) (current position)

### Reasons for appointment

Having served in important positions for a university and the Japan Society for Meat Science and Technology, Mr. Matsuishi has broad experience and high-level expertise in the field of meat sciences. The Company reappointed him as an external director to benefit from his oversight of the Starzen Group's decision-making processes from a specialized and objective perspective and ability to offer appropriate advice from the standpoint of shareholders' common interests.



**Mariko Eto**  
Director (External)

Apr. 1994 Joined Mitsui & Co., Ltd.  
Oct. 2003 Registered as attorney with Daini Tokyo Bar Association  
Joined New Tokyo International Law Office (formerly, Bingham Sakai Mimura Aizawa (Foreign Law Joint Enterprise))  
Apr. 2015 Joined TMI Associates  
Jan. 2017 Partner, TMI Associates (current position)  
Jun. 2020 Audit & Supervisory Board Member (External), Starzen Co., Ltd.  
Jun. 2022 Director (External) (current position)  
Outside Audit & Supervisory Board Member, fundbook, Inc. (current position)  
Jun. 2023 Outside Director, Nitto Denko Corporation (current position)

### Reasons for appointment

As an attorney-at-law handling corporate law and labor issues, Ms. Eto has specialist expertise and broad experience. She has contributed to sound and highly transparent audit operations as an external Audit & Supervisory Board member since June 2020. The Company reappointed her as its first female external director in June 2022 to benefit from her oversight of the Starzen Group's decision-making processes as an attorney-at-law well-versed in corporate law and ability to offer appropriate advice from the standpoint of shareholders' common interests.

## Audit & Supervisory Board Members



**Kouhei Kanno**  
Full-time Audit & Supervisory Board Member

- Apr. 1980 Joined the Tokai Bank, Ltd. (currently, MUFG Bank, Ltd.)
- Jan. 2002 Deputy General Manager of Treasury Department, UFJ Bank Ltd. (currently, MUFG Bank, Ltd.)
- Jul. 2010 General Manager of General Affairs Department, Tokyo Bubuniku Meat Center Co., Ltd. (currently, Starzen Logistics Co., Ltd.)
- Apr. 2016 General Manager of Planning and Administrative Division, Starzen Co., Ltd.
- Jun. 2020 Full-time Audit & Supervisory Board Member (current position)

**Reasons for appointment**

Mr. Kanno has advanced knowledge of corporate finance based on his many years of experience at a financial institution. He has also accumulated extensive experience at the Company, having served in important positions in the Administrative Division. The Company reappointed Mr. Kanno as an Audit & Supervisory Board member because he can utilize this experience and knowledge to increase the soundness and transparency of the Company's audit operations.



**Masashi Hirata**  
Full-time Audit & Supervisory Board Member (External)

- Apr. 1987 Joined the Taiyo Kobe Bank, Ltd. (currently, Sumitomo Mitsui Banking Corporation)
- Jan. 2019 General Manager of Internal Audit Department (New York), Sumitomo Mitsui Banking Corporation, and Chief Audit Executive, SMBC Americas Holdings, Inc.
- Apr. 2020 Counselor, Starzen Co., Ltd.
- Jun. 2020 Audit & Supervisory Board Member (External) (current position)

**Reasons for appointment**

Mr. Hirata possesses a wealth of international experience and broad financial knowledge, having worked in the audit operations of a financial institution's overseas subsidiary. The Company reappointed him as an external Audit & Supervisory Board member because he can utilize this experience and knowledge to increase the soundness and transparency of the Company's audit operations.



**Shingo Ogoshi**  
Audit & Supervisory Board Member (External)

- Apr. 2005 Joined ChuoAoyama PwC
- Jul. 2007 ShinNihon LLC (currently, Ernst & Young ShinNihon LLC)
- Jul. 2015 Ogoshi Nobuyoshi Accounting & Tax Corporation (currently, Ogoshi Accounting & Tax Corporation)
- Nov. 2015 Senior Partner of Ogoshi Accounting & Tax Corporation (current position)
- Jun. 2016 Audit & Supervisory Board Member (External), Starzen Co., Ltd. (current position)

**Reasons for appointment**

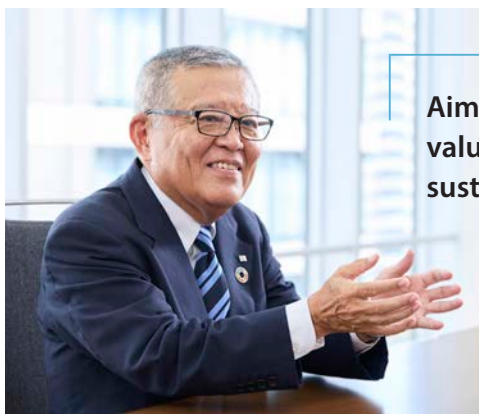
As a certified public accountant and certified tax accountant, Mr. Ogoshi possesses advanced specialist expertise in accounting and finance. The Company reappointed him as an external Audit & Supervisory Board member because he can utilize this experience and knowledge to increase the soundness and transparency of the Company's audit operations.

### Board of Directors' skills matrix

Name	Main position(s)	Corporate management	Sales and marketing	Production	Global business	Finance and accounting	Legal affairs and risk management
Kazuhiko Yokota	Representative Director, President & CEO	○	○	○			
Masao Uzurahashi	Managing Director	○	○		○		
Masamichi Takahashi	Managing Director	○		○			
Ryuso Sadanobu	Director					○	
Tsunehiro Sana	Director					○	○
Wataru Ohara	Director (External) / Independent Officer	○				○	○
Kaku Yoshisato	Director (External)	○			○		
Masanori Matsuishi	Director (External) / Independent Officer			○			
Mariko Eto	Director (External) / Independent Officer						○

Note: The above list does not represent all of the knowledge possessed by each director.

## Messages from External Directors



**Aiming for Starzen to be highly valued by all stakeholders for its sustainability management**

**Wataru Ohara**  
Director (External)



**Contributing to Starzen's medium- to long-term growth through active discussion**

**Kaku Yoshisato**  
Director (External)

Starzen's new medium-term management plan features three policies: "sustainability management and improvement in the management foundation" together with "tackle the challenge of developing new businesses," and "domestic business transformation." Needless to say, as a global trend, all companies need to coexist with the environment and society as a prerequisite for business development amid the growing awareness that we must make society more sustainable.

In 2020, Starzen established the Sustainability Committee, which is actively working on such themes as lowering the company's GHG emissions by 46% (compared to fiscal 2020), human rights, labor, environmental considerations, and animal welfare. In addition to signing the UN Global Compact, endorsing the TCFD recommendations, and submitting a commitment letter to the SBTi, Starzen aims to set specific KPIs and engage suppliers in company-wide initiatives to achieve these measures. Sustainability is an extremely broad theme, and the hurdles to realize it are high. I hope that, together with the clarification of priority themes and internal business process reform, each employee will understand the actions they should take in their daily work and be able to work on sustainability as if by second nature.

In 2022, in line with the transition to the Prime Market, Starzen has clearly distinguished the roles of executives and directors and reduced the number of directors. As a result, the effectiveness of the Board of Directors has increased. In addition, the company is actively working to enhance corporate value over the long term, including systematically educating executives, expanding the appointment of women to executive positions, and making efforts to realize its Management Philosophy.

As an external director, I will continue to play a role in supervising business execution and overall management so that Starzen can become a company that embraces diversity and is valued by business partners, shareholders, and other stakeholders while taking advantage of its corporate culture with a sense of solidarity.

In Starzen's medium-term management plan that begins this fiscal year, the company states its intention to contribute to society over the medium to long term under the theme of "sustainable business operations." One of the policies of the company's medium-term management plan is "sustainability management and improvement in the management foundation," while strategies include "response to social issues" such as GHG reduction and animal welfare research, as well as "DX and business process reengineering" such as the renewal of core IT systems, visualization of operations and results, and streamlining of work styles. Through the Sustainability Committee, which includes external directors, Starzen has put into place a system for dealing with sustainability issues in which the committee is placed under the Board of Directors to increase the transparency of discussions and promptly share findings with the Board of Directors. The Board of Directors is chaired by President Yokota as Representative Director, and both internal and external directors actively exchange opinions. Board effectiveness is ensured by making decisions on important matters as well as monitoring and overseeing the execution of duties by directors under appropriate management of the proceedings. For important agenda items, in addition to prior explanations to external directors, Starzen has established a system to ensure that the opinions of external directors are fully reflected in decision-making, such as providing multiple opportunities for directors to exchange opinions before a resolution by the Board of Directors.

With regard to "transforming the earnings structure," another theme of the medium-term management plan, the company is ambitiously pursuing the policies of "tackling the challenge of developing new businesses" such as aggressively expanding its overseas business and strengthening its approaches to growth markets domestically, as well as "domestic business transformation," such as redeveloping manufacturing, sales, and logistics bases, and strengthening Starzen's number-one and "only one" products. As an external director, I will actively participate in discussions at meetings of the Board of Directors to achieve the targets of the medium-term management plan, fulfill appropriate management oversight functions, and contribute to the medium- to long-term growth of the company.



## Messages from External Directors



**Supporting Starzen's sustainable growth using my experience in education and research at a university**

**Masanori Matsuishi**  
Director (External)



**Contributing to sustainability management initiatives through food using daily efforts**

**Mariko Eto**  
Director (External)

Starzen engages in business using the life of livestock, which is recognized to have a strong relationship with the global environment and climate change. In addition, this food-related business supports people's lives and day-to-day living. For these reasons, it is inevitable that Starzen moves toward the realization of sustainability management. Until now, the company has focused on understanding the situation and sharing information to demonstrate to the outside world that it is working on sustainability issues, and the fact that the company has endorsed the TCFD recommendations and declared that it will reduce its own GHG emissions by 46% by the end of fiscal 2030 (compared to fiscal 2020) represents a positive step forward.

In order to achieve these targets, Starzen will need to strategically implement the more defined measures indicated in its annual securities report. This road will not be easy, but there is no doubt that the company's implementation of energy-saving plans created based on the visualization of GHG emissions at plants and the consolidation of logistics bases will lead to significant progress. Sustainable beef certification and a stronger approach to meat substitutes will also certainly contribute to Starzen's long-term targets. Another significant role of the Board of Directors is to consider how energy procurement should be conducted throughout the Group. In doing so, while it is important to contemplate the costs of business transformation, it is equally necessary to be conscious of how society perceives us and to embrace a proactive mindset, understanding that every event can bring unexpected opportunities.

As an expert in food science and as a human being who is responsible for education and research, which maintains a certain distance from efficiency, I hope to actively participate in discussions at meetings of the Board of Directors and contribute to the sustainable development of Starzen.

In fiscal 2021, discussions were held within Starzen about what issues should be recognized as essential from the perspective of sustainability management to increase the sustainability of the company's business in consideration of the global environment and society. At that time, a large number of perspectives were raised, including environment-related issues such as climate change and reduction of food loss and waste, social issues such as occupational health and safety, supply chains, and animal welfare, as well as quality and safety, health and nutrition, and strengthening governance, and the company reached a common understanding that all of these issues are part of Starzen's materiality.

In fiscal 2022, social discussions on sustainability management have deepened. While many of the company's business partners are stepping up their initiatives, I believe that Starzen, too, is catching up with this trend and making efforts. "Sustainable business operations" is also part of the company's new medium-term management plan announced in November 2022, while the company has declared that "We will work to resolve various environmental, social, and economic issues through food and strive to improve our corporate value and realize a sustainable society." In particular, the targets have been narrowed to GHG reduction, animal welfare research, and strengthening initiatives in meat substitutes. As part of sustainability management, it is necessary to keep in mind many targets, and I hope that Starzen will focus on addressing these targets to tackle sustainability through food.

Addressing issues in terms of global environmental, social, and economic sustainability may seem overwhelming. Yet, the only way to address them is to build on each and every effort. Personally, I will work day in and day out to gather information, study up, and help Starzen achieve its targets.

## 11-Year Consolidated Financial Summary

(FY)	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022
<b>Financial Performance (Millions of yen)</b>											
Net sales	254,124	256,581	282,575	303,402	313,943	340,119	351,212	351,356	349,242	381,432	425,173
Cost of sales	231,250	234,687	258,166	278,462	285,468	309,525	320,639	320,089	314,880	345,981	386,603
Gross profit	22,873	21,893	24,409	24,940	28,475	30,593	30,572	31,266	34,361	35,451	38,569
Selling, general and administrative expenses	21,043	19,924	20,558	21,025	22,912	24,749	25,784	27,037	27,675	28,545	30,407
Operating income	1,830	1,969	3,850	3,914	5,562	5,844	4,788	4,229	6,686	6,905	8,162
Non-operating income	1,290	1,488	1,628	2,373	1,760	2,160	2,423	2,216	2,791	2,878	3,468
Non-operating expenses	962	816	815	726	723	734	793	650	870	617	1,346
Ordinary income	2,158	2,641	4,663	5,561	6,599	7,270	6,418	5,795	8,607	9,165	10,284
Profit before income taxes	1,921	2,550	4,594	5,842	6,297	7,160	6,584	3,956	8,334	8,489	10,245
Profit attributable to owners of parent	861	1,748	2,833	3,796	4,578	5,120	4,565	1,743	6,921	5,984	7,483
Capital investment	3,369	3,641	3,035	2,109	2,007	3,743	4,062	2,924	3,440	3,195	3,101
Depreciation	3,110	3,027	3,009	2,744	2,650	2,433	2,615	2,809	2,765	2,949	2,916
R&D expenses	43	47	40	34	44	63	86	117	86	79	76
<b>Cash Flows (Millions of yen)</b>											
Cash flows from operating activities	4,967	4,661	(5,893)	13,365	1,876	1,163	7,000	1,459	11,084	1,420	7,214
Cash flows from investing activities	(2,831)	(3,261)	(2,006)	(1,349)	(1,761)	(4,464)	(4,091)	(3,412)	(3,445)	(3,451)	(4,192)
Cash flows from financing activities	(2,338)	(36)	9,221	(9,636)	3,338	(2,884)	(2,713)	890	(2,001)	(1,590)	(3,169)
Free cash flow (Operating cash flows + Investing cash flows)	2,135	1,399	(7,899)	12,016	115	(3,301)	2,909	(1,952)	7,638	(2,030)	3,022
Cash and cash equivalents at the end of year	7,163	8,595	10,109	12,462	15,885	9,793	9,969	8,896	14,530	10,952	10,876

## 11-Year Consolidated Financial Summary

(FY)	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022
<b>Financial Condition (End of fiscal year)</b> (Millions of yen)											
Current assets	56,222	53,464	71,398	64,816	76,875	78,583	78,674	80,232	83,568	93,572	95,482
Current liabilities	43,490	39,126	48,917	40,637	48,181	46,500	45,713	44,695	42,900	55,119	49,456
Net assets	28,333	29,465	32,829	34,914	43,327	47,885	52,244	52,310	59,125	64,001	70,175
Total assets	94,848	93,777	111,906	104,446	117,386	123,000	125,938	125,932	131,726	142,428	146,520
Total liabilities	66,514	64,312	79,076	69,532	74,059	75,115	73,693	73,621	72,600	78,426	76,344
Interest-bearing liabilities	39,717	41,644	51,933	43,303	43,647	41,701	39,290	41,605	41,020	41,180	39,533
Net worth	28,303	29,515	32,867	34,897	43,327	47,885	52,238	52,310	59,122	64,179	70,409
<b>Per Share Information (Yen)</b>											
Earnings*	55.15	109.35	176.85	236.26	246.61	271.22	236.01	89.47	354.91	307.37	384.04
Net assets*	1,770.35	1,846.40	2,049.10	2,168.56	2,303.44	2,525.56	2,681.72	2,680.00	3,031.43	3,295.42	3,610.96
Dividends*	35	35	40	45	50	60	60	55	65	65	75
<b>Main Indicators</b>											
Return on assets (ROA) (%)	2.3	2.8	4.5	5.1	5.9	6.0	5.2	4.6	6.7	6.7	7.1
Return on equity (ROE) (%)	3.2	6.0	9.1	11.2	11.7	11.2	9.1	3.3	12.4	9.7	11.1
Return on invested capital (ROIC) (%)	1.7	2.0	3.7	4.7	5.3	5.6	4.8	3.8	6.0	5.6	6.4
Operating margin (%)	0.7	0.8	1.4	1.3	1.8	1.7	1.4	1.2	1.9	1.8	1.9
EBITDA (Millions of yen)	5,041	5,126	6,990	6,671	8,288	8,416	7,542	7,177	9,463	9,860	11,079
Net worth/total assets (%)	29.8	31.5	29.4	33.4	36.9	38.9	41.5	41.5	44.9	45.1	48.1
Liquidity ratio (%)	129.3	136.6	146.0	159.5	159.6	169.0	172.1	179.5	194.8	169.8	193.1
Interest coverage ratio (Times)	10.3	10.6	(12.9)	33.5	4.9	3.1	16.8	4.8	42.7	5.4	10.7
Debt-to-equity (D/E) ratio (Times)	1.40	1.41	1.58	1.24	1.01	0.87	0.75	0.80	0.69	0.64	0.56

\* A share consolidation was implemented on common stock with a ratio of 10 shares to one share on October 1, 2015. In addition, a share split was implemented on common stock with a ratio of one share to two shares on April 1, 2021. Figures prior to fiscal 2020 have been retroactively adjusted for comparison purposes.

## Corporate Information / Stock Information (As of March 31, 2023)

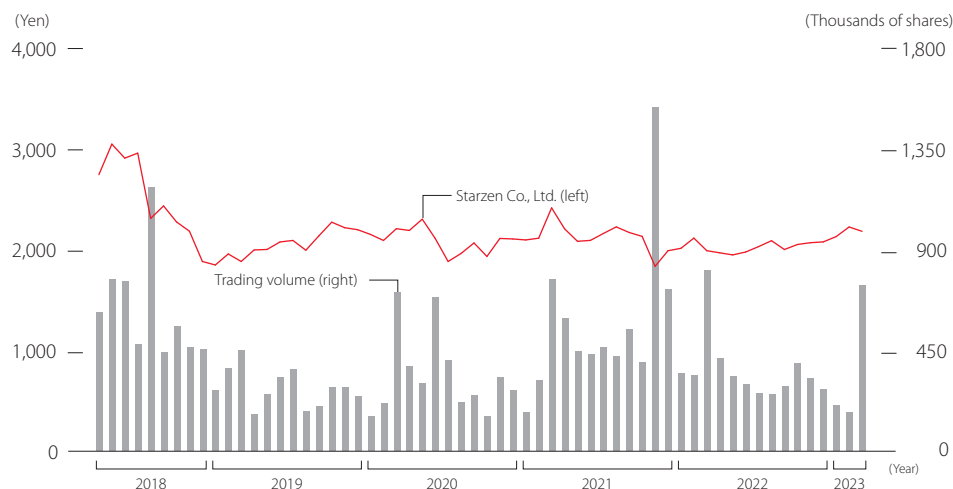
### ■ Corporate information

<b>Company name</b>	Starzen Co., Ltd.
<b>Representative</b>	Kazuhiko Yokota
<b>Headquarters</b>	Starzen Shinagawa Building, 4-13 Konan, 2-chome, Minato-ku, Tokyo 108-0075, Japan
<b>Established</b>	June 17, 1948
<b>Capital</b>	¥11,658.27 million
<b>Main businesses</b>	1. Processing and sale of meat 2. Production, processing, and trade of livestock products 3. Import and export of meat and livestock products 4. Manufacture, processing, and trade of food products
<b>Customers</b>	Supermarkets, meat specialty stores, department stores, restaurants, fast food chains, convenience stores, co-operatives, food processing manufacturers, meat wholesalers, and others
<b>Employees</b>	2,729 (Consolidated)

### ■ Stock information

<b>Securities code</b>	8043
<b>Stock exchange listing</b>	Tokyo Stock Exchange, Prime Market
<b>Fiscal year</b>	April 1 to March 31
<b>General Meeting of Shareholders</b>	End of June
<b>Administrator of shareholders' registry</b>	3-3 Marunouchi, 1-chome, Chiyoda-ku, Tokyo 100-8241, Japan Mizuho Trust & Banking Co., Ltd.
<b>Unit share</b>	100 shares
<b>Number of shares authorized</b>	44,000,000 shares
<b>Number of shares issued</b>	19,522,552 shares (includes treasury stock of 23,660 shares)
<b>Number of shareholders</b>	15,728
<b>Contact information</b>	8-4, Izumi 2-chome, Suginami-ku, Tokyo 168-8507 Mizuho Trust & Banking Co., Ltd. Stock Transfer Agency Business Planning Department Toll free in Japan: 0120-288-324 (9:00 am to 5:00 pm; closed Saturdays, Sundays, and national holidays)

### ■ Trend in stock price and trading volume



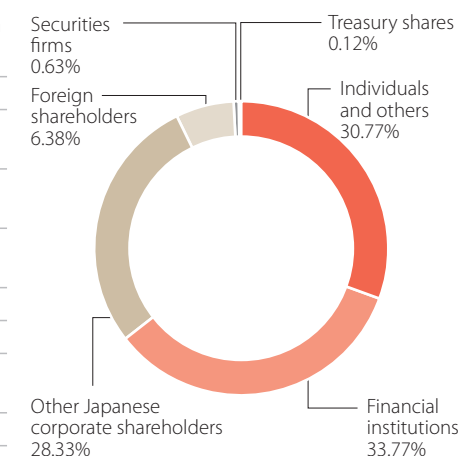
Note: The Company executed a two-for-one stock split of its common shares effective on April 1, 2021. The above graph of Starzen's stock price trends assumes that the stock split took place in April 2017.

### ■ Major shareholders

Name of shareholder	Number of shares held (Thousands of shares)	Shareholding ratio (%)
Mitsui & Co., Ltd.	3,109	15.94
The Master Trust Bank of Japan, Ltd. (Trust account)	1,800	9.23
Custody Bank of Japan, Ltd. (Trust account)	938	4.81
Sumitomo Mitsui Banking Corporation	649	3.33
The Norinchukin Bank	608	3.12
MUFG Bank, Ltd.	559	2.87
Starzen Employee Shareholding Association	517	2.65
Uzurahashi Kosan Co., Ltd.	469	2.41
Mizuho Bank, Ltd.	320	1.64
Yokohama Reito Co., Ltd.	306	1.57

Notes: 1. The shareholding ratio is calculated after subtracting treasury shares from the number of shares issued and outstanding.  
2. The number of shares held is rounded off to the nearest one thousand.

### ■ Composition of shareholders



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