

Itoham Yonekyu Holdings Inc.

Medium-term Management Plan 2023

May 10, 2021



1 Review of Medium-term Management Plan 2020

Financial indexes, specific plans

2 Group Philosophy and Vision

Group philosophy, vision, founding spirit, action guidelines

3 Medium-term Management Plan 2023

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- (ii) Challenges
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 - I. Strengthening management base
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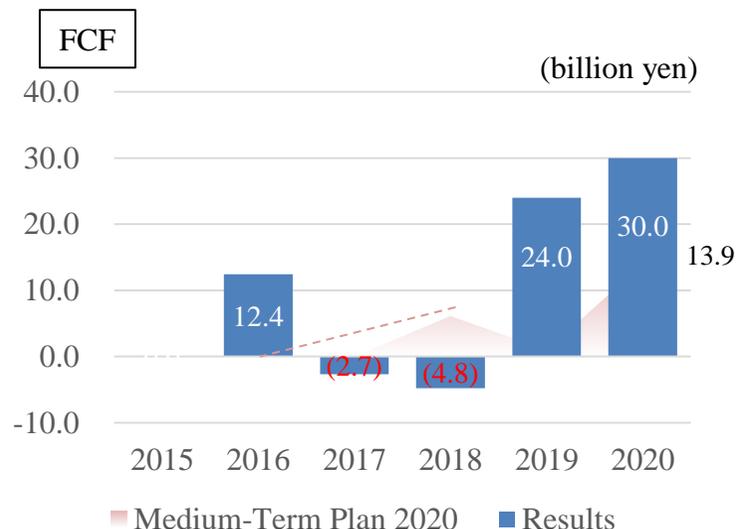
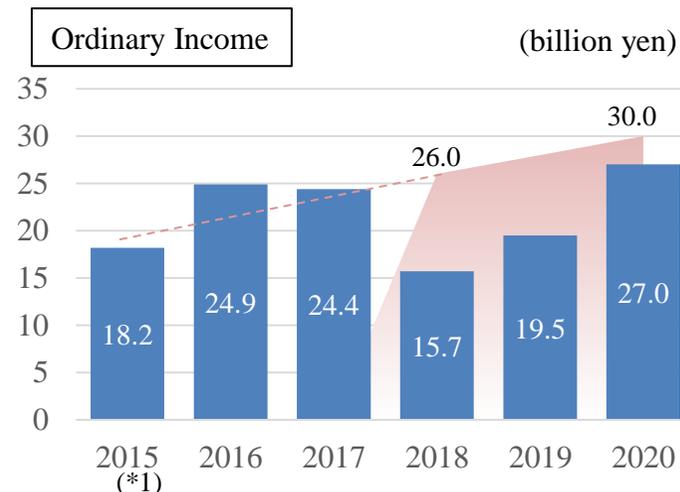
1 Review of Medium-term Management Plan 2020

1. Review of Medium-term Management Plan 2020

Financial indexes

☆ Ordinary income was 3.0 billion yen less than the plan, but the ordinary income rate exceeded the plan by 0.2 percentage point. The FCF target was achieved.

	FY2015 results (*1)	FY2020 results	CAGR	FY2020 Medium-Term Management Plan	Difference
				billion yen	
Net sales	817.4	842.6	1%	1,000.0	-157.4
Ordinary Income	18.2	27.0	8%	30.0	-3.0
Ordinary income rate	2.2%	3.2%	-	3.0%	+0.2
ROE	(Itoham) 6.2%	(*2) 7.2%	-	8.0%	-0.8
	(Yonekyu) 11.2%				
Total assets	360.9	394.0	2%	427.0	-33.0
Shareholders' equity	191.8	239.9	5%	254.8	-14.9
D/E ratio	-	0.15	-	0.20	-0.05
FCF	-	30.0	-	13.9	+16.1



*1) FY2015 results are a simple aggregation of results at Itoham and Yonekyu.

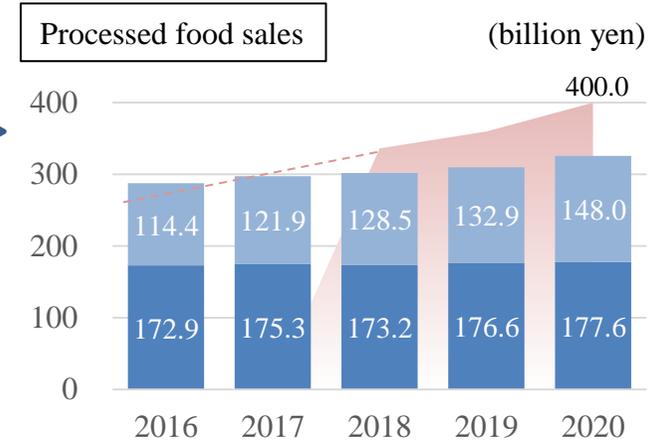
*2) Insurance claim income in extraordinary income is excluded.

1. Review of Medium-term Management Plan 2020

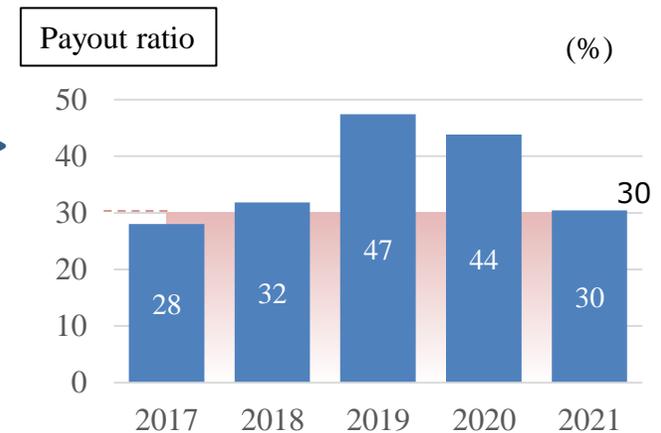
Specific plans

☆ Net sales and operating cash flow fell short of plan but organizational change made steady progress.

Subject	Results	Review
Processed food sales Fiscal 2020	Ham & sausage: ¥177.6 billion Processed food: ¥148.0 billion (Plan: ¥200.0 billion in each)	Ham & sausage rose slightly. Processed food, particularly pizza, grew.
Strengthening domestic meat production business Fiscal 2020	Group production business: 32% Group slaughtering and cut: 59% Brand meat sales: 17%	Grew 10 pp from FY2015. Grew 9 pp from FY2015. Grew 2 pp from FY2015.
Operating cash flow (5-year total)	¥114.5 billion (Plan: ¥123.0 billion)	¥8.5 billion less than plan
Ratio of overseas operations in ordinary income Fiscal 2020	16.8% (Plan: 13.5%)	Income grew at ITOHAM AMERICA and ANZCO.
Payout ratio (Average in 5 years)	36% (Plan: Around 30%)	Paid stable dividends continually.



Medium-Term Plan 2020 (light blue)
Processed food (light blue)
Ham & sausage (dark blue)



Medium-Term Plan 2020 (light blue)
Results (dark blue)

Organizational change

- Consolidation of the administrative divisions of the head offices of Itoham and Yonekyu into Holdings
- Assigning officers to the meat, production and R&D divisions
- Changing the logistics division to an organ directly managed by Holdings

Reorganizing the administrative and operating divisions and building an organizational structure to achieve overall optimization in the Group, to change the system to one for business execution at each strategic unit

2

Group Philosophy and Vision

2. Group Philosophy and Vision

Group philosophy

We will contribute to achieving a sound and affluent society through business.

Vision

A leading food company that emphasizes the spirit of fairness, rises to the challenge of transformation and achieves sustainable growth with its employees

Founding spirit

Spirit that underlies the Group philosophy and vision



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**Contribute to society
through business**

Create excitement

2. Group Philosophy and Vision

Action guidelines

- (i) Pursue safety and reliability and quality and provide valuable products and services.
- (ii) Be sure to do what you say you are going to do and build and strengthen trust.
- (iii) Develop capacity and cultivate human resources through full participation, open-minded communication and mutual understanding.
- (iv) Prioritize compliance. Fair and transparent action.
- (v) Promote environmentally friendly business activities.



Guideline to bear in mind during the period of Medium-Term Management Plan 2023

Achieve further rapid growth by defying stereotypes and reaffirming our strengths.

3

Medium-term Management Plan 2023

Responding to continuing trends

☆ Meat consumption is increasing amid economic growth worldwide, particularly in Asia. Safety and reliability and higher levels of products and services are required in Japan with changes in the business environment. In this environment, opportunities to take advantage of **the Group's procurement, development, production and sales functions** are increasing.

Changes in environment and needs	Business opportunities	Focus
Growth in the world economy and a shift to meat as a source of protein	Worldwide increase in meat consumption	<ul style="list-style-type: none"> ✓ Farm management by the Group ✓ Procurement systems and the ability to supply products in Japan and overseas
Rising awareness of safety and reliability	Reliability of companies, products and services	<ul style="list-style-type: none"> ✓ Quality control system ✓ Relationships of trust with domestic and overseas suppliers and partners
Increasing single person households and double-income households	Simple meals, meals for consumption by individuals Expanding needs for ready-made meals	<ul style="list-style-type: none"> ✓ Function of developing products directly linked to consumer needs ✓ Product lineup
Peaking in the domestic market due to the decrease in population and declining birthrate and aging population	Affinity with peripheral areas Growth in overseas markets	<ul style="list-style-type: none"> ✓ New businesses, including frozen food, non-meat and extract ✓ Production and sales in new markets, particularly markets in Asia

Response to new trends

☆ Consumer needs are rapidly changing and diversifying due to COVID-19, digitization and rising interest in ESG and SDGs, among other factors, and opportunities to display **the Group's strengths** are increasing.

Changes in environment and needs	Business opportunities	Focus
Changes in purchasing behavior due to COVID-19	Household consumption, preference for storage Delivery Ordering products	<ul style="list-style-type: none"> ✓ Consumer product brands ✓ Lineup of frozen products and room-temperature products ✓ Ability to propose products to customers
Accelerating digitization in society	Online shopping Penetration of RPA tools	<ul style="list-style-type: none"> ✓ Corporate branding ✓ Ability to make proposals directly to consumers ✓ Using digital technology in business
ESG and SDGs as new buying motives	Increasing demand for new protein sources Ethical consumption	<ul style="list-style-type: none"> ✓ Product development capability ✓ Lineup of non-meat products ✓ Taking SDGs initiatives as a company

- ☆ We need to solidify the management base and revenue base after the integration and increase **competitiveness**.
- ☆ We need to strengthen **growth potential** by responding to new market needs and social and environmental values.

Challenge we are taking on after integration

I. Strengthening management base  P12

II. Strengthening earnings base  P13

III. Initiatives for new businesses and markets  P14

IV. Initiatives for sustainability  P15

Vision to achieve during period of Medium-term Management Plan

Maximizing performance and potential

Maximizing Group value

Establishing new core revenue sources

Fulfilling corporate social responsibility through business

Developing **policy on priorities** for each subject

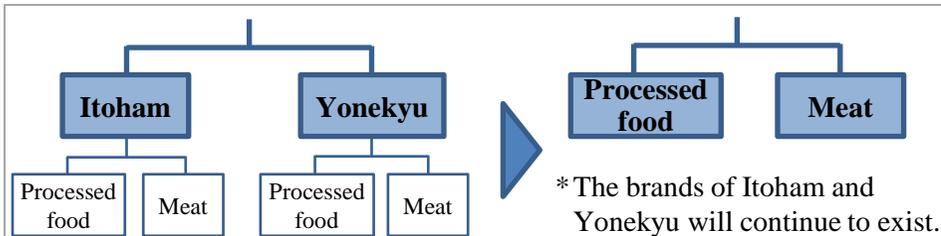
I. Strengthening management base

Maximizing performance and potential

☆ We will build an efficient and competitive business execution system and organizational structure to **maximize the effect of the integration.**

Integrating strategies in the Group through reorganization

- ✓ A shift from company-based units to strategic units
- ✓ Flat organizational structure



- An officer will be assigned to supervise the processed food business in FY2021. The processed food business will integrate strategic functions. The meat business is integrating functions ahead of the processed food business.
- In FY2021, the meat procurement functions will be integrated. In FY2022, the processed food production functions will be integrated.

Integration of systems

- ✓ Integrating internal rules and systems
- ✓ Revitalizing human resources

- Integrating personnel regulations and accounting regulations
- Flexible personnel utilization, including hiring mid-career employees
- Appropriate staffing in the Group

Digital strategy

- ✓ Enhancement of internal systems
- ✓ IT strategies
- ✓ DX (digital transformation)

- Implementing the planned consolidation of systems
- Establishing an IT management office
- Changing business processes through digital transformation

II. Strengthening earnings base

Maximizing Group value

☆ We will enhance cost competitiveness and the value of products and services to increase **the Group's market competitiveness.**

Initiatives for cutting cost

- ✓ Optimizing the production and logistics systems
- ✓ Increasing efficiency in purchasing operations
- ✓ Using digital technology

- Production) Reorganizing facilities and increasing the use of high-efficiency lines
- Logistics) Promoting delivery directly from production areas, increasing efficiency in delivery
- Procurement) Unifying operations
- Saving labor using RPA, living body control using image recognition

Enhancement of added value

- ✓ Raising the level of marketing and brands
- ✓ Enhancing development functions, manufacturing technology and selling skills
- ✓ Reflecting research and development in business

- Sorting out, developing and enhancing brand concepts
- Recognizing and sharing knowledge within the Group by making expertise and intellectual property visible
- Actively using the Central Research Institute

Scale expansion

- ✓ Domestic sale
- ✓ Processed food
- ✓ Brand meat and unheated meat products

- A meticulous meat sales system focusing on major urban areas (expanding the meat wholesale function)
- Utilizing the Group's nationwide sales network
- Expanding the product lineup

III. Initiatives for new businesses and markets

Establishing new core revenue sources

☆ We will redistribute management resources, including human resources and funds, to fields that are expected to grow to increase **the Group's growth**.

Expansion of business fields

- ✓ Non-meat business
- ✓ Frozen food business
- ✓ Extract business
- ✓ Research on new protein sources

- Building a system to comprehensively promote the non-meat and frozen food businesses
- Expanding the non-meat business using meat processing technology and an early starter's advantage and making a profit in the business early
- Establishing Kyushu Extract Limited
- Bringing in cutting-edge technology related to meat

Expansion of production areas and sales markets

- ✓ Strengthening of the overseas business
- ✓ Expanding synergies between business sites
- ✓ Cultivating human resources overseas



- Strengthening the existing overseas operations and deeper penetration into the markets
(NZ) ANZCO
(U.S.) ITOHAM AMERICA, IPC
(China) Itoham Foods Trading (Shanghai)
(Thailand) Itoham Betagro Foods, ABC
- Using ANZCO's sales channels in overseas markets
- Expanding exports of Japanese beef
- Cultivating human resources by dispatching them to the sites above

IV. Initiatives for sustainability

Fulfilling corporate social responsibility through business

☆ We will fulfill our responsibility as a member of society through initiatives that meet social and environmental values to **enhance the Group's value and achieve sustainable growth.**

Strengthening the system to implement initiatives

Establishment of a Sustainability Committee

- Formulating basic policies and plans, identifying important issues, setting KPIs, monitoring progress

Social contribution activity, improving the working environment

- ✓ Contributing to local communities
- ✓ Promoting a healthy work-life balance
- ✓ Developing human resources and respecting diversity
- ✓ Industrial safety and health, health management

- Job creation, forest conservation activities, community cleanup
- Vibrant work environment
- Systematic human resources development and the use of a wide range of human resources
- Human resources strategies in response to changes in ways of working and diversity

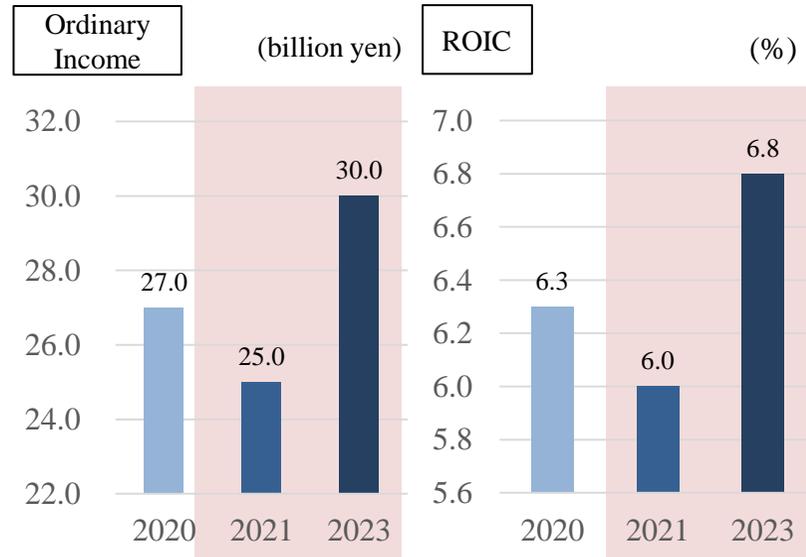
Environmentally friendly initiatives

- ✓ Reduction of the consumption of energy and water
- ✓ Reduction of CO2 emissions
- ✓ Reduction of waste
- ✓ Sustainable use of biological resources

- Introducing equipment having high energy conversion efficiency, reusing used water
- Using renewable energy, including solar energy
- Reducing food waste and waste plastic, promoting recycling
- Managing farms, considering animal welfare
- Recycling-oriented agriculture model

- ☆ We will increase competitive and added value in business to **increase return on invested capital (ROIC)**.
- ☆ We will implement shareholder return policies in consideration of financial soundness and capital efficiency to **maximize shareholder value**.

		billion yen				
	FY2020 results	FY2021 plan	FY2023 plan	Comparison with FY2020		
				CAGR	Difference	
Operating income	24.0	23.0	28.0	5%	+4.0	
Processed food	12.3	11.0	14.5	6%	+2.2	
Meat	13.4	13.5	15.5	5%	+2.1	
Other	-1.7	-1.5	-2.0	-	-0.3	
Ordinary Income	27.0	25.0	30.0	4%	+3.0	
ROIC	* 6.3%	6.0%	6.8%	-	+0.5	
Total assets	394.0	400.0	420.0	2%	+26.0	
Shareholders' equity	239.9	250.0	275.0	5%	+35.1	
D/E ratio	0.15	0.13	0.10	-	-0.05	



Segment income (FY2023 vs. FY2020)

Processed food business

Up 2.2 billion yen

- ✓ Cutting cost
Up 1.2 billion yen
- ✓ Expanding sales of processed food
Up 0.8 billion

Meat business

Up 2.1 billion yen

- ✓ Strengthening production and processing
Up 1.2 billion yen
- ✓ Strengthening the overseas business
Up 0.8 billion

Shareholder return policy

Dividend policy

Aiming for a payout ratio of around 40%, we will increase dividends steadily, with the payout ratio ranging from 30% to 50%.

ROIC = Income before interest expense and after tax / (Interest-bearing debt + Equity capital) (excluding insurance claim income of extraordinary income)

☆ We will strengthen the management and earnings base and increase capital efficiency and profitability by actively investing in growth areas to **create stable and sustainable returns**.

Investment plan: ¥60 bn to ¥80 bn in three years

(Replacement (¥30 bn) + New (¥30 bn to ¥50 bn))

I. Strengthening management base

- ✓ Integration of the Group's systems (¥6.0 bn)

II. Strengthening earnings base

- ✓ Reorganization of processed food production bases (¥20 bn to ¥30 bn)
- ✓ Acquisition of meat production bases (¥7 bn)
- ✓ Strengthening the production of unheated meat (¥3 bn)

III. Initiatives for new businesses and markets

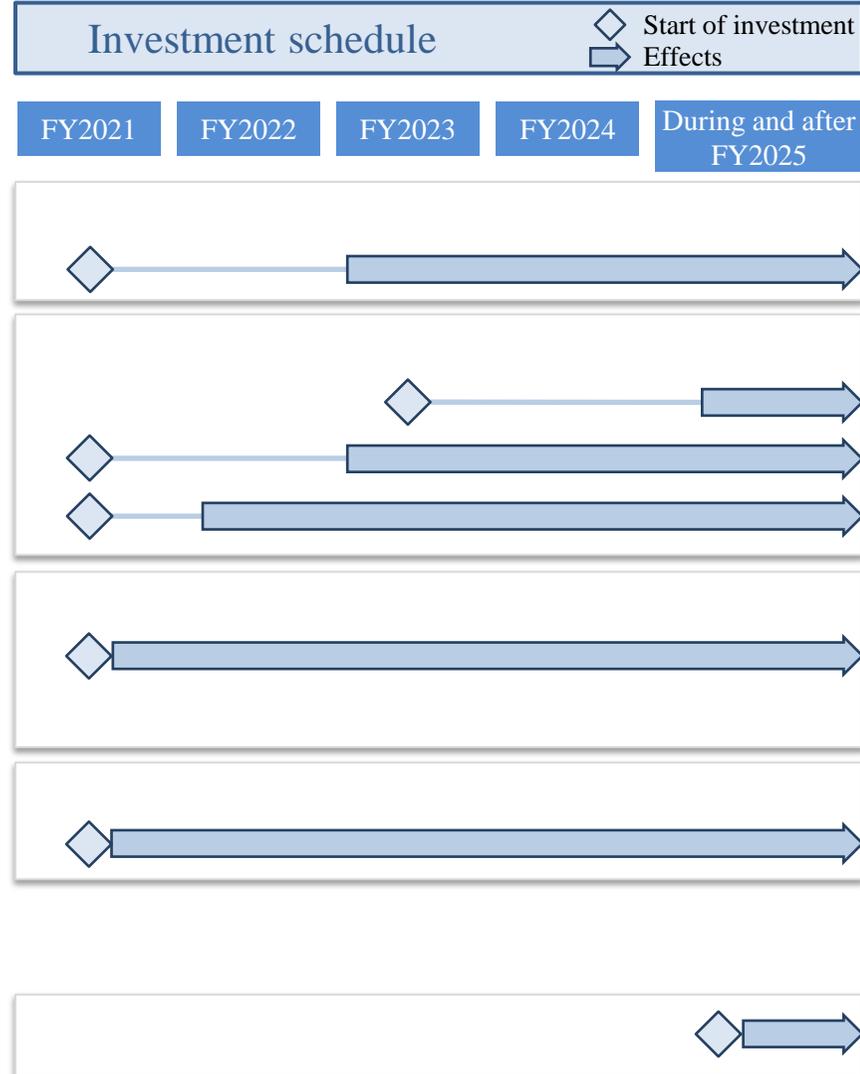
- ✓ Introducing non-meat production facilities
- ✓ Expanding the frozen food business

IV. Initiatives for sustainability

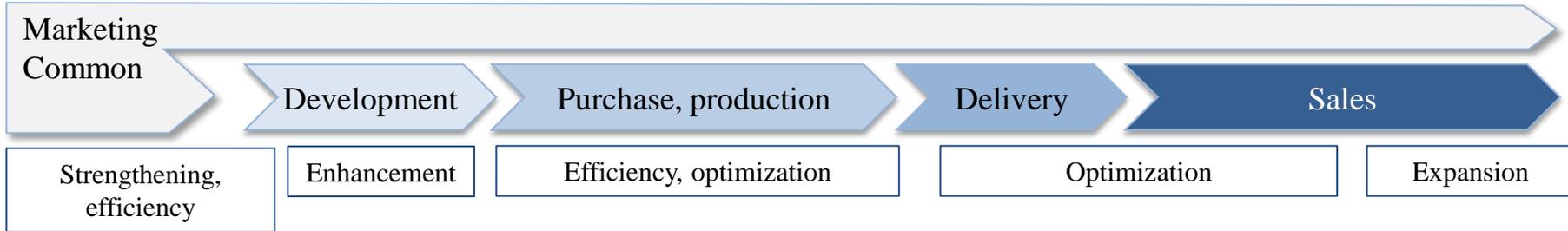
- ✓ Introducing equipment with a low environmental impact

Investment plan (from next medium-term management plan)

- ✓ (Continued) Reorganization of processed food production bases (¥30 bn)



Description of the strengthening of the earnings base in the value chain

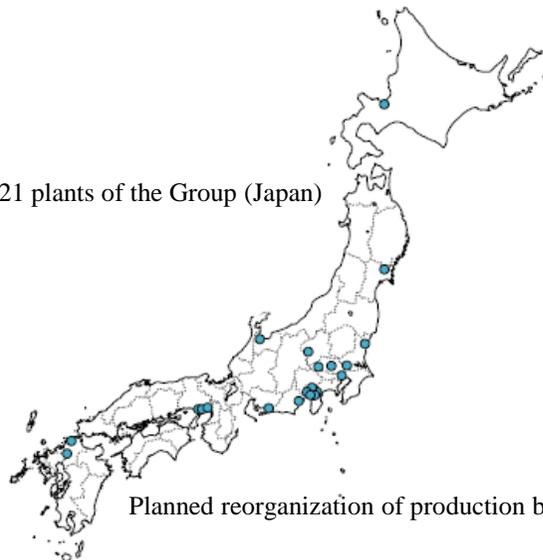


Processed food	Strengthening marketing	Improving development system Using the Central Research Institute	Unifying the procurement of raw materials	Reorganization of sites Labor-saving lines	Consolidation of sites	Using the Group's sales network	Processed food
	Building and strengthening brands Using digital technology		Strengthening and optimizing domestic production	Farm business, using unheated meat processing plants	Promoting delivery directly from production areas Efficient delivery		Strengthening sales in Japan and overseas



Living body control using digital technology (Taiyo Pork Corp.)

21 plants of the Group (Japan)



Planned reorganization of production bases

Examples in the existing product lineup



(La Pizza series)



(Yonekyu's Meatball series)



(Renji de Gochiso series)



(Umazutsumi Volume Rich Hamburg series)

Expansion of the processed food business

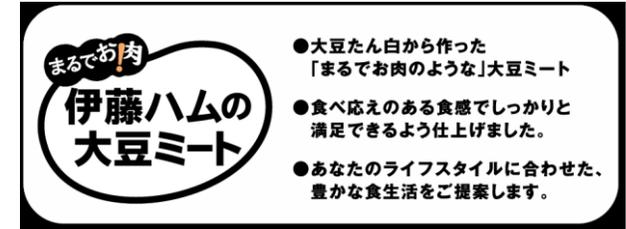
New business fields

Processed food

- ✓ Establishing a non-meat market
(developing both consumer products and products for business use, considering the market as a growth market)
- ✓ Strengthening the product development function
(developing creativity and meeting market needs)
- ✓ Incorporating the frozen food business

Meat

- ✓ Strengthening non-meat, unheated food and extract products
(expansion of business)
- ✓ Incorporating the production business and meat wholesale function
(strengthening the upstream process and downstream process)
- ✓ Developing cutting-edge technology



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Kyushu Extract Limited
(an image of the completed plant)

Initiatives in overseas markets

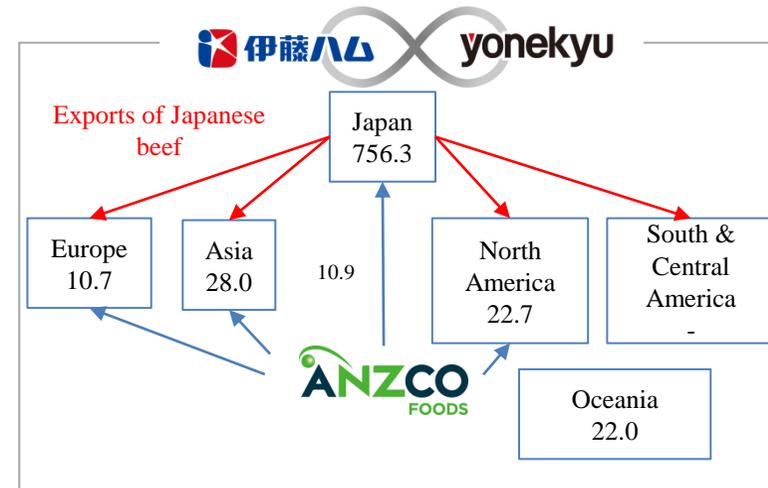
Processed food

- ✓ Strengthening overseas production and sales in overseas markets
(Using ANZCO's sales channels)
- ✓ Scale expansion using expertise in business in China and Thailand
(Based at Itoham Foods Trading (Shanghai))

Meat

- ✓ Expanding synergies between the existing overseas businesses
- ✓ Selling Japanese beef using ANZCO's sales channels

Sales at the Group by market in FY2020
(billion yen)



Initiatives for sustainability

Sustainable use of biological resources

Forest conservation activities

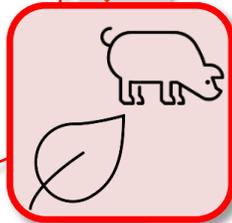
Kobe Forest School

Cleaning activities

Senbonhama coast cleaning

Promotion of the recycling-oriented agriculture model

Managing farms, considering animal welfare



Reducing waste

Reuse of waste oil as fuel

Installation of cooking oil waste boilers

Recycling food waste to make feed and fertilizer

Making feed for farmed pigs and fish
Yonekyu Eco Project Center



Initiatives related to climate change

Reduction of CO2 emissions

- Installation of efficient facilities/equipment
- Use of renewable energy
- Installation of cooking oil waste boilers

Using CFC free equipment and reducing global warming potential

- Replacement of freezers and refrigeration equipment with environmentally friendly equipment



Environmentally friendly containers and packaging

Reducing the amount of plastic used

- Thin packaging materials
- Expanding use of recycled plastic

Use of biomass materials

- Expansion of use of biomass plastic and biomass ink



Efficient use of water resources

Reduction of water consumption

- Reuse of used water

Introducing advanced water treatment facilities for water quality conservation

- Strengthening wastewater treatment facilities



Initiatives for sustainability

Promoting changes in ways of working

- ✓ Promoting flexible ways of working by establishing work from home and flextime
- ✓ Increasing productivity by improving ways of working and promoting digital strategies



Cultivating employees

- ✓ Cultivating human resources that come to be able to think by themselves through different careers and can change the status quo
- ✓ Education for employees for each one being proud of their expertise and increasing job satisfaction



Respecting diversity

- ✓ Actively hiring female employees and appointing them as managers
- ✓ Promoting the utilization of elderly people and their participation
- ✓ Promoting support for workers engaging in long-term care
- ✓ Workplaces where disabled employees can work comfortably



Environmental conservation, education and support

- ✓ Forest protection activities in the foothills of Mt. Fuji
- ✓ Volunteer activities at Kobe Forest School
- ✓ Senbonhama coast cleaning
- ✓ Support for UNICEF's activities

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