



## Itoham Yonekyu Group 2021 Integrated Report

Itoham Yonekyu Holdings Inc.

1-6-21 Mita, Meguro-ku, Tokyo

URL : <https://www.itoham-yonekyu-holdings.com/english/>



## Group Philosophy

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

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### Editorial Policy

This integrated report was created to allow shareholders, investors, and all other stakeholders to get a better understanding of the history of both Itoham and Yonekyu and the Itoham Yonekyu Group's medium- to long-term value creation process.

### Scope

#### Period Covered

This report covers initiatives from FY2020 (April 1, 2020 to March 31, 2021) and includes some initiatives from outside this period, as well.

#### Entities Covered

Itoham Yonekyu Holdings Group

\* Scope of personnel and environmental data are listed separately.

#### Reference Guidelines

The International <IR> Framework from the IIRC (The International Integrated Reporting Council)

The Environmental Reporting Guidelines 2018 from the Ministry of the Environment

Sustainability Reporting Standards from GRI

### Disclaimer

The perspectives on future strategy and results listed in this integrated report are based on currently available information and include some uncertain factors. Please be aware that it is possible for actual results to greatly differ due to a variety of causes.



## The History of Itoham Yonekyu Holdings

I Itoham Y Yonekyu

### 1920s- The Start of Japanese-style Western Food

Western technology and culture were incorporated into every field through prosperity brought on by the effects of World War I. Curry, *omuraisu*, and other Japanese-style western foods gained in popularity, but they were still only delicacies for some of the wealthy.

#### 1928 I

Entrepreneur Denzo Ito founds Ito Food Processing by himself.

#### 1934 I Birth of a best-selling product

The Cellophane Wiener (currently Pole Wiener) is launched.

President Ito reuses cellophane scraps as casings with a unique rolled paste. The casings were stuffed with processed sausage made mainly from pork, and the Cellophane Wiener was developed as stick-shaped products with each one weighing 37.5g.



### 1940s- Improvements in the Quality of Eating Habits

Food scarcity continued for a while after World War II, but eating habits greatly improved through food supply aid from The United States and the establishment of a school lunch system. Bread came to be an important staple for Japanese people.

#### 1946 I

Ito Foods is revived in Bingocho, an area in the Nada Ward of Kobe, Hyogo.



#### 1958 I Unique technology

A technology to use mutton as an ingredient in ham sausage is developed.

Mutton, which at the time had been criticized for being pungent and inedible, is quickly imported from mutton-producing New Zealand. Inexpensive and delicious pressed ham is developed thanks to deodorization through unique technology and cleaning. With this development, ham becomes widespread as something that anyone could easily eat.

#### 1959 I

The Meguro Plant is built in Tokyo's Meguro Ward and the company expands to Tokyo.



### 1960s- Westernization of Eating Habits

Together with long-term economic growth, the environment around food encountered great change. It became possible to consume fish, meat, ham, sausage, dairy products, soft drinks, and more at any time through the introduction of super markets, the popularization of electric refrigerators, and the development of cold chain low-temperature transportation, and eating habits were quickly Westernized.

#### 1965 Y

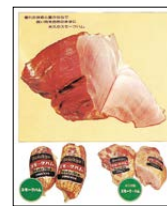
Kiyokazu Shoji founds Yonekyu Foods by himself to process meat and be a wholesaler in Numazu, Shizuoka.



#### 1972 Y Birth of a best-selling product

Smoke Ham and Daruma Smoke Ham is launched.

Smoke ham was made by smoking pork ham meat which is cut into three pieces. Daruma Smoke Ham, known for its name due to a shape resembling Japanese daruma dolls, is a best-selling product.



#### 1974 I

Skinless Wieners (currently Palky) is launched.



#### 1981 Y

The industry's first factory dedicated to dry-cured ham is built.



#### 1985 I Birth of Itoham's best-known product

Handmade Bayern Wieners is launched.



#### 1988 I Development of the world's smallest wiener

Pork Bits is launched.

As a result of marketing research, it became clear that there were many consumers who desired ease of cooking. Pork Bits, the world's smallest wieners that could be cooked easily and could be used as ingredients in any food, were developed.



### 1990s- Changes in Lifestyles

Following the social progress of women and other changes in lifestyles, the need for individual meals and small quantity products increased and the market for cooking products and processed foods that also met the needs of time reduction expanded. Interest in safety and security and a trend towards health also grown.

#### 1990 Y Birth of Yonekyu's best-known product

Gotemba Kogen "Arabiki" is launched.

Gotemba Kogen Arabiki Pork is launched with the aim of developing coarsely-ground wieners as a new representative product for Yonekyu, as this type of sausage was recognized for its flavor. This product was named for its high-class feel and, more than anything else, for its associations with Mt. Fuji.



#### 2009 I Y

Mitsubishi Corporation, Itoham Foods Inc., and Yonekyu Corporation entered into a comprehensive business contract.

#### 2013 I

Kobe Series is certified as a Kobe Special PR Partner.



The Toride Plant is built in Toride, Ibaraki, introducing cutting-edge equipment for that time.



#### 2014 I

The GRAND Alt Bayern is launched which is rebranded as Alt Bayern.



#### 2016 I Y

Itoham Yonekyu Holdings Inc. is established.

#### 2017

Additional shares of ANZCO FOODS JAPAN LTD are acquired and it becomes a wholly-owned subsidiary.

#### 2019

Kyushu Extract Limited is founded as a joint venture with Mitsubishi Corporation Life Sciences Limited, producing meat extracts and seasoning products.



#### 2019

Shares of MEIJI KENKO HAM CO., LTD. are acquired and it becomes a wholly-owned subsidiary (business transferred to Yonekyu Corporation in FY2020).



### 2020s- Increase in home Demand

There was a decrease in dining out and an increase in eating meals at home from the effects of stay-at-home measures due to the spread of COVID-19. Demand for cook-at-home food, including frozen cooked foods, *bentos*, and prepared meals, increased.

#### 2020

The Marude Oniku! series is launched.

Soy-meat products, the Marude Oniku! that reproduce the textures, flavors, and aromas of meat, was launched. A wide variety of products have been developed, resembling deep-fried meat cutlets, fried chicken, and more.



#### 2020

Participation in the TANPACT business collaboration.

Our company participated in the TANPACT business collaboration, agreeing with the idea of making Japan healthy through whey protein with the TANPACT brand developed by Meiji Co., Ltd.



TANPACT Salad Chicken stick

#### 2021

Response to eco-friendly packaging.

Our company has started shifting towards environmentally-friendly packaging materials both for new and existing products.

This is for reducing both CO<sub>2</sub> emissions and the amount of plastic used by switching to biomass plastics, making packaging film thinner, and more.

► For details, see page 21.



#### 2021

Onikuya-san no Daizu MEAT is launched.

Our company launched Onikuya-san no Daizu MEAT, a raw, high-protein soy bean-based material with the same texture as meat, as a third source of protein after meat and fish. This product can be flavored or cooked at home as desired as the product is uncooked.





## Message from the President

**We continue to be a corporation that quickly and accurately responds to global changes, proves our trustworthiness to our customers, and meets their expectations.**



### Prologue

Itoham, founded in 1928 as Ito Food Processing, and Yonekyu, founded in 1965 as Yonekyu Foods, merged in April 2016. Five years have passed since we Itoham Yonekyu Holdings took off. Upon merging, we set our Group Philosophy as contributing to the realization of sound and affluent society through business and our Vision as being a leading food company that emphasizes the spirit of fairness, rises to the challenge of transformation, and achieves sustainable growth with its employees. We have undertaken our business activities with these in mind.

### For the Pandemic

The spread of COVID-19 infections had a major impact on our living environments, and led to a number of changes in consumer behavior, including increases in the demand for cook-at-home meals and demand for long life goods.

We responded to these changes quickly and appropriately



with our Group product and sales strategies. We also took on a stance with our corporate activities that put protecting the health and safety of our employees and their families first, and we created an environment in which each employee can work safely, securely, and in diverse ways. This includes staggered work hours, remote working, and workplace vaccinations. We will continue to focus on the stable supply of products with all of our effort as we continue our prevention measures against the spread of infectious diseases.

The world is always changing, and this is not limited to the effects of COVID-19. We think that the ability to respond to these changes is directly linked to a corporation's competitiveness. We hope that the Itoham Yonekyu Holdings Group will always be on the lookout, accurately discovering the signs of change, and quickly and appropriately responding in turn. Food is an essential part of people's lives. As the change and intensification of focus on how food should be increases, we will come together and develop an approach that meets the changes and demands of the social environment that surrounds the Group.

### Establishment and Announcement of the Medium-term Management Plan 2023

With our Medium-term Management Plan 2020 which was established upon merging, we set expansion of business, streamlining and enhancement of competitiveness, and strengthening our management base as basic strategies. We set net sales at 1 trillion yen, ordinary income at 30 billion yen, and ROE at 8% as numerical targets and worked on specific measures. We were able to create 5 billion yen as a synergistic

effect of the merger, but we did not meet our goals for net sales or ordinary income due to the effects of unexpected changes in the external environmental, including a rise in the cost of main ingredients and logistics.

Understanding this situation, in our Medium-term Management Plan 2023, we made achieving even more rapid growth by defying stereotypes and reaffirming our strengths as our basic policy, in response to the issue of unfulfilled goals in our previous plan as well as new needs and environmental changes. We also set as priorities strengthening our management base, strengthening our earnings base, pursuing initiatives for new businesses and markets, and undertaking initiatives for sustainability.

First, under the policy of strengthening our management base, we are working to enhance our digital strategies while also aiming to maximize the effects of the merger through restructuring from the previous Itoham and Yonekyu units to the strategic units of the meat business and the processed food business.

Under the policy of strengthening our earnings base, we will enhance our marketing functions to allow us to respond to changes in the world and aim to improve the added value of our products, in addition to reducing costs through optimizing the production and logistics systems and using digital technology. We will also expand the scope of our businesses through continuing to supply products that correspond to market needs.

Under the policy of pursuing initiatives for new businesses and markets, we will pursue further improvements with our existing non-meat, frozen food, and extract businesses, further improvements with ANZCO and our other existing overseas business, and a deeper penetration into markets.

Finally, under the policy of undertaking initiatives for

sustainability, we will establish a Sustainability Committee this fiscal year, establish both a basic policy and various plans, and will continue to enhance our initiatives that consider the environment and society, our social contribution activities, and our improvements to the working environment.

By steadily implementing the above four priorities, we have set ordinary income at 30 billion yen once again as a numerical target for the FY2023, the final year of this plan. We also decided to implement ROIC as a management index, taking an effective increase return on invested capital into serious consideration. We will also enhance our shareholder return policy by stably increasing dividends with a payout ratio ranging from 30% to 50%, aiming for a payout ratio of around 40%.

### Becoming a Leading Food Company

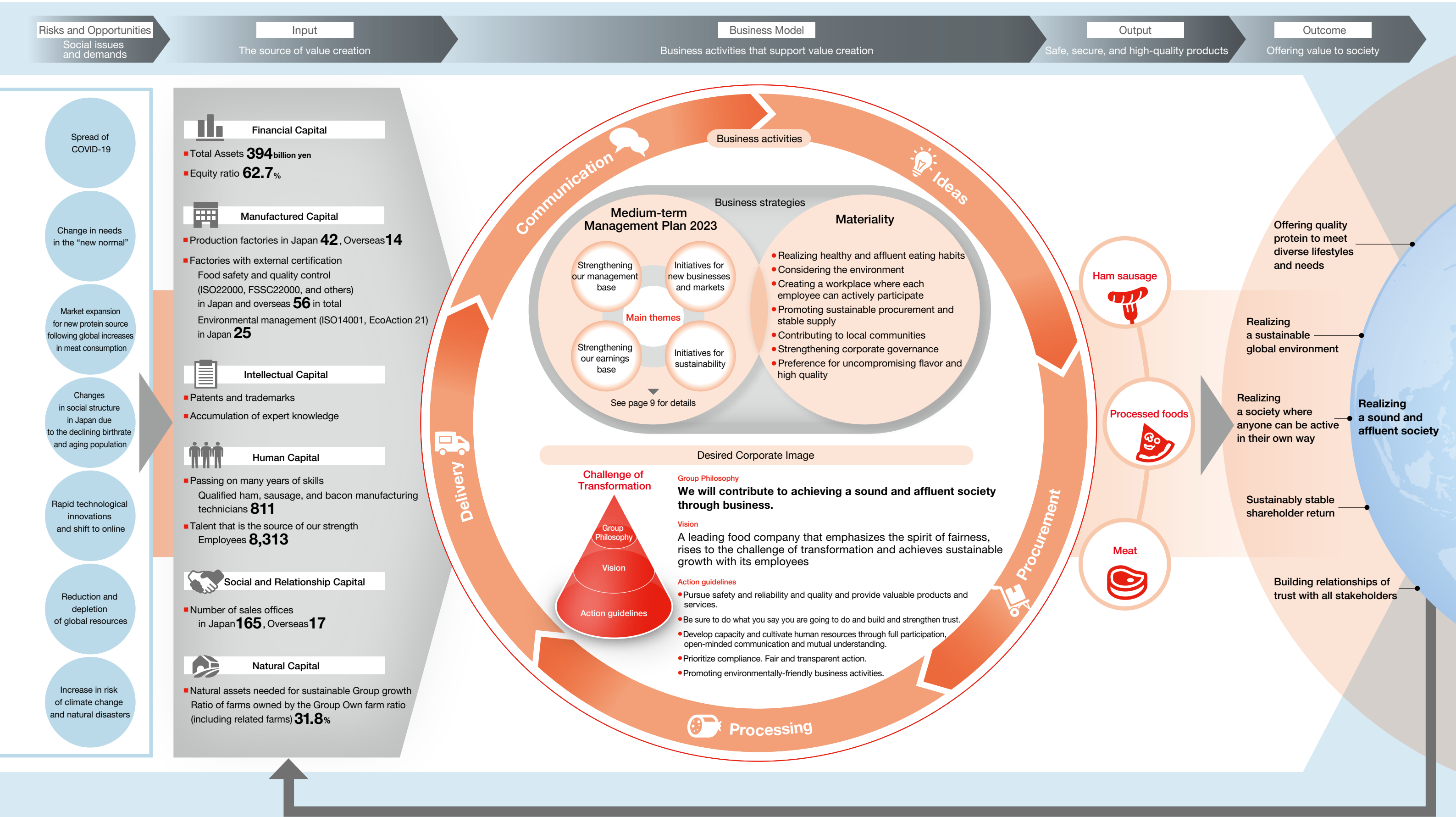
Based on the idea of fair and transparent actions that prioritize compliance, we will continue to be a corporation that proves our trustworthiness to our customers and meets their expectations by continually taking on the challenge of transformation grounded in a spirit of fairness. We will also contribute towards the realization of an abundant diet for our customers, conveying the joy, fun, and importance of eating while delivering safe, secure, and high-quality products. We will come together and work to be a leading food company. Thank you for your continued and unwavering support and understanding.

Itoham Yonekyu Holdings Inc.  
President and Chief Executive Officer

**Isao Miyashita**

The Itoham Yonekyu Group's Value Creation Process

Itoham and Yonekyu have grown by mutually contributing their respective strengths in technology and knowledge gained over the years and demonstrating their synergistic effects. We will continue to meet our customers' expectations by continuing to offer safe, secure, and high-quality products and services that will satisfy customers.





# The Start of the Medium-Term Management Plan 2023

The Itoham Yonekyu Group began the new Medium-term Management Plan 2023 in 2021. We will aim for 30 billion yen in ordinary income by FY2023, the final year of the plan, by steadily implementing four strategic policies.

## Achieve further rapid growth

by defying stereotypes and reaffirming our strengths.

### Numerical Targets

Operating income  
**¥28 billion**  
Ordinary income  
**¥30 billion**  
ROIC  
**6.8%**

## 1 Review of Medium-Term Management Plan 2020

We did not achieve net sales or operating cash flow as set out in the Medium-Term Management Plan 2020, but we did steadily implement overall organizational reform.

Theme	Results	Review
Net sales of processed foods (FY2020)	Ham & sausage: <b>¥177.6 billion</b> Processed food: <b>¥148.0 billion</b> (Plan: <b>¥200.0 billion</b> in each)	Ham & sausage rose slightly Processed food, particularly pizza, grew
Strengthening of the domestic meat production business (FY2020)	Group production business: <b>32%</b> Group slaughtering and cut: <b>59%</b> Brand meat sales: <b>17%</b>	Grew 10 pp from FY2015 Grew 9 pp from FY2015 Grew 2 pp from FY2015
Operational cash flow (5 year total)	<b>¥114.5 billion</b> (Plan: <b>¥123.0 billion</b> )	¥8.5 billion less than plan
Ratio of overseas operations in ordinary income (FY2020)	<b>16.8%</b> (Plan: <b>13.5%</b> )	Income grew at ITOHAM AMERICA and ANZCO
Dividend payout ratio (5 year average)	<b>36%</b> (Plan: Around <b>30%</b> )	Paid stable dividends continually

## 2 Developing the Medium-Term Management Plan 2023

### Group Philosophy and Vision

#### Group Philosophy

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

#### Vision

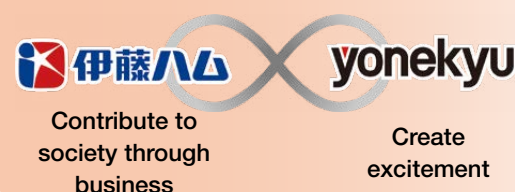
To be a leading food company that emphasizes the spirit of fairness, rises to the challenge of transformation, and achieves sustainable growth with its employees.

#### Action guidelines

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

#### Founding Spirit

The spirit that underlies the Group Philosophy and Vision



◀◀ **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.**

### Major Themes and Initiative Policies

#### 01 Strengthening the Management Base

##### Our Goal

#### Maximizing performance and potential

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

- Action**
- Integrating strategies in the Group through reorganization
  - Integration of systems
  - Digital strategy

#### 02 Strengthening the Earnings Base

##### Our Goal

#### Maximizing Group value

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

- Action**
- Initiatives for cutting cost
  - Enhancement of added value
  - Scale expansion

#### 03 Initiatives for New Businesses and Markets

##### Our Goal

#### 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.**

- Action**
- Expansion of business fields
  - Expansion of production areas and sales markets

#### 04 Sustainability Initiatives

##### Our Goal

#### 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.**

- Action**
- Strengthening the system to implement initiatives
  - Social contribution activity, improving the working environment
  - Environmentally friendly initiatives

### Financial strategies and numerical targets

- 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.**

ROIC = Income before interest expense and after tax (Interest-bearing debt + Equity capital)  
\* Insurance claim income in extraordinary income is excluded.

	FY2020 Results	FY2021 Plan	FY2023 Plan	Compared to FY2020	
				CAGR	Difference
Operating Income	240	230	280	5%	+40
Processed food	123	110	145	6%	+22
Meat	134	135	155	5%	+21
Other	-17	-15	-20	—	-3
Ordinary Income	270	250	300	4%	+30
ROIC	6.3%*	6.0%	6.8%	—	+0.5
Total Assets	3,940	4,000	4,200	2%	+260
Shareholder's Equity	2,399	2,500	2,750	5%	+351
D/E ratio	0.15	0.13	0.10	—	-0.05

**Investment Plan: ¥60 to 80 billion in three years** (Replacement (¥30 billion) + New (¥30 to 50 billion))

#### Strengthening the Management Base

- Integration of the Group's systems (¥6 billion)

#### Strengthening the Earnings Base

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

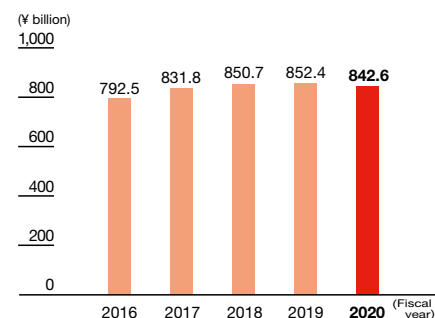
#### Initiatives for New Businesses and Markets

#### Sustainability Initiatives

## Financial Highlights

Net Sales

**¥842.6 billion**

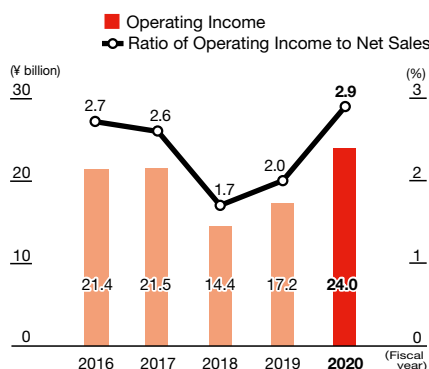


Operating Income

**¥24.0 billion**

Ratio of Operating Income to Net Sales

**2.9%**

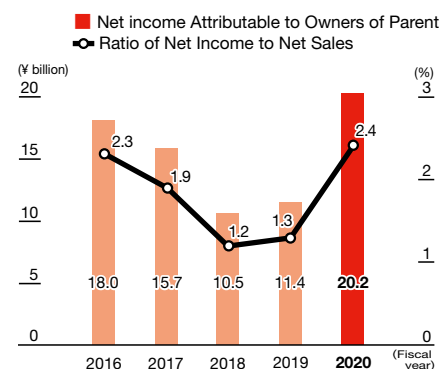


Profit Attributable to Shareholders

**¥20.2 billion**

Ratio of Net Income to Net Sales

**2.4%**



Return on Equity (ROE)

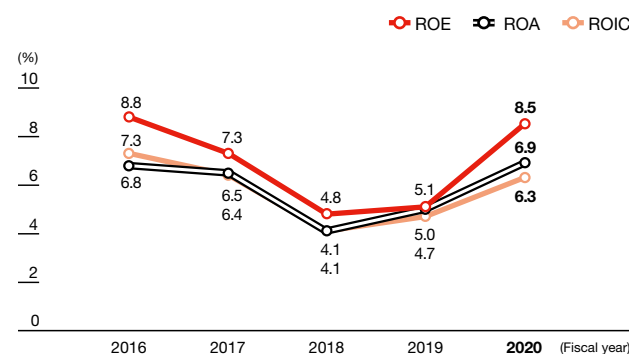
**8.5%**

Return on Assets (ROA)

**6.9%**

Return on Invested Capital (ROIC\*)

**6.3%**



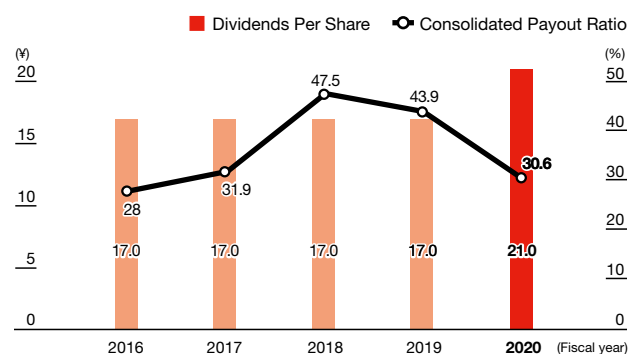
\* Income before interest expense and after tax (Interest-bearing debt + Equity capital)  
Extraordinary income and loss exclude loss on disaster and insurance income.

Dividends Per Share

**¥21.0**

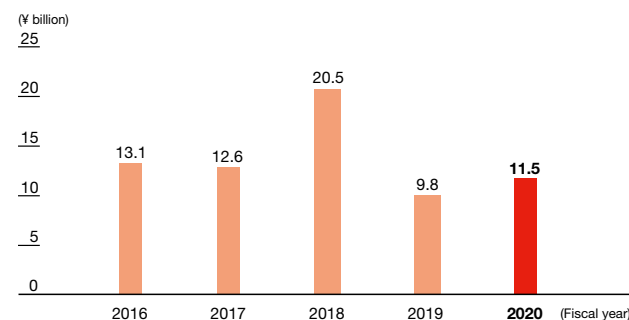
Consolidated Payout Ratio

**30.6%**



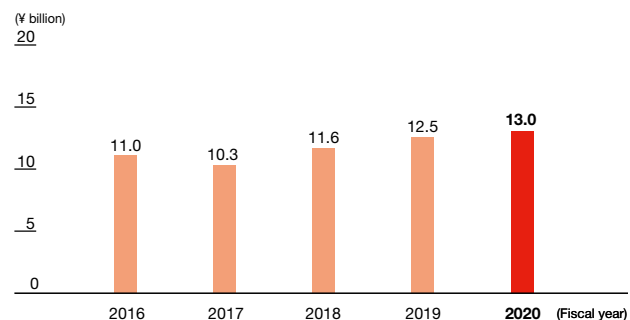
Capital Expenditures

**¥11.5 billion**



Depreciation and Amortization of Goodwill

**¥13.0 billion**

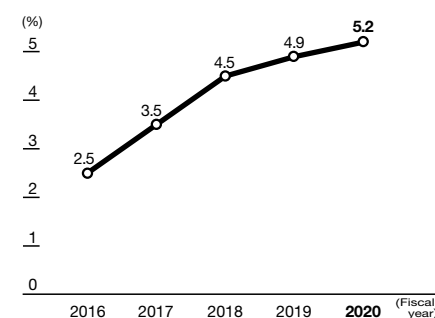


## Non-Financial Highlights

### Personnel Data

Ratio of Women in Management Positions  
(Itoham + Yonekyu)

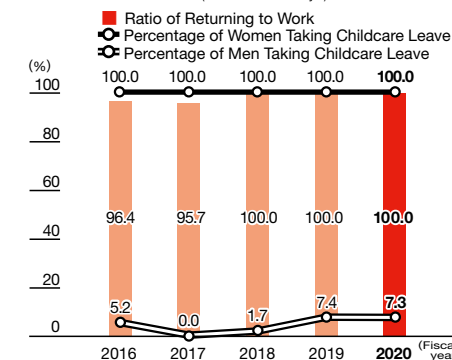
**5.2%**



Percentage of Employees Taking Childcare Leave  
(Itoham + Yonekyu)

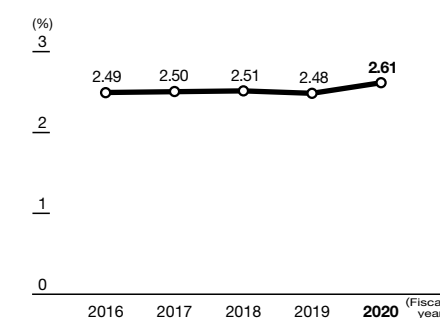
**Women 100.0% Men 7.3%**

Percentage of Employees Returning from Childcare Leave (Itoham + Yonekyu)



Employment Rate of People with Disabilities  
(\*see below for scope)

**2.61%**



\* Companies required to report this information based on laws related to the advancement of the employment of people with disabilities:

Itoham, Yonekyu, Itoham Daily, Itoham West Foods, Itoham Food Solutions, Itoham Sales, Tsukushi Factory, royal-delica, Itoham Business Support, Yonekyu Kagayaki, Yonekyu Delica Foods, Itoham Meat Sales East, Itoham Meat Sales West, Sankyo Meat, IH Meat Solutions, IH Meat Packer, Yonekyu Oishiitōri, Ai Pork, and the Eastern Hiroshima Prefecture Swinery Cooperative

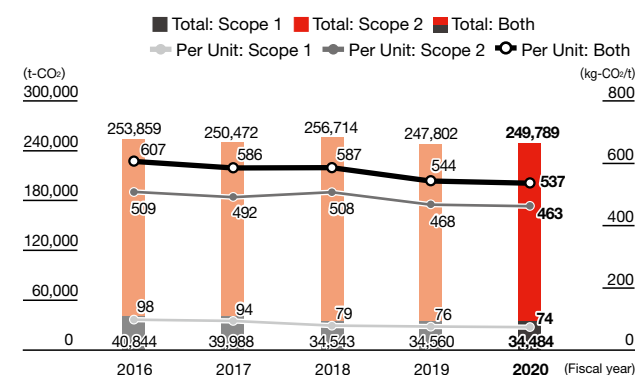
### Environmental Data

CO<sub>2</sub> Emissions (total)

**249,789 t-CO<sub>2</sub>**

CO<sub>2</sub> Emissions (per unit)

**537 kg-CO<sub>2</sub>/t**

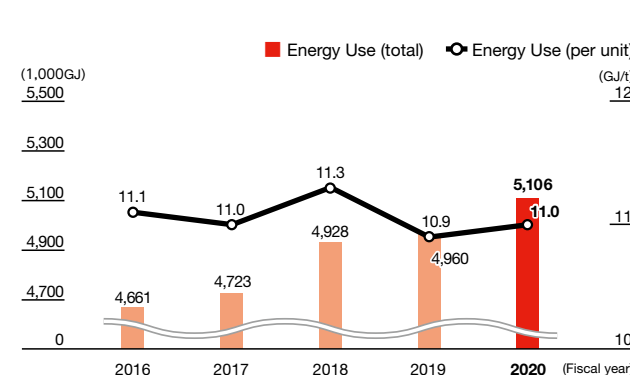


Energy Use (total)

**5,106,000 GJ**

Energy Use (per unit)

**11.0 GJ/t**

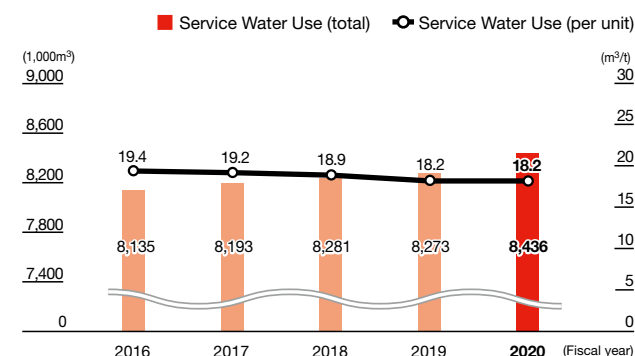


Service Water Use (total)

**8,436,000 m<sup>3</sup>**

Service Water Use (per unit)

**18.2 m<sup>3</sup>/t**

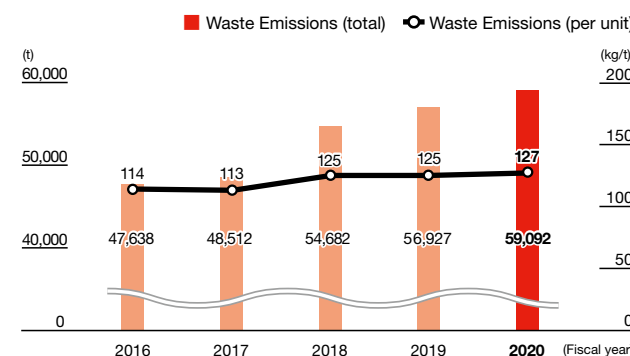


Waste Emissions (total)

**59,092 t**

Waste Emissions (per unit)

**127 kg/t**



\* Scope

Factories: Itoham, Itoham Daily, Itoham West Foods, Asakusa Ham, Tsukushi Factory, royal-delica, Kikusui, Sankyo Meat, IH Meat Packer, IH Meat Solutions, Yonekyu, Yonekyu Kagayaki, Yonekyu Delica Foods, and Yonekyu Oishiitōri

Offices: Itoham, Itoham Daily, Itoham West Foods, Itoham Sales, Itoham Food Solutions, Itoham Meat Sales East, Itoham Meat Sales West, and I.H. Logistics Service

## Business Overview

# Processed Food Business

We do what we need to do to respond quickly to changes and work to strengthen our earnings base and expand the scale, scope, and areas of our growth businesses.



Director  
Executive Vice President  
COO Group Processed Foods Division  
**Ikurou Shibayama**

## Market Environment, Strengths, Opportunities, and Risks

Market Environment	<ul style="list-style-type: none"> <li>Within Japan, a higher level of safety and reliability and an even greater product and service level are in demand. (Rising awareness of safety and reliability)</li> <li>The domestic market has already peaked due to a declining population, low birth rate, and aging population, and there has been an increase in single household and dual income household.</li> <li>Buying behaviors have changed following the outbreak of COVID-19. (Changes in consumption and communication centered around the home)</li> <li>Acceleration in social digitalization, including digital transformations and AI</li> <li>We are seeing an increase in social demands such as ESG, SDGs, and more, as well as new motivations for buying based on these demands.</li> </ul>
Strengths	<ul style="list-style-type: none"> <li>Long-standing ham and sausage brand strength and product development abilities based on a great skill</li> <li>Full product lineup, a wide range of categories, and business areas that include products that are chilled, frozen, and at room temperature</li> <li>Marketing ability that responds to changes in the market, with consumers, and with logistics</li> <li>The ability to provide safe and reliable products and a sales and logistics network that reaches every area and sales channel in Japan</li> </ul>
Opportunities and Risks	<ul style="list-style-type: none"> <li>Improvements in corporate, product, and service reliability</li> <li>Improvements in affinity with products and categories and growth in overseas markets</li> <li>Shift to simple meals, meals for consumption by individuals, and an expansion in the need for readymade meals</li> <li>Increased preference for consumption and storage at home, as well as delivery and ordering</li> <li>Spread of robotic process automation (RPA) and an increase in online sales</li> <li>Increasing demand for new protein sources</li> </ul>

## FY2020 Reviews and FY2021 Initiatives

### Looking back on FY2020

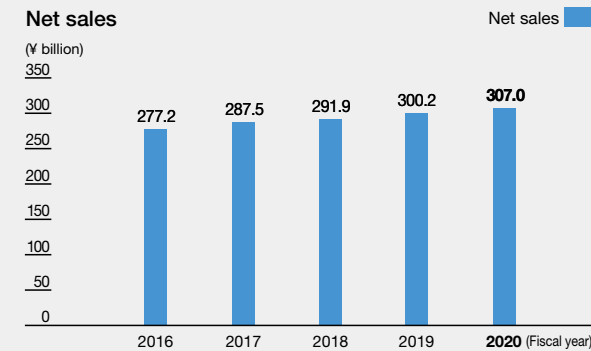
While the cost environment with logistics and labor costs was strained, we increased our sales of home products and steadily increased our overall sales and market share based on our reliable brand strength. We also launched highly profitable goods, including updated products, and greatly increased our income by modifying our product portfolio.

### FY2021 Initiatives

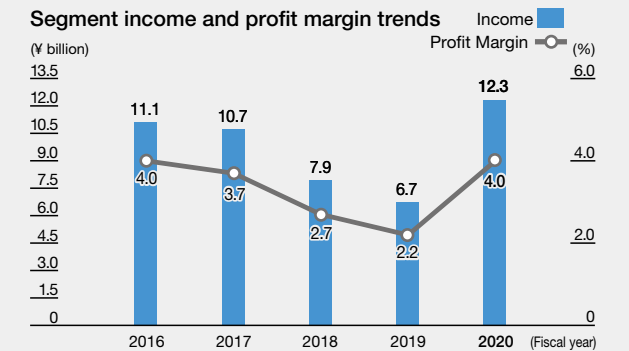
#### Enhancing our Brand Strength to Enable Sustainable Growth

- We will focus on enhancing the brand strengths of Itoham and Yonekyu and gaining a wide customer base.
- We will further expand our prepared food by pursuing flavor, developing our brands, and strengthening our development aimed at expanding business fields.
- We will improve our ability to breakthrough and be thorough in our operations by promoting developmental and organizational operations.
- We will be thorough with the management of all costs by working to reduce manufacturing costs and improve cost effectiveness for various costs.
- We will enhance our lineup of prepared foods for all trading channels and departments.
- We will increase the rate of operation for reduced personnel assembly lines at Group factories, promote optimal production, and strengthen market competitiveness.

## Net sales ¥307 billion



## Processed Food Business Segment Income ¥12.3 billion



## Future Strategies for Sustainable Growth

**We aim to become a leading food company by strengthening our business expansion and overseas businesses and by creating a business structure that will allow for sustainable growth.**

- In addition to further bolstering our prepared foods, we will uncover new demand and will make inroads into products and categories.
- We will strengthen our marketing and develop our product planning abilities that are close to consumers.
- We will promote passing on and developing technical abilities that enhance product development.
- We will increase our overseas business portfolio and our growth ability by redistributing management resources to overseas businesses in growing markets.

### Improving Profitability and Reducing Manufacturing Costs

- We will modify our product portfolio and continue to respond to market and customer changes.
- We will strengthen our cost reduction initiatives involved with capital investments, including increasing cost competitiveness and measures against deterioration in factories.
- We will effectively control production bases and number of items and optimize our production system.

- We will promote the optimization of our business portfolio that takes profitability, reliability, sustainability, and future prospects into consideration, based on the key phrase, "selection and cultivation."

### Brand Enhancement

- We will create positioning for the manufacturer brands of Itoham and Yonekyu, aiming for overall optimization.

### Strengthening of Sustainability Initiatives

- We will promote social contribution activities, improvements to the working environment, and environmentally-conscious initiatives, and we will work to meet our social obligations through business.

### Developing Human Resources

- We will develop human resources that create a corporate culture of growth, foster a sense of mission, and manage overseas businesses by creating personnel policies and a systematic training program.

## Results and Issues

### Results

- Increase in sales of household products/expanded market share in a shrinking gift market
- Steadily increased market share for household ham and sausage
- Achieved an operational profit of 12.3 billion yen, the highest since the merger

### Issues

The key is to be able to quickly respond to various prominent environmental changes and create and modify new business portfolios and expand business areas, including products and categories. On top of this, our issue is in how to have this lead to an increase in profitability and profit margin.

### Initiatives During the COVID-19 Pandemic

- We will enhance the convenience, specialty, authenticity, and usability of cooking at home as consumption situations change.
- Use of our online shop is increasing, and we will strengthen the online shop as both a sales channel and promotional activity.
- As the demand for stocking up on products is increasing, we will enhance our products with long shelf lives and products stored at room temperature.
- As the desire for low price strengthens due to a sense of an economic recession, we will develop products for discount drug store channels.
- As health awareness increases and awareness of social contribution, including ethical consumption, also increases, we will strengthen our initiatives for SDGs and social contribution activities.



Business Overview

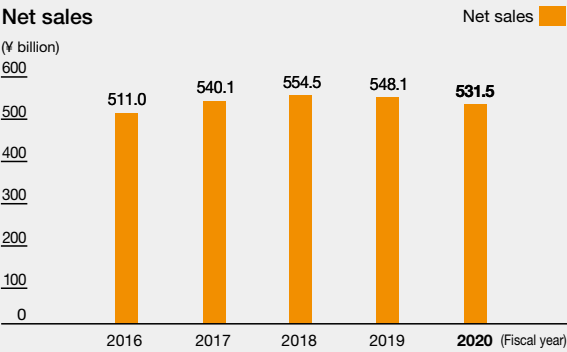
Meat Business

We aim for sustainable growth by seriously facing our challenges, determining the true causes behind these challenges, and working to improve based on the creation and expansion of the meat value chain.

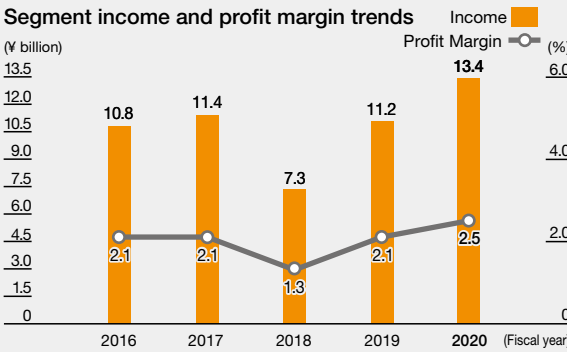


Director  
Senior Executive Officer  
COO Group Meat Division  
**Takamasa Wakaki**

Net sales **¥531.5billion**



Meat Business Segment Income **¥13.4billion**



Market Environment, Strengths, Opportunities, and Risks

Market Environment	<ul style="list-style-type: none"><li>There is a heightened sense of crisis with the stable supply of meat based on the increase in the global population, climate change risks, the spread of animal diseases, the effects of COVID-19 on production and logistics, and more.</li><li>There is also an increased need for product development that matches the response to the aging population and labor shortages, as well as small and dual income households.</li></ul>
Strengths	<ul style="list-style-type: none"><li>Our wide sales network that includes operating bases that engage in route sales nationwide and specialized sales teams for sales channels for cook-at-home and in-restaurant food.</li><li>Imported meat: trustworthy relationships with overseas meat packers, which have been strengthened through our own imports and the ability for stable procurement through original brand products.</li><li>Domestic meat: expansion of our own farms and processing centers, as well as our ability to collect meat from cooperating farms and the leading livestock farmers through long-term trustworthy relationships.</li><li>Our ability to offer and propose information that utilizes the domestic and international networks of the Mitsubishi Corporation Group.</li></ul>
Opportunities and Risks	<ul style="list-style-type: none"><li>The range of fluctuations in the market environment and market conditions for both supply and demand are expanding due to the effects of the spread of COVID-19.</li><li>The risks of disease are increasing, as it has not been possible to stop the spread of ASF (African swine fever) in EU and China or CSF (classical swine fever) within Japan.</li><li>As free trade agreements are expanding through the TPP, the Japanese-European EPA and TAG, and more, it will become favorable to import pork and beef in the medium- to long-term.</li><li>The market for new protein sources will expand as non-meat (vegetable-derived meat) spreads globally.</li><li>Costs for personnel and logistics will tend to increase through labor shortages due to the aging society and work style reforms.</li><li>The need for time reduction and the demand for convenient products is expanding due to the aging society, reduction in household size, and lifestyle changes.</li></ul>

FY2020 Reviews and FY2021 Initiatives

Looking back on FY2020

While the procurement of meat in Japan and abroad is unstable due to animal diseases and COVID-19, we were able to achieve stable procurement with our wide procurement network and resourceful response. We also strengthened our response capabilities for each sales channel and strengthened our income through development of convenient, time-saving products, as there was a drop in the restaurant industry and an increase in ready-made meal demand. We also developed operational activity support and online video training through IT investments.

FY2021 Initiatives

Creating a Change- and Risk-resistant Business Structure

- We merged the product procurement divisions and strategy divisions from Itoham and Yonekyu. We will create a synergetic effect by combining the personnel and products from each company. These divisions were divided into three groups, adding a Meat Production Headquarters to the previous Domestic Meat Headquarters and Overseas Meat Headquarters.
- IH MEAT PACKER took over the assets of the Towada Meat Center from Towada City and the surrounding towns and villages, and they are expanding the livestock business with pork and beef in the surrounding area.
- IH MEAT SOLUTION started operations at the Ishikari Packing Center in addition to the existing Sapporo Packing Center in Hokkaido, and they are strengthening their product supply system.
- We are developing digital transformation tools for standard management of domestic pork and beef with many items and complex standards. An update is planned for the central system during FY2024, as well.

Future Strategies for Sustainable Growth

Sustainability Initiatives

- We will work to solve business challenges and seriously consider materiality as established by the Sustainability Committee.

Continuous Building-up of Sales and Procurement Abilities

- We advocated for the creation and expansion of the meat value chain through policies and will work on expanding the production business and strengthening the final range of demand as specific policies.
- In addition to expanding and increasing output with the upstream production business, we will promote an increase in sales volume and an improvement in profit margins by strengthening our sales strength towards final demand downstream.

Building-up Profit Earning Capacity

- We will increase our income by expanding our original brands to include more high value-added products.
- We aim to improve our profit margins by developing products that meet consumer needs, including convenience, based on the increase in cook-at-home demand.

Improving Productivity and Efficiency

- We will increase productivity and efficiency in office work through promoting digital transformations and utilizing AI and other technologies.
- In the corporate division, we will make use of remote work and staggered hours, and will promote environmental improvements and changes to our systems to promote work style reform.

Developing Human Resources

- We will promote the development and training of the next generation of human resources by implementing personnel policies and a systematic training program.
- We will promote mid-career employment by division and subsidiary in addition to the hiring of new recruits.

Business Activities that Prioritize Compliance

- We will continue with our business activities that prioritize compliance.

Results and Issues

Results

- We expanded our sales to volume retailers and earned more income than in the previous year, even with a reduction in sales for ready-made meals and in-restaurant food due to the effects of COVID-19.
- We also earned more income than in the previous year with our overseas business, striving for profitable sales and a reduction in costs.
- Achieved an income of 13.4 billion yen, the highest since the merger

Issues

Our issue is in how much of a synergetic effect we can produce by transitioning from an organization system centered around both Itoham and Yonekyu to a strategic segment organizational system for the meat business in October and then implementing the Group strategy in a unified way.

Initiatives During the COVID-19 Pandemic

- Business operations: in addition to managing the health of employees, we carry out thorough infection prevention measures in all of our offices.
- Staff division: We are promoting remote work and carrying out initiatives to become paperless and to digitize personal seals.
- Production/Sales offices: We are thorough in our infection prevention measures and are working to reduce the risks of outbreaks. We are implementing appropriate responses at farms, disposal facilities, processing centers, and offices.
- Sales: As the demand for in-restaurant sales channels decrease and cook-at-home consumption increases, we are developing sales activities that match the trends in the market conditions. Aiming to revitalize the selling areas of supermarkets, we are enhancing our product and menu proposals. We are also advancing our cooperation with suppliers to ensure a stable supply as supply instability continues due to the effects of animal diseases and COVID-19.

Message from the Director in charge of Sustainability

The Itoham Yonekyu Group will contribute towards the realization of a sustainable, sound, and affluent society through business.



Director  
Managing Executive Officer  
CFO, CAO, CCO  
Chairperson of Sustainability Committee  
**Katsuhiro Ito**

The Group will contribute towards achieving SDGs.

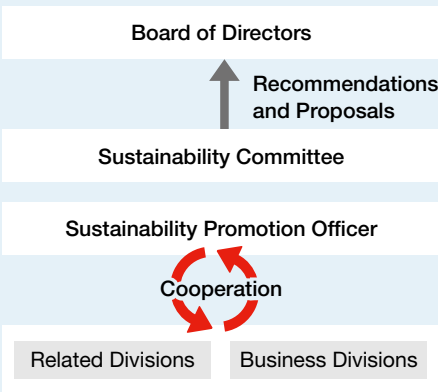
Basic Stance on Sustainability

The Itoham Yonekyu Group will contribute towards the realization of a sustainable future based on the Group Philosophy.

**Itoham Yonekyu Group Philosophy** We will contribute to achieving a sound and affluent society through business.

Sustainability Promotion System

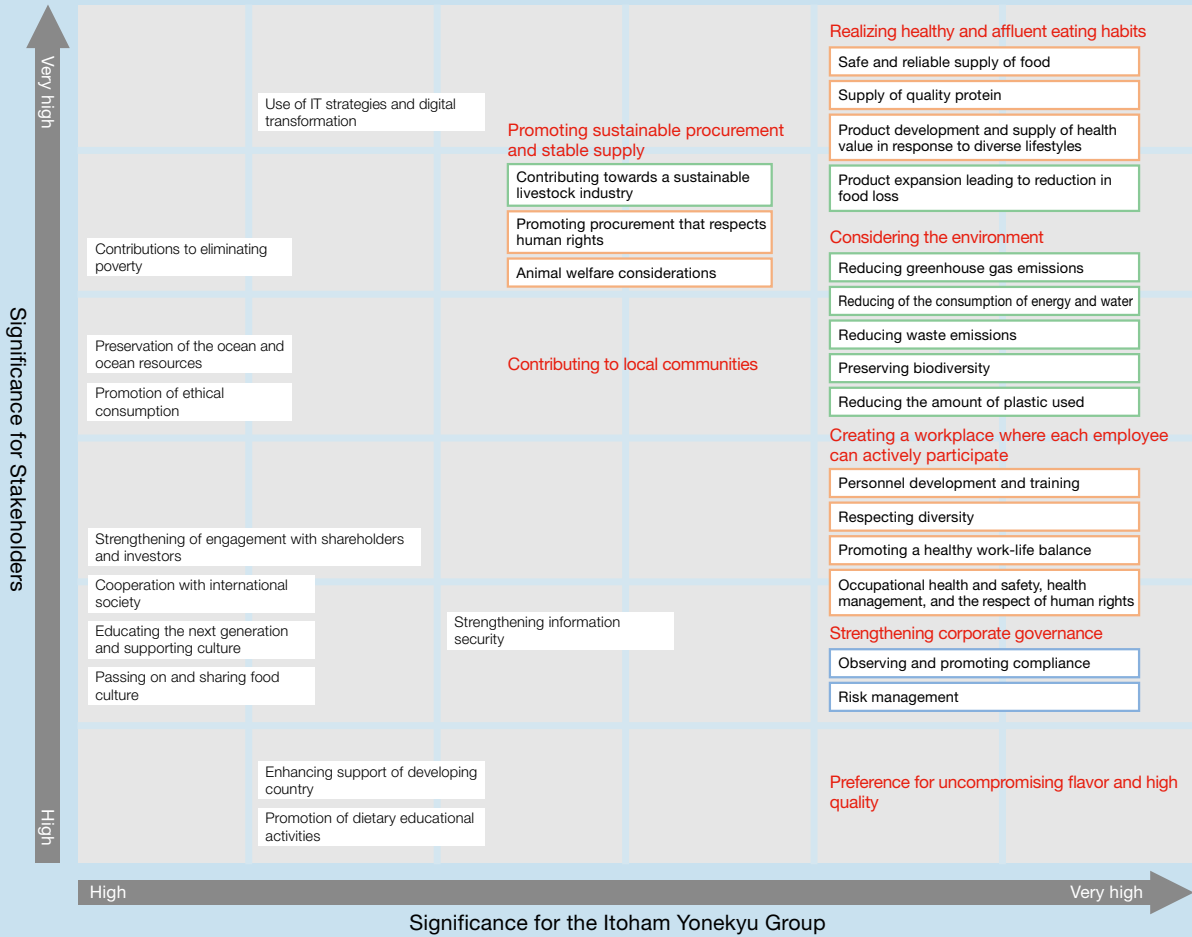
We established the Sustainability Committee in April 2021 and are promoting policies on our basic stance and materiality, as well as specific initiatives.



Materiality

- 1. Realizing healthy and affluent eating habits**
  - Safe and reliable supply of food
  - Supply of quality protein
  - Product development and supply of health value in response to diverse lifestyles
  - Product expansion leading to reduction in food loss
- 2. Considering the environment**
  - Reducing greenhouse gas emissions
  - Reducing of the consumption of energy and water
  - Reducing waste emissions
  - Preserving biodiversity
  - Reducing the amount of plastic used
- 3. Creating a workplace where each employee can actively participate**
  - Personnel development and training
  - Respecting diversity
  - Promoting a healthy work-life balance
  - Occupational health and safety, health management, and the respect of human rights
- 4. Promoting sustainable procurement and stable supply**
  - Contributing towards a sustainable livestock industry
  - Promoting procurement that respects human rights
  - Animal welfare considerations
- 5. Contributing to local communities**
- 6. Strengthening corporate governance**
  - Observing and promoting compliance
  - Risk management
- 7. Preference for uncompromising flavor and high quality**

Materiality (Important Issues) Matrix



As shown above, the Sustainability Committee discovers important social issues from the viewpoint of priority for stakeholders and for the Itoham Yonekyu Group. From these issues, the Committee selects the seven most pressing issues as materiality, and these are decided on by the Board of Directors.

We will continue to pursue appropriate responses for issues that are not included in materiality as important issues.

About Sustainability

We have set contributing to the realization of a sustainable society through business based on our Group Philosophy as our basic sustainability policy. That is to say that we consider enhancing the sustainability of society while enhancing the sustainability of our business to be important. Issues related to the sustainability of society are accurately perceived as risks and opportunities that have an impact on the Group's business, and I believe it is important to have this reflected in our business strategies.

Up until now, we have also worked to reduce our energy use, water use, amount of waste, and amount of plastic used as environmental issues, and we have promoted these initiatives specifically by introducing waste cooking oil boilers and solar panels, improving energy efficiency by introducing the latest equipment, thinning the film used in packaging, using leftover food as feed, and streamlining logistics. We have also worked from a variety of angles to enhance the sustainability of society and our business, including with personnel training, contributions to local

communities, and strengthening of our corporate governance.

In our Medium-term Management Plan 2023 which began this year, we established the Sustainability Committee under the Board of Directors in April of this year and have created a system to have representatives from each division comprehensively grasp and undertake issues while cooperating across the board. We have done so to further develop our initiatives and to contribute towards improvements in the sustainability of society through business. After analyzing and examining the risks and opportunities from issues of social sustainability that will affect our own sustainability, the Committee has established a basic stance on sustainability and materiality as the Board of Directors, and they will work to establish specific response measures and numerical targets for each issue.

I want to put our Group Philosophy of realizing a sound and affluent society through business into practice by operating our business in a way that allows for both the sustainability of society and our business to be achieved.



Strong Organizational Foundation

To increase the effects of our environmental preservation activities and to contribute to the formation of a sustainable society, we have created and operate an environmental management system at our main production bases and promote environmental preservation activities.

### Itoham Yonekyu Group Environmental Philosophy and Code of Conduct

#### Environmental Philosophy

We are aware that protecting our planet's environment is one of the most important global issues and we are taking action to realize a sustainable society by considering the environment in our business activities.

#### Environmental Code of Conduct

The Itoham Yonekyu Group operates in compliance with the following Environmental Code of Conduct to put the Itoham Yonekyu Group Philosophy and Environmental Philosophy into practice.

**1.Compliance with laws and regulations**  
Comply with Japanese and international laws, regulations, decrees, and agreements related to the environment, define self-management standards, and commit to environmental preservation activities.

**2.Reducing environmental impact**  
Promote the resource recycling of waste and work to respond to the formation of a cyclical society and to reduce the environmental impact, while also saving energy, conserving resources, and reducing the release of waste, materials that lead to global warming, and ozone-depleting substances.

**3.Preserving biodiversity**  
Promote activities to preserve forests, rivers, and the natural environment and work to preserve biodiversity.

**4.Continually improving environmental preservation activities**  
Define environmental targets in consideration of effects on the environment and continue to improve environmental preservation through regular review.

**5.Thorough self-management**  
Hold regular internal and external audits and work to be thorough with self-management.

**6.Environmental training and raising awareness**  
Improve understanding and awareness among employees of the Itoham Yonekyu Group Environmental Philosophy through internal and external environmental training and workplace communication activities.

**7.Coexistence with society**  
Coexist with society through conversations with society and participation in environmental preservation activities.

**8.Disclosure of environmental information**  
Disclose Itoham Yonekyu Group information related to the environment in an appropriate manner.

Environmental Audit and Training

Environmental audits are carried out at each office to prevent environmental contamination and accidents and to further increase the level of our environmental preservation activities. We are also thorough in our compliance with laws and regulations by quickly responding to and modifying indicated issues while also complying with regulation values defined in laws related to the environment and set by environmental preservation associations.

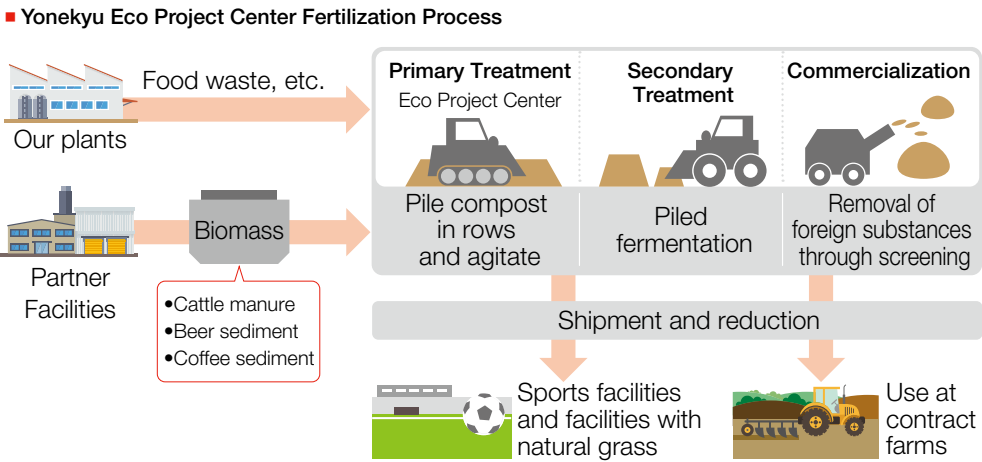
We also hold regular training at each office as an emergency response measure to reduce contamination and prevent the spread of effects by assuming sudden accidents that cause the leakage of wastewater, heavy oil, or chemicals, or that result in other environmental contamination. This training is also designed to enable a quick recovery in the event of an accident.

We have defined and use regulations to allow for smooth internal communication as well as communication with governmental organizations and local residents in the unlikely event of an accident.

Food Waste Recycling

At the Yonekyu Eco Project Center, we recycle food waste produced at our own factories and by our partners, producing about 500 tons of quality fertilizer annually.

This fertilizer is used for a variety of purposes and helps to reduce our environmental impact.



Shift Towards Rail and Sea Shipping – Decarbonization Initiatives

We are moving forward with a modal shift (see lower right diagram) from conventional truck transport to rail and sea transport for retort, refrigerated, and frozen foods, aiming to reduce CO<sub>2</sub> emissions from shipping and to respond to the worsening labor shortages and aging of the logistics industry.

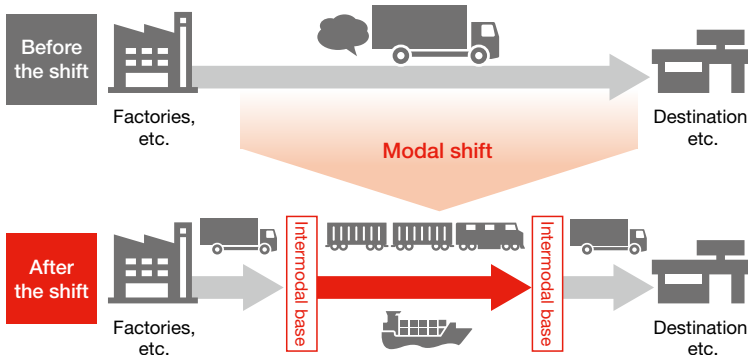
We began joint shipping with Kewpie in FY2018, shipping products from Kyushu to the Kanto region by rail. In addition to eliminating long-distance truck operations and reducing driver hours, we have also cut CO<sub>2</sub> by 45 tons per year.

We have also begun considering shipments via the newly established Yokosuka-Shinmoji ferry between Kyushu and the Kanto region.



■ Modal Shift

Shifting shipping done by trucks and other automobiles to environmentally friendly railways and boats



Lowering CO<sub>2</sub> Emissions with Hybrid Vehicles

We are moving forward with switching our gas-powered company vehicles to hybrid vehicles, aiming to reduce CO<sub>2</sub> emissions.

As of February 2021, we have switched about 42% of our company vehicles, and we will continue our efforts while also considering a switch to electric vehicles that release no CO<sub>2</sub> or other pollutants.

Strong Organizational Foundation

Environmentally Friendly Products (Product Packaging, etc.)

We are working to reduce CO2 emissions, reduce food waste, and develop environmentally friendly products by improving our packaging containers.



Specific initiatives	Reduction of CO2 emissions	Reduction of plastic used	Reduction of food loss	Eco Mark*	Example of products
<ul style="list-style-type: none"><li>• Use of biomass plastic (PE/PET)</li><li>• Use of biomass ink (some colors)</li><li>• Switch from oil-based ink to water-based ink</li></ul>	○	—	—		
<ul style="list-style-type: none"><li>• Thinning of film</li><li>• Reduction in product packaging</li></ul>	○	○	—		
<ul style="list-style-type: none"><li>• Use of recycled paper in paper trays</li></ul>	○	—	—		
<ul style="list-style-type: none"><li>• Use of film with high barrier properties (extend expiration dates)</li><li>• Small, single-serve packs</li><li>• Packaging with sealable zipper, allowing for storage in a sealed state (can use entire product)</li></ul>	—	—	○		

\* An original mark is displayed on our environmentally friendly products.

Preserving Biodiversity

Biodiversity Restoration Project

Biological diversity is an important factor in the prosperity of an ecosystem. There are many rare plants facing extinction in the FIVE STAR farm area owned by ANZCO. We have teamed up with Forest and Bird and the QEII Trust to protect these rare plants on 20 acres\* of land. A cluster of kowhai trees (trees in the Fabaceae family native to New Zealand) remains in the Ashburton area of this land, and the trees are estimated to be 100 years old. We will continue to work with local conservation groups to preserve existing ecosystems and promote tree planting activities.

\* An acre is 4,046.9 m²



Cluster of plants on the FIVE STAR farm area



Seeds of rare varieties are gathered and protected with the goal of propagation

Water Resources

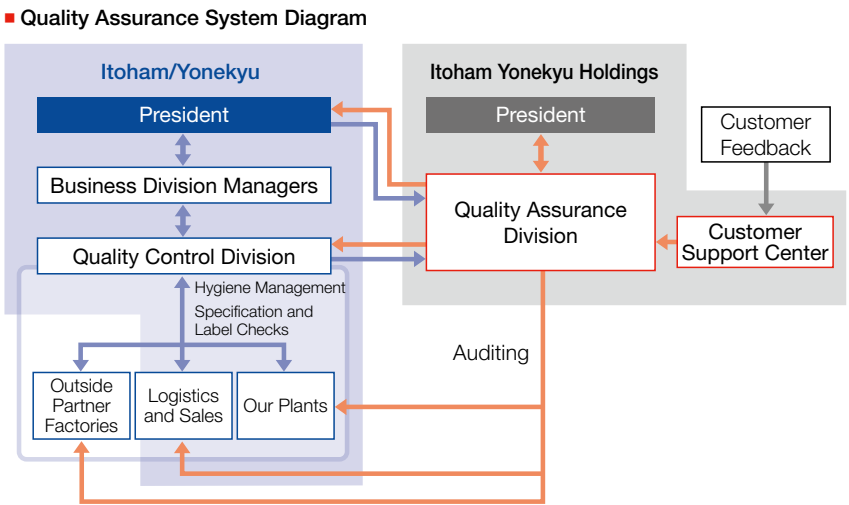
Improving and Optimizing Water Usage

ANZCO puts an emphasis on improving water use and optimization at its factories. The Rangitikei factory has reduced its water use by 40% compared to the previous year with a site-wide focus on identifying where it could change practices and processes. This significant water reduction has had many benefits across the entire site, but specifically decreased pressure on the wastewater processing system.

Safety and Reliability Initiatives

Quality Assurance System

The Itoham Yonekyu Group carries out inspections and audits to see if products and services meet the Group's own standards based on laws and regulations at points along the way, from raw materials to production, processing, logistics, sales, and with outside suppliers, to offer safe and reliable products and services to our customers. We strive to enhance our level of quality control at each of our facilities by offering suggestions and information through these actions and through communication daily.



Initiatives for Easy-to-understand Labels

Food labels contain extremely important information for customers. We are working to create easy-to-understand labeling for our customers by establishing our own labeling standards in addition to following related laws and regulations so that our customers can select products with peace of mind. We also hold internal training sessions on the Food Labeling Act and the Act against Unjustifiable Premiums and Misleading Representations, working to improve employees' knowledge.

Initiatives to Enhance Quality

The Production Division, Sales and Product Planning Division, Quality Assurance Division, and Customer Support hold regular meetings and work to improve products so that valuable customer opinions can be reflected in our products. We also hold training sessions on quality, work to improve employees' knowledge and awareness, and strive for a stable supply of quality products.



Strong Organizational Foundation

Expansion of Health Products

We are working to expand our health-conscious products, including products that are meat-free (vegetable-derived meat), have lower sodium, and have fewer carbs, in response to food shortages due to a global population increase and an increase in health awareness.

Meat-free (vegetable-derived) products have gained attention as a third source of protein after meat and fish, and we have created a lineup of products that reproduce the texture, flavor, and aromas of meat as much as possible by utilizing our many years of knowledge of meat processing technology.

We also developed low sodium and low carb products that offer the same delicious flavor to customers who are concerned about health and nutrition.

We will continue to work to expand our health-conscious products that are both healthy and offer satisfaction and flavor.



Aiming for Customer Satisfaction Customer

Listening, Sharing, and Improving Products

We receive a variety of questions from customers each day regarding product characteristics, how to eat or cook certain products, and product storage, as well as questions regarding product nutritional information and allergens. We accept these questions and opinions as valuable assets, listen to them in a serious manner, and aim to provide information that is easy to understand.

We strive to improve our services so that customers always feel a sense of safety, focusing on honest and speedy responses, while also sharing information internally about the kinds of things we hear from customers and what kinds of responses will lead to satisfaction.

We take and examine customer comments about improvement requests for our products, and this leads to the creation of even better products.

Examples of Product Improvement



Improvements in Response Quality

We regularly check how customers evaluate the responses of Customer Support and the Customer Response Division through surveys. We work to discover and improve issues, and we also work to improve the quality of our intimate responses to customers.

Supply Chain Management Business Partners

Japanese Partner Farms

Our trusted partner farms in Japan are particular about breed, feed, and methods for fattening livestock, and they raise cattle, swine, and poultry in a hygienic environment and in a healthy way. Washout periods are followed as defined for each of the medications used at farms, and records of this are managed.

Overseas

We visit production facilities outside Japan as necessary to check to see that product standards, production systems, and other local laws and regulations are being followed and that matters are managed in a way that agrees with our Group.

We also visit production facilities in countries where we have employees stationed, as well as production facilities in major producing countries, and we are building relationships of trust by deepening communication that allows for speedy responses. When there is criticism about a defect in a product in Japan, we quickly offer feedback to the production site, request improvements, and check to ensure it has been improved. Inspections for residual medications, etc. are carried out on our own within Japan, in addition to the government-run monitoring inspections when passing through customs.

Outside Partner Factories

We procure meat products, dairy products, noodles, dressing, and other products from domestic and overseas partner factories to respond to the various product needs of our customers. We work with our partner factories to ensure quality control that is the same as the products that we produce on our own, and we offer customers safe and reliable products.

The Quality Control Division, which oversees products from partner factories, follows internal standards and rigorously checks products to see if the product design is free from production issues and free from issues with product labeling or the manufacturing process. We also regularly carry out factory audits and inspections at partner factories based on the Itoham Yonekyu Group's quality control standards. Quality control is handled thoroughly by posting stationed employees at or dispatching advisors to overseas factories. The Quality Assurance Division performs regular checks, as well.

Logistics

The job of storing and shipping products that have left the factory plays an important role in making secure deliveries to customers with the product quality maintained as is.

This is managed based on Itoham Yonekyu Group's own standards and delicious products are delivered to customers at the appropriate temperatures.

Becoming a Company that Continues to Grow with the Community Local Communities

Food and Menu Planning Workshop

Itoham held a food and menu planning workshop as an outside course for fourth year students at Kagawa Nutrition University with the goal of having participants master the knowledge related to menu proposals and food development through a workshop to plan menus while also considering manufacturing sites for food.

In addition to explaining ham and sausage manufacturing methods and information about manufacturing sites, we hosted lectures on food development and marketing and students suggested recipes based on a theme and gave presentations.



Strong Organizational Foundation

Occupational Lectures

Yonekyu offers an opportunity for learning every year for children and students in elementary and junior high schools in Numazu City so that the students can enhance their personalities and skills, regardless of gender, and select from a wider range of future dreams or paths, while also learning about the importance of being aware of gender equality and respecting human rights.

These lectures are held to spread a sense of inclusion among men and women from childhood and every year, Yonekyu participates as a gender inclusion business in Numazu City.



Occupational lectures

Regular Dietary Educational Activities in Major Chinese Cities

Itoham Foods Trading (Shanghai) Co., Ltd. is hosting regular dietary educational activities at nursery schools, cram schools, and special booths in retail shops while also taking ample measures against COVID-19.

Parents and children experience the joy of eating while cooking food together using ham or sausage, and we are contributing to the local community as an activity that promotes an increase in recognition of flavor and health value.



Dietary educational activities

Support of Mt. Fuji Preservation Activities

As a company with its headquarters in Numazu City, Shizuoka Prefecture at the base of Mt. Fuji, Yonekyu has donated to the FUJISAN Fund since 2009 which aims to support the listing of Mt. Fuji as a world cultural heritage site.

We continue to work to preserve Mt. Fuji through our donations even after Mt. Fuji was registered as a world heritage site in 2013.

FUJISAN Fund  
The National Council on Fujisan World Heritage works to pass on Mt. Fuji, a world heritage site, to the future in its beautiful state.

This fund is used to preserve and protect Mt. Fuji's environment and for guidance and educational activities for visitors.

Keeping Mt. Fuji as a World Heritage Site  
Yonekyu supports the preservation of Mt. Fuji through donations to the FUJISAN Fund.

Comprehensive Partnership Agreement with the City of Kobe

Itoham entered into a comprehensive partnership agreement with Kobe, Hyogo Prefecture in 2013. In addition to the fact that Itoham's headquarters is in Nada Ward, Kobe, this partnership began from a desire to contribute to the citizens of Kobe.



**Mt. Rokko Natural Environmental Preservation Activities**

Mt. Rokko Future Century Forest Creation is promoted by Kobe with the goal of preserving and developing the forests of the Rokko mountain range for the next century as 2002 marked the 100 year anniversary of Mt. Rokko's greenification. We donate part of our profits with the Kobe series to the locally-run Kobe Forest School which handles this forest creation and we also offer support by dispatching employee volunteers.

**KOBE Special PR Partner and Information Sharing**

Having been rated highly as mid-year gifts and year's end gifts, the Kobe series of products received recognition as a KOBE Special PR Partner. We are spreading information nationwide about initiatives to protect the natural environment of Mt. Rokko and the charm of Mt. Rokko and Mt. Maya on bookmarks included with mid-year and year's end gifts.

**Disaster Prevention**

We have established a system to quickly offer 100,000 packs of packaged food products (10,000 packs per day for 10 days) based on a request from the city of Kobe to supply support products when disaster strikes.

Human Resources Management

Employees

Personnel Training (Group Training System, etc.)

The Itoham Yonekyu Group develops people who can think on their own and take action with an attitude of taking on challenges, aiming to realize both the development of a corporate culture that praises taking on challenges to expand corporate value and personal growth through work.

We are also creating a training system through cooperation with on and off the job training, online knowledge acquisition, public offerings, and self-development.

Frequency of training organized by human resources department in FY2020

**86 times**

(Excluding self-development and division-specific training)

FY2020 Itoham Yonekyu Group Training System Diagram

	Off-JT					OJT
	Job-class-specific training	Theme- and issue-specific training	Self-development/public offering	Division-specific training		
Division level						
Section manager level	Training for newly appointed managers Basic management training					
Mid-career employees	Training for newly appointed directors Training for newly appointed senior staff	For managers: remote work management workshop For mentors: training to enhance educational guidance abilities	Outside schools Distance learning Obtaining qualifications		Job-specific training (various skills in production, operations, planning, sales, etc.)	Workplace training
Young employees	Follow-up training for young employees New employee training					

Online training

FY2020 training was changed from an in-person gathering to an online program due to measures against COVID-19 risks.

Our Group training aims to modify and establish behaviors in the workplace, and we are focused on designing training that aims for on and off the job training. When switching to an online format for FY2020, we set up one camera-equipped computer per person and utilized online functions allowing personal understanding to be promoted through conversations through computer screens so that each person could be engaged in mutual communication (functions to split into small groups, chat functions, screen and video sharing, etc.) We were able to achieve the same effects as in-person training. Participants commented on the online training, with employees that live far away saying that participation was easy without the burden of commuting and other saying it was easy to concentrate on the training. Looking to the next fiscal year, we will continue our personnel training to realize our management philosophy by using in-person and online programs based on training goals and target participants.

From a participant in the training for newly appointed managers

While I felt like it was more difficult to engage in open-hearted discussions compared to in-person training, it was training to adapt to something that is becoming a part of business.

From a participant in the follow-up training for young employees

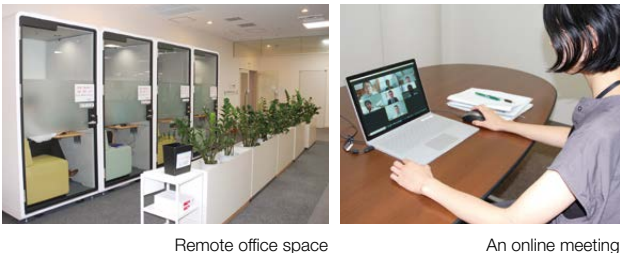
While I'm not used to the online format, it was a very good training session as I was able to see and speak with colleagues I hadn't seen in a while. It is more difficult to convey your thoughts to someone compared to in-person, but I think my logical side, which needs to grow, was developed a little.

Establishment of a Remote Working System

Last year, we established a remote working environment and operating rules to allow remote work in divisions where it was possible as part of our measures against COVID-19.

We also eliminated some of the common space in the office and created a remote workspace where online negotiations and discussions can occur, and we are moving forward with the establishment of a work environment to match new working styles.

At the Itoham Yonekyu Group, we are working to create an environment where each employee can have flexible working styles, including making work and childcare or care for older parents compatible, while also working to improve work efficiency and productivity through the establishment of a remote work system.



Remote office space      An online meeting



Strong Organizational Foundation

Corporate Governance

Basic Policy on Corporate Governance

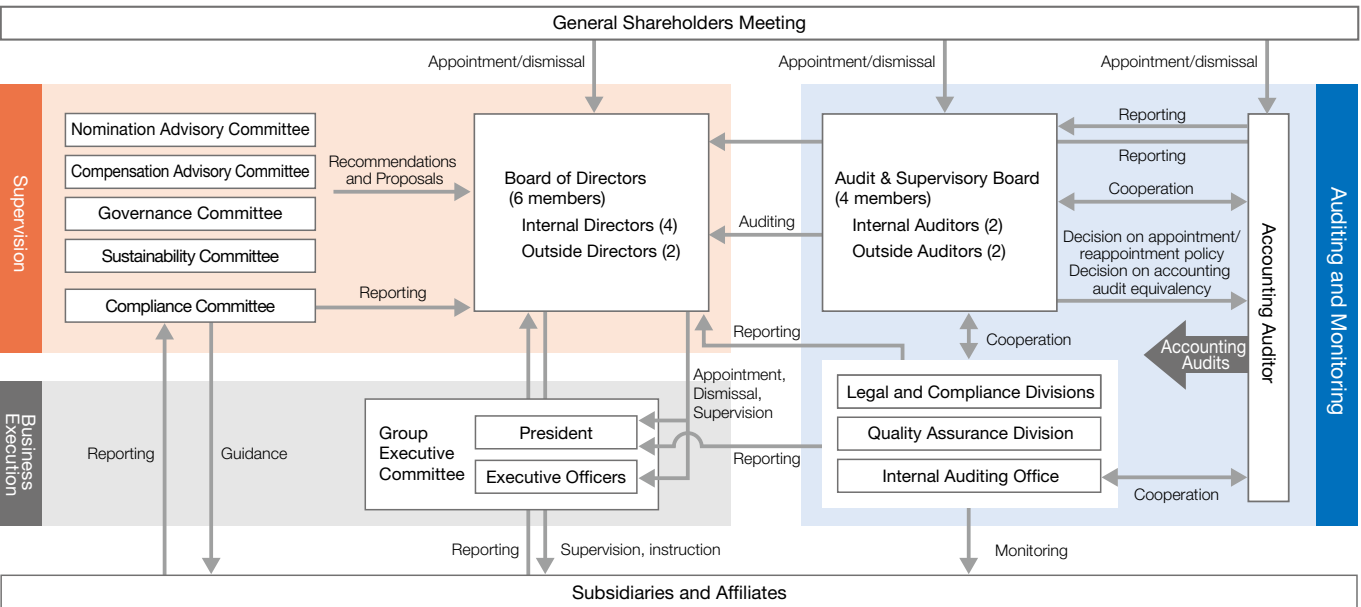
Our corporate governance is based on our Group Philosophy, Vision, and Code of Conduct. We have set up a system of management organization that enhances overall Group monitoring, supervising, and other internal control functions to accomplish adequate corporate social responsibility (CSR), and we have placed corporate governance alongside making accurate business decisions and taking fast action.

We established the Basic Policy on Corporate Governance based on this basic view and ensure corporate governance is realized and aim for highly transparent management to improve our medium- to long-term corporate value.

Initiatives to Strengthen the Corporate Governance System

FY2016	Holding company system Establishment of our holding company through the merger of Itoham Foods Inc. and Yonekyu Corporation.	FY2018	Introduction of executive officer system	FY2020	Establishment of Basic Policy on Officer Compensation
	Establishment of Group Philosophy, Vision, and Code of Conduct		Establishment of Compliance Committee	FY2021	Establishment of a Sustainability Committee
	System of having two independent outside directors		Female directors (2)		Ratio of independent outside directors on the Board of Directors is 1/3
	Female directors (1)		Establishment of Governance Committee		Basic Policy on Sustainability
	Establishment of Nomination Advisory Committee		Establishment of Managerial Personnel Development Policy		
	Establishment of Compensation Advisory Committee		Evaluations on the effectiveness of the Board of Directors begins		
	Introduction of performance-based compensation		Revision of Basic Policy on Corporate Governance		
FY2017	Establishment of Basic Policy on Corporate Governance		Revision of Cross-shareholding Policy Management Guidelines		
	Establishment of Cross-shareholding Policy Management Guidelines				

Corporate Governance Diagram (As of September 30, 2021)



Board of Directors

Aiming for sustainable growth and medium- to long-term improvements to our corporate value, we reduced the number of directors from 9 to 6 on June 23, 2021 to strengthen our governance through the promotion of separation between management and execution, to promote lively discussion through increasing the ratio of independent and neutral outside directors, and to make further use of outside knowledge and experience.

In addition to regular monthly Board of Directors meetings, we also hold extraordinary board meetings as necessary. The Board oversees decisions and policy judgements on important managerial matters and monitors the status of business execution.

Nomination Advisory Committee

Established to ensure transparency and objectivity in the election process for director, auditor, and executive officer candidates. As an advisory body to the Board of Directors, this committee reviews, recommends, and proposes the following matters to the Board of Directors.

- 1. Matters related to the appointment and dismissal of directors, auditors, and executive officers for Itoham Foods Inc. and Yonekyu Corporation ("Itoham Yonekyu Group")
- 2. Matters related to basic policies on the appointment and dismissal of Itoham Yonekyu Group directors, auditors, and executive officers, and the establishment, revision, and abolishment of regulations and procedures
- 3. Other matters deemed necessary by the committee related to the appointment of director and auditor candidates and the dismissal of directors and auditors

Remuneration Consultation Committee

Established to ensure transparency and objectivity in the decision process for compensation for directors and executive officers. As an advisory body to the Board of Directors, this committee reviews, recommends, and proposes the following matters to the Board of Directors.

- 1. Matters related to the Officer Compensation System (basic compensation, performance-based compensation, shares with restrictions on transfer, etc.) for directors and executive officers of Itoham Foods Inc. and Yonekyu Corporation. ("Itoham Yonekyu Group")
- 2. Matters related to performance (managerial indicators, target values, fluctuation range, etc.) of Itoham Yonekyu Group directors and executive officers
- 3. Matters related to compensation standards (compared to competitors) for Itoham Yonekyu Group directors and executive officers

Governance Committee

Established to aid in the strengthening of the corporate governance system and its operation through increasing the effectiveness of the Board of Directors. As an advisory body to the Board of Directors, this committee reviews the effectiveness of the Board of Directors and makes recommendations and proposals to the Board of Directors.

Composition of the Nomination Advisory Committee, the Compensation Advisory Committee and the Governance Committee

			Attendance (FY2020)		
			Nomination Advisory Committee	Remuneration Consultation Committee	Governance Committee
Chairperson	Katsuhiro Ito	Director, Managing Executive Officer	—	—	—
Committee Member	Aya Ito	Independent outside director	2 out of 2 times (100%)	3 out of 3 times (100%)	2 out of 2 times (100%)
Committee Member	Yukie Osaka	Independent outside director	—	—	—

\* Katsuhiro Ito was appointed Chairman of each committee on June 23, 2021. Yukie Osaka was appointed as a member in each committee on June 23, 2021. Attendance for members of each committee in FY2020 was 100%.

Strong Organizational Foundation

Sustainability Committee

The Sustainability Committee was established to propose indicators and plans and to monitor their progress as sustainability projects advance. As an advisory body to the Board of Directors, the Sustainability Committee discusses the following matters.

- 1. Proposal of basic plans and strategies for the Basic Policy on Sustainability and promotional efforts
- 2. Establishment of materiality (priority issues) for the promotion of sustainability management
- 3. Establishment of KPIs (Key Performance Indicators) for materiality and monitoring of their progress

Audit & Supervisory Board

Meets regularly once per month, and in addition to making decisions on important matters related to audits, this Board reports on the status of audit implementation and exchanges opinions.

In addition to attending Board of Directors meetings and important internal discussions, auditors carry out ample supervision including directly hearing about the execution of business from the Board of Directors and employees. They also receive appropriate reports about audit plans and results from accounting auditors and promote audits based on the exchange of opinions and close cooperation.

Independent Outside Director Meetings

Made up of four independent directors and auditors, these meetings are held regularly. Opinions are exchanged on a variety of matters, including managerial strategy, managerial issues, and Board of Directors topics.

Group Executive Committee

Group Executive Committee is established to decide important issues at executive level and to discuss the issues which are decided by the Board. It is made up of directors (excluding outside directors), auditors, and others designated by the chairperson of the Group Executive Committee and meets twice per month. They also hold special meetings as necessary, and decide, report, and discuss Itoham Yonekyu Group managerial strategies and important matters.

Evaluations on the Effectiveness of the Board of Directors

In October 2020, we held a self-evaluation survey targeting all directors and auditors to have the Board of Directors evaluate for themselves whether or not they were functioning normally in the way that was originally established, to increase their effectiveness, and to create an appropriate governance system for the Itoham Yonekyu Group. The results of this survey were discussed by the Itoham Yonekyu Group Governance Committee and the Board of Directors and the effectiveness of the Board of Directors was evaluated. The survey consisted of thirteen questions on the following seven topics: 1) Structure of the Board of Directors, 2) the administration of the Board of Directors, 3) discussions of the Board of Directors, 4) supervision by the Board of Directors, 5) appointment/dismissal of managers, 6) discussions with stockholders, and 7) comments. Improvements have progressed since the evaluations on effectiveness held in 2019, and it was determined that the effectiveness of the Board of Directors was generally secured. We will continue to work towards improving the effectiveness of the Board of Directors based on the results of this evaluation.

Compensation for Directors and Officers

The basic policy on the compensation system for Directors and Officers was determined as follows.

- 1. It will function as a good incentive towards sustainable business expansion and corporate value improvement by sharing value with shareholders, employees, and other stakeholders.
- 2. It will be a compensation system that responds to a suitable compensation standard based on field and scale of business, responsibility for each role, and role and results in order to employ and keep superior personnel.
- 3. It will be determined through a process that ensures objectivity and rationality to maintain accountability with stakeholders.

Overview of Compensation System

Compensation for full-time directors and officers is made up of basic compensation, performance-based compensation as a short-term incentive, and share-based compensation (shares with restrictions on transfer) as a medium- to long-term incentive. The ratio of basic compensation to performance-based compensation to share-based compensation is set at roughly 60:25:15. We established this ratio based on an understanding of our financial situation and after comparing and investigating compensation ratios and standards for each role at many other companies in the same industry and with the same scale so as to ensure objectivity and validity in compensation ratios and in standard general compensation for each role. Compensation for outside directors consists of basic compensation only, as their main roles of supervising and making recommendations on management from an independent and objective position are not connected to business performance. Compensation for auditors also consists of basic compensation only, as there is no connection to business performance as auditors make decisions through discussion and from the viewpoint of ensuring a high degree of independence.

Cross-shareholding

Standards and Policies for the Classification of Investment Stock

We consider stocks owned for net investments to be investment stocks for the purpose of gaining profit through dividends exclusively via stocks or changes in stock price, and all other stocks are considers stocks owned for other reasons (“cross-shareholding”). All stocks owned by the Itoham Yonekyu Group are those of subsidiaries or affiliate companies, and we do not own any stocks for net investments or cross-shareholding. Basic Policy on Cross-shareholding Our subsidiaries do own cross-shareholdings, however, our basic policy does not allow the ownership of cross-shareholdings except for cases where it meets certain standards and is determined to assist in the maintenance and development of business transactions. At the end of each fiscal year, we quickly check to see if each individual brand meets standards, the results of which are investigated by the Itoham Yonekyu Group Executive Committee and reported to the Itoham Yonekyu Group Board of Directors.

Compliance

Corporate Code of Ethics

The Itoham Yonekyu Group sets fair and transparent conduct that puts compliance first as a compliance policy. The code of compliance behaviors, which show the evaluation standards that employees should follow, was compiled into a booklet as the Corporate Code of Ethics and distributed to every employee, and we are working to spread information through training, etc. We also posted the Compliance Q&A Examples on the internal portal site to explain the content of this code of ethics so as to be easily understood, working to develop an awareness of compliance among employees.





Strong Organizational Foundation

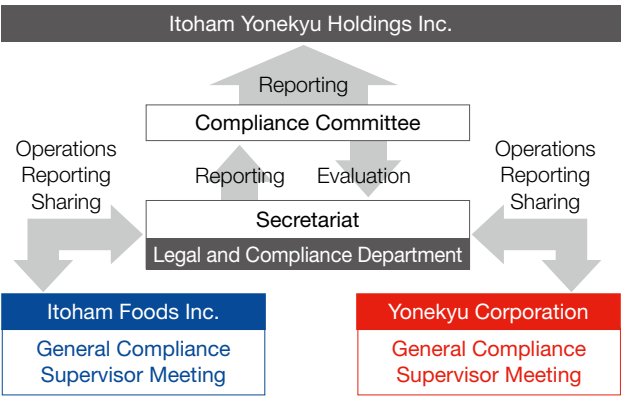
Compliance Management System

Compliance Committee

The Compliance Committee meets once per month with the director overseeing compliance as the chairperson. This committee is made up of the director supervising compliance, auditors, people responsible for quality and compliance risks, and outside experts, and they check the state of management of food safety and compliance and independently evaluate the status of operations of this management.

Compliance Supervisor Meeting

The Compliance Supervisor Meeting is held twice per year to promote Group compliance, with the presidents of each company as chairpersons. At these meetings, policies and plans for compliance promotion action are decided upon and matters requiring improvement from the Compliance Committee and compliance-related cases are monitored. Based on this, discussions are then had to move to highly effective measures.



Compliance Promotion Committee System

A Compliance Promotion Committee is set up at each workplace and holds meetings three times a year to spread information and promote compliance measures for employees in each company and division. These meetings are operated as part of our training program to enable employees to understand their own problems easily and to carry out compliance promotion action on their own by having employees gain knowledge about compliance and issues they are actually facing in the workplace and taking up examples of compliance violations as case studies.

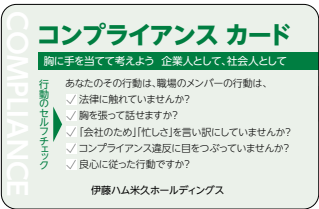
Training

A compliance seminar is held once a year to increase all Group employees' awareness of compliance and have employees understand the importance of compliance. We also offer compliance seminars by outside experts as necessary depending on the role for internal directors on industry law and harassment prevention.

Internal Reporting System

Based on Group internal reporting regulations, we have set up the Internal Consultation Hotline (Legal and Compliance Department) and the Outside Consultation Hotline (with outside lawyers) to receive consultations and internal reporting on compliance.

Each hotline distributes compliance cards and lists their contact information on the internal portal site, making everyone aware. In addition to confidentiality with details of consultations, adverse handling towards the consuler regarding reported or consulted content has been prohibited, aiming to protect the consuler.



Compliance Awareness Survey

A Compliance Awareness Survey is conducted for all employees once per year to understand the level of awareness of compliance in each workplace and to hear employees' honest opinions on compliance. Survey results and employee opinions lead to improvements in the workplace, as they are offered as feedback to all employees including management, improvements are made if problems are found, and they are used in compliance action for the next fiscal year.

Risk Management

Risk Management System

The Corporate Strategy Planning Office, corporate and other divisions grasp and analyze the risks assumed for Group business operations and offer necessary reporting to the Board of Directors.

The Corporate Strategy Planning Office, Audit Office, and Crisis Management Office work closely together to prevent risks from appearing, respond quickly when they occur, minimize damage, and handle the accumulation of risk management knowledge.

In the event of large-scale accidents or natural disasters that may cause serious issues with the continuity of business or threaten the lives of employees, a Crisis Management Committee will be set up and will take suitable and necessary action to collect and analyze information and prevent damage from occurring or expanding.

A Crisis Management Committee was set up in FY2020 as a measure against COVID-19. The Crisis Management Committee established and implemented Group response policies and guidelines in a timely and appropriately manner based on national and local government response policies in order to prevent infections among employees, prevent the spread of infections, and safely and reliably supply products.

Business and Other Risks

As shown below, we are aware of risks that may impact business results, stock price, or our financial status and we are creating systems to minimize their effects, considering the possibility of occurrence and level of impact.

This does not, however, include all risks, and there is a possibility that we may be affected by a risk in the future that we are unable to predict now or do not consider important and there is also a possibility that damage may occur due to insufficient measures against these risks.

See the Annual Securities Report for more details.





<https://www.itoham-yonekyu-holdings.com/english/ir/finance.html>

Risk Category	Subcategory	
Market Changes	• Changes in livestock market price that exceed expectations • Triggering of safeguards • Strained food supply • Major increase in procurement costs	• Increase in labor costs • Increased cost in auxiliary materials and packaging materials • Increase in electricity costs or logistics fees • Major increase in price of feed
Food Safety	• Health hazards to consumers	
Infectious Diseases, Epidemics, etc.	• Spread of infectious diseases	
Livestock Epidemics	• Spread of epidemics among livestock	
Business Continuity due to Disasters, War, etc.	• Earthquakes and other natural disasters, war, conflict, terrorism, etc.	
Changes to Local and International Public or Legal Regulations and Infringement of Rights	• Unanticipated legal regulations	• Infringement of rights and delay or inability to prevent infringement
Changes to the Financial Market	• Exchange rate fluctuations	• Rise in interest rates
Business and Facilities Investments	• Impairment of non-current assets and goodwill	
Distribution	• Inadequate creation of a proper supply chain due to increase in distribution, driver shortages, and insufficient infrastructure, etc.	
Recruiting	• Insecurity with young workers	• Unanticipated personnel departure • Delayed personnel training
Compliance	• Serious compliance issues, including legal violations	
Development and Operation of Internal Control System	• Poor functioning of the internal control system	
Environmental Action	• Environmental regulations	
Information Security	• Leaking or loss of information and system failures due to earthquakes and other natural disasters, cyber terrorism, system flaws and issues, new computer virus infections, unlawful access, etc.	
Reputational Damage on Social Media		





Strong Organizational Foundation

Both attendances at Board Directors Meetings and Audit & Supervisory Board Meetings are for the fiscal year 2020.

Officers (As of October 31, 2021)

Directors		<b>Isao Miyashita</b>  President and Chief Executive Officer Chairperson of the Board Director, Itoham Foods Inc. Director, Yonekyu Corporation	With experience in the meat business, he worked as the president of Yonekyu Corporation and was appointed President and Chief Executive Officer in April 2016. He possess a wide range of knowledge and ample experience as a corporate manager, and has carried the entire Group by working to build a system for business execution and an organizational system and by promoting effective and flexible management.
		<b>Ikurou Shibayama</b>  Director Executive Vice President COO Group Processed Foods Division Head of Quality Assurance Department Chief Executive Officer, Itoham Foods Inc. Director, Yonekyu Corporation	With experience in the processed food business and Production Division at Itoham Foods, he was appointed Executive Vice President in April 2016. He is responsible for overseeing the Group's processed food business and the quality management system, and has promoted the Group's business operations as president of Itoham Foods Inc.
		<b>Katsuhiro Ito</b>  Director Managing Executive Officer CFO, CAO, CCO Chairperson of Nomination Advisory Committee Chairperson of Compensation Advisory Committee Chairperson of Governance Committee Chairperson of Sustainability Committee Senior Managing Director and Chief Financial Officer, Itoham Foods Inc.	With experience in financial affairs, accounting, and corporate planning, and as president of international businesses, he was appointed Director in June 2019. He is responsible for overseeing the Corporate Division and Group compliance promotion.
		<b>Takamasa Wakaki</b>  Director Senior Executive Officer COO Group Meat Division Executive Director, Itoham Foods Inc. Senior General Manager of Meat Division	With experience in the meat business and international businesses, he was appointed Executive Director on June 23, 2021. He is responsible for overseeing the Group's meat business.

Directors (Outside)		<b>Aya Ito</b>  Outside Director Independent Director Member of Nomination Advisory Committee Member of Compensation Advisory Committee Member of Governance Committee Member of Sustainability Committee	She has worked as an Outside Director since June 2018. She offers objective, expert opinions and suggestions with the Board of Directors with her expert knowledge of sustainability promotion and her knowledge and experience as an Outside Director with listed companies.
		<b>Yukie Osaka</b>  Outside Director Independent Director Member of Nomination Advisory Committee Member of Compensation Advisory Committee Member of Governance Committee	She has worked as an Outside Director since June 23, 2021. She offers objective, expert opinions and suggestions with the Board of Directors with her expert knowledge as a marketing consultant, her career as a Managing Director with listed companies, and her knowledge and experience as an Outside Director.

Auditors		<b>Yoshiro Matsuzaki</b>  Standing Auditor Auditor, Itoham Foods Inc. Auditor, Yonekyu Corporation	He has worked as a Full-time Auditor since June 2020. He has knowledge and experience through his career as a Yonekyu Executive Officer and as the person in charge of the Group Human Resources Department. He offers necessary and appropriate remarks with the Board of Directors to ensure compliance and validity in decision making. He audits the execution of Directors' duties with the Audit & Supervisory Board based on auditing policies and plans.
		<b>Shin Takahashi</b>  Standing Auditor Auditor, Itoham Foods Inc. Auditor, Yonekyu Corporation	He has worked as a Full-time Auditor since June 23, 2021. He has knowledge and experience in financial affairs and accounting, developed through his career as the person in charge of the Group Accounting and Finance Department. He offers necessary and appropriate remarks with the Board of Directors to ensure compliance and validity in decision making. He audits the execution of Directors' duties with the Audit & Supervisory Board based on auditing policies and plans.
Auditors (Outside)		<b>Ichiro Ichikawa</b>  Outside Auditor Independent Director	He has worked as an Outside Auditor since June 2019. He has expert knowledge and experience in financial affairs and accounting as a certified public accountant. He offers necessary and appropriate remarks with the Board of Directors to ensure compliance and validity in decision making. He audits the execution of Directors' duties with the Audit & Supervisory Board based on auditing policies and plans.
		<b>Kei Umebayashi</b>  Outside Auditor Independent Director	He has worked as an Outside Auditor since June 2020. He has expert knowledge in corporate legal affairs as a lawyer, as well as expert knowledge and experience in crisis management. He offers necessary and appropriate remarks with the Board of Directors to ensure compliance and validity in decision making. He audits the execution of Directors' duties with the Audit & Supervisory Board based on auditing policies and plans.
Executive Officer	<b>Kazuhiko Misonou</b>	Managing Executive Officer	Senior Managing Director, Itoham Foods Inc. Executive Chairman, ANZCO FOODS LTD.
	<b>Akihisa Horiuchi</b>	Managing Executive Officer	Chief Executive Officer, Yonekyu Corporation
	<b>Masayuki Yoneda</b>	Senior Executive Officer	Executive Director and Senior General Manager of Processed Foods Division, Itoham Foods Inc.
	<b>Takeshi Koyama</b>	Senior Executive Officer	General Manager of CEO Office, General Manager of Corporate Strategy Planning Office, in charge of Group Logistics, and General Manager of ABC Business Promotion Office
	<b>Koichi Ito</b>	Senior Executive Officer	Director, Acting Senior General Manager of Processed Foods Division, and Senior General Manager of Business Strategy Division, Itoham Foods Inc.
	<b>Tsuyoshi Fukunishi</b>	Senior Executive Officer	Executive Director and Senior General Manager of Production Division, Yonekyu Corporation
	<b>Masaaki Sone</b>	Senior Executive Officer	Chief Group R&D Officer and Central Research Institute
	<b>Yoshiyuki Ishimatsu</b>	Senior Executive Officer	Chief Group Production Officer and Purchasing Department and Senior General Manager of Production Division, Processed Foods Division, Itoham Foods Inc.
	<b>Tomoyuki Ushimaru</b>	Senior Executive Officer	Chief Executive Officer, Itoham Sales Inc., and Senior General Manager of Sales Division, the Processed Foods Division, Itoham Foods Inc.
	<b>Ryuji Otsuki</b>	Executive Officer	Senior General Manager of Imported Meat Division.
	<b>Sadaki Iwama</b>	Executive Officer	General Manager of Quality Assurance Department
	<b>Kouki Haruna</b>	Executive Officer	Acting Senior General Manager of Business Strategy Division, Processed Foods Division, and General Manager of Marketing Division, Itoham Foods Inc.
	<b>Shinyo Tou</b>	Executive Officer	Senior General Manager of Domestic Meat Division.
	<b>Fumihiko Kanamori</b>	Executive Officer	Senior General Manager of Meat Production Division.
	<b>Katsumi Nozawa</b>	Executive Officer	General Manager of PMI Office, Exective Director and Chief Financial Officer, Yonekyu Corporation

<b>Shinji Horiuchi</b>	Executive Officer	Chief Executive Officer, Yonekyu Kagayaki Co., Ltd.
<b>Hidetoshi Noguchi</b>	Executive Officer	Chief Executive Officer, Yonekyu Delica Foods Corporation
<b>Hiroyuki Tamai</b>	Executive Officer	General Manager of Processed Food Business Department and Marketing Unit, Yonekyu Corporation
<b>Hirohiko Yoshino</b>	Executive Officer	Acting Senior General Manager of Imported Meat Division, General Manager of Meat Business Department, Yonekyu Corporation
<b>Takuya Hashimoto</b>	Executive Officer	General Manager of IT Management Office and Manager of MIRAIBAN Section.



Strong Organizational Foundation

Officers' Skill Matrix (As of October 31, 2021)

The Board of Directors is diverse, with directors from differing backgrounds of expert knowledge and experience. The diverse experience and knowledge of each Director complements the performance of the overall Board of Directors, and the Board is set up in such a way as to fulfill its fiduciary responsibility.

● Chairperson ○ Member

			Skill Matrix												Make Up of Board of Directors, Audit and Supervisory Board, and Each Committee (As of October 31, 2021)						
			General	Expertise in the Food Industry					Attributes, Experience, Etc.						Board of Directors	Audit & Supervisory Board	Nomination Advisory Committee	Compensation Advisory Committee	Governance Committee	Sustainability Committee	Compliance Committee
	Position, Supervisor	Independent Director	Management	Raw Material Procurement	Meat Production	Manufacturing and Processing	Sales	Product Development	Legal Affairs	Financial Accounting	Marketing	ESG Sustainability	IT/Digital Transformation	International Experience							
Isao Miyashita	President and Chief Executive officer Director, Itoham Foods Inc. Director, Yonekyu Corporation		●	●	●	●	●							●	●						
Ikurou Shibayama	Director Executive Vice President COO Group Processed Foods Division Head of Quality Assurance Department Chief Executive Officer, Itoham Foods Inc. Director, Yonekyu Corporation		●			●	●	●			●				○						
Katsuhiro Ito	Director Managing Executive Officer CFO, CAO, CCO Senior Managing Director and Chief Financial Officer, Itoham Foods Inc.		●						●	●		●		●	○		●	●	●	●	
Takamasa Wakaki	Director Senior Executive Officer COO Group Meat Division Executive Director, Itoham Foods Inc. Senior General Manager of Meat Division		●	●	●		●							●	○				○		
Aya Ito	Outside Director	●									●	●			○		○	○	○		
Yukie Osaka	Outside Director	●	●								●		●		○		○	○			
Yoshiro Matsuzaki	Standing Auditor Auditor, Itoham Foods Inc. Auditor, Yonekyu Corporation		●									●			○	●				○	
Shin Takahashi	Standing Auditor Auditor, Itoham Foods Inc. Auditor, Yonekyu Corporation		●							●					○	○					
Ichiro Ichikawa	Outside Auditor	●	●							●				●	○	○					
Kei Umebayashi	Outside Auditor	●							●			●		●	○	○					

## Financial and Corporate Data

### Major Financial Trends

	(Unit: 1 million yen)			
	FY2017	FY2018	FY2019	FY2020
Net Sales	831,865	850,721	852,450	842,675
Gross profit	130,649	126,821	133,548	139,979
Selling, general and administrative expenses	109,087	112,326	116,281	115,961
Operating income	21,562	14,494	17,266	24,018
Ordinary income	24,423	15,679	19,534	27,000
Net Income attributable to owners of parent	15,784	10,588	11,439	20,204
Earnings per share (EPS) (yen)	53.22	35.82	38.72	68.61
Return on equity (ROE) (%)	7.3	4.8	5.1	8.5
Return on assets (ROA) (%)	6.5	4.1	5.0	6.9
Return on invested capital (ROIC) (%)	6.4	4.1	4.7	6.3
Ratio of operating income to net sales (%)	2.6	1.7	2.0	2.9
Ratio of ordinary income to net sales (%)	2.9	1.8	2.3	3.2
Ratio of net income to net sales (%)	1.9	1.2	1.3	2.4
Total assets	376,204	393,392	389,426	394,086
Net assets	219,861	224,074	229,178	247,648
Capital to asset ratio (%)	58.1	56.6	58.5	62.7
Current assets	213,465	229,580	226,498	226,384
Current liabilities	127,765	139,456	138,106	123,041
Book value per share (BPS) (yen)	739.77	754.14	773.26	843.52
D/E ratios (times)	0.22	0.28	0.23	0.16
Interest coverage ratio (times)	6.2	19.2	44.7	113.3
Cash flow from operating activities	5,521	15,114	31,847	40,862
Cash flow from investing activities	-8,183	-19,879	-7,855	-10,837
Free cash flow	-2,661	-4,765	23,991	30,025
Cash flow from financing activities	-20,004	10,084	-16,390	-21,097
Cash and cash equivalents at end of period	29,284	34,643	41,771	50,651
Net increase (decrease) in cash and cash equivalents	-23,501	5,358	7,128	8,879
Cash and cash equivalents at beginning of period	52,785	29,284	34,643	41,771
Capital Expenditures	12,674	20,560	9,838	11,580
Depreciation and amortization of goodwill	10,304	11,666	12,524	13,003
Dividends per share (yen)	17.0	17.0	17.0	21.0
Consolidated payout ratio (%)	31.9	47.5	43.9	30.6

### Segment information

(Unit: 1 million yen)				
Processed food segment				
Net Sales	287,502	291,939	300,209	307,041
Sales ratio	34.6	34.3	35.2	36.4
Operating income	10,764	7,914	6,730	12,397
Meat segment				
Net Sales	540,107	554,576	548,184	531,581
Sales ratio	64.9	65.2	64.3	63.1
Operating income	11,432	7,364	11,284	13,443

### Consolidated statement of income

	(Unit: 1 million yen)	
	FY2019	FY2020
Net Sales	852,450	842,675
Cost of goods sold	718,902	702,695
Gross profit	133,548	139,979
Selling, general and administrative expenses	116,281	115,961
Operating income	17,266	24,018
Non-operating income		
Interest income	118	56
Dividend income	342	328
Rent income	425	423
Insurance income	428	214
Subsidy income	598	1,244
Equity in income of affiliates	942	1,040
Other	498	573
Total non-operating expenses	3,355	3,882
Non-operating expenses		
Interest expenses	711	360
Rent on real estate	139	143
Other	236	395
Total non-operating expenses	1,087	900
Ordinary income	19,534	27,000
Extraordinary income		
Gain on sale of non-current assets	54	476
Gain on sales of investment securities	83	10
Insurance income	331	3,003
Other	13	-
Total extra-ordinary income	483	3,490
Extraordinary loss		
Loss on retirement of non-current assets	469	587
Loss on sale of investment securities	7	475
Impairment loss	17	165
Loss on disaster	1,493	-
Loss on liquidation of subsidiaries	-	139
Loss on liquidation of business	719	-
Other	29	8
Total extra-ordinary expenses	2,738	1,377
Net income before taxes	17,280	29,113
Income taxes-deferred	5,491	8,367
Income taxes-current	213	451
Total income taxes	5,704	8,819
Net income	11,575	20,294
Income attributable to non-controlling interests	135	89
Income attributable to owners of parent	11,439	20,204

### Consolidated statement of comprehensive income

Net income	11,575	20,294
Other comprehensive income		
Valuation difference on available-for-sale securities	-324	2,449
Deferred gains or losses on hedges	573	26
Foreign currency translation adjustment	-694	441
Remeasurements of defined benefit plan	-70	1,651
Share of other comprehensive income of entities accounted for using equity method	-401	346
Total other comprehensive income	-916	4,915
Comprehensive income	10,658	25,209
Comprehensive income attributable to owners of parent	10,506	25,141
Comprehensive income attributable to non-controlling interests	151	68



## Financial and Corporate Data

### Consolidated Balance Sheets

	(Unit: 1 million yen)	
	FY2019	FY2020
<b>Assets</b>		
<b>Current assets</b>		
Cash and deposits	42,072	50,952
Notes and accounts receivable - trade	87,902	86,591
Merchandise and finished goods	70,648	63,313
Work in process	1,757	1,745
Raw materials and supplies	17,837	17,174
Other	6,293	6,617
Allowance for doubtful accounts	-14	-10
<b>Total current assets</b>	<b>226,498</b>	<b>226,384</b>
<b>Non-current assets</b>		
<b>Property, plant and equipment</b>		
Buildings and structures	101,777	102,615
Accumulated depreciation	-64,601	-66,181
Buildings and structures, net	37,175	36,433
Machinery, equipment, and vehicles	126,499	125,742
Accumulated depreciation	-96,194	-96,823
Machinery, equipment and vehicles, net	30,305	28,919
Tools, furniture & fixtures	6,873	6,903
Accumulated depreciation	-5,365	-5,435
Tools, furniture & fixtures, net	1,508	1,468
Land	25,830	25,745
Leased assets	5,932	6,214
Accumulated depreciation	-3,132	-3,455
Leased assets, net	2,799	2,758
Construction in progress	1,017	2,176
Other	172	145
Accumulated depreciation	-48	-52
Others, net	124	92
<b>Total property, plant and equipment</b>	<b>98,760</b>	<b>97,595</b>
<b>Intangible assets</b>		
Goodwill	21,057	19,573
Other	1,626	2,150
<b>Total intangible assets</b>	<b>22,684</b>	<b>21,724</b>
<b>Investments and other assets</b>		
Investment securities	25,822	29,331
Long-term loans receivable	1,518	1,520
Deferred tax assets	1,067	734
Net defined benefit assets	9,378	12,162
Other	3,822	4,738
Allowance for doubtful receivables	-126	-105
<b>Total investments and other assets</b>	<b>41,482</b>	<b>48,382</b>
<b>Total non-current assets</b>	<b>162,927</b>	<b>167,702</b>
<b>Total Assets</b>	<b>389,426</b>	<b>394,086</b>

	(Unit: 1 million yen)	
	FY2019	FY2020
<b>Liabilities</b>		
<b>Current liabilities</b>		
Notes and accounts payable - trade	61,574	56,615
Electronically recorded obligations -	1,748	1,660
Short-term loans payable	28,880	25,704
Current portion of Long-term loans payable	10,179	155
Lease obligations	794	813
Accounts payable - other	21,111	21,768
Income taxes payable	1,707	4,149
Accrued consumption taxes	1,418	508
Provision for bonuses	5,280	6,397
Provision for directors' bonuses	120	147
Provision for loss on disaster	544	467
Other	4,745	4,653
<b>Total current liabilities</b>	<b>138,106</b>	<b>123,041</b>
<b>Non-current liabilities</b>		
Long-term loans payable	10,872	10,717
Lease obligations	2,228	2,193
Deferred tax liabilities	2,179	4,253
Net defined benefit liability	2,208	1,725
Asset retirement obligation	1,461	1,475
Other	3,190	3,031
<b>Total non-current liabilities</b>	<b>22,140</b>	<b>23,396</b>
<b>Total liabilities</b>	<b>160,247</b>	<b>146,438</b>
<b>Net assets</b>		
<b>Shareholders' equity</b>		
Capital stock	30,003	30,003
Capital surplus	96,267	96,624
Retained earnings	101,792	116,989
Treasury shares	-2,293	-3,624
<b>Total shareholders' equity</b>	<b>225,770</b>	<b>239,992</b>
<b>Other accumulated comprehensive income</b>		
Valuation difference on available-for-sale securities	4,823	7,298
Deferred gains or losses on hedges	-355	-329
Foreign currency translation adjustment	-3,767	-3,073
Remeasurements of defined benefit plan	1,301	3,042
<b>Total accumulated other comprehensive income</b>	<b>2,002</b>	<b>6,939</b>
<b>Subscription rights to shares</b>	<b>131</b>	<b>131</b>
<b>Non-controlling interests</b>	<b>1,275</b>	<b>585</b>
<b>Total net assets</b>	<b>229,178</b>	<b>247,648</b>
<b>Total liabilities and net assets</b>	<b>389,426</b>	<b>394,086</b>

Financial and Corporate Data

Consolidated statement of Cash Flows

	FY2019	FY2020
(Unit: 1 million yen)		
Cash flow from operating activities		
Net income before taxes	17,280	29,113
Depreciation	10,933	11,519
Impairment loss	17	165
Increase (decrease) in provision for bonuses	525	1,116
Amortization of goodwill	1,591	1,483
Interest and dividend income	-460	-385
Interest expenses	711	360
Insurance income	-760	-3,218
Loss on disaster	1,493	-
Loss on liquidation of business	719	-
Loss on liquidation of subsidiaries	-	139
Subsidy income	-598	-1,244
Equity in earnings of affiliates	-942	-1,040
Loss (gain) on sale of investment securities	-76	464
Decrease (increase) in notes and accounts receivable - trade	12,216	1,293
Decrease (increase) in inventories	-548	8,043
Increase (decrease) in notes and accounts payable - trade	-2,995	-4,821
Increase (decrease) in notes and accounts payable	-336	709
Increase (decrease) in net defined benefit liability	-43	-132
Decrease (increase) in net defined benefit asset	-207	-708
Other	-102	-1,754
Subtotal	38,414	41,103
Interest and dividend income received	561	625
Proceeds from insurance income	747	3,227
Proceeds from subsidy income	522	1,033
Interest expenses paid	-712	-360
Payments for loss on disaster	-355	-77
Income taxes paid	-7,330	-4,688
Net cash provided by (used in) operating activities	31,847	40,862
Cash flows from investing activities		
Purchase of property, plant and equipment	-8,995	-9,685
Purchase of intangible assets	-571	-1,226
Purchases of Investments in Securities	-1,109	-73
Proceeds from Sale of Investments in Securities	233	714
Purchase of investments in subsidiaries resulting in change in scope of consolidation	-1,271	-
Proceeds from capital reduction with compensation	2,969	-
Payments of loans receivable	-265	-237
Proceeds from loans receivable	1,012	235
Other	143	-564
Net cash provided by (used in) investing activities	-7,855	-10,837
Cash flows from financing activities		
Increase (decrease) in short-term loans payable	-4,740	-3,192
Repayment of long-term loans payable	-5,209	-10,179
Purchase of treasury shares	-606	-1,478
Purchase of treasury shares of subsidiaries	-	-321
Cash dividends paid	-5,018	-5,009
Purchase of investments in subsidiaries resulting in no change in scope of consolidation	-	-6
Repayments of lease obligations	-770	-866
Other	-45	-44
Net cash provided by (used in) financing activities	-16,390	-21,097
Effect of exchange rate change on cash and cash equivalents	-472	-48
Net increase (decrease) in cash and cash equivalents	7,128	8,879
Cash and cash equivalents at beginning of period	34,643	41,771
Cash and cash equivalents at end of period	41,771	50,651

Consolidated statements of changes in shareholders' equity

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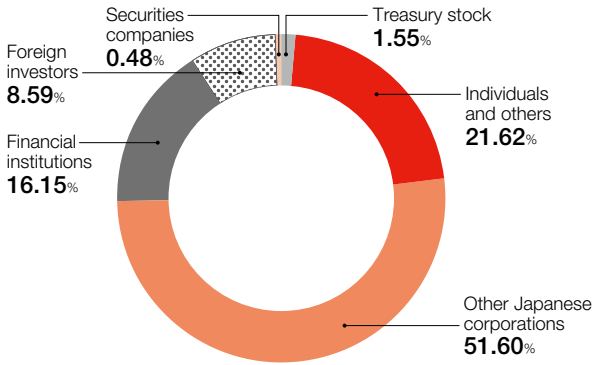


Stock Information (As of March 31, 2021)

Stock Conditions

Listed stock exchange	Tokyo Stock Exchange (1st Section)
Stock ticker code	2296
Number of authorized shares	1,000,000,000
Number of issued shares	297,355,059
Number of shares per unit	100
Number of shareholders	52,793
Shareholder registry administrator	Sumitomo Mitsui Trust Bank, Limited

Distribution of shares by shareholder type



Status of Major Shareholders

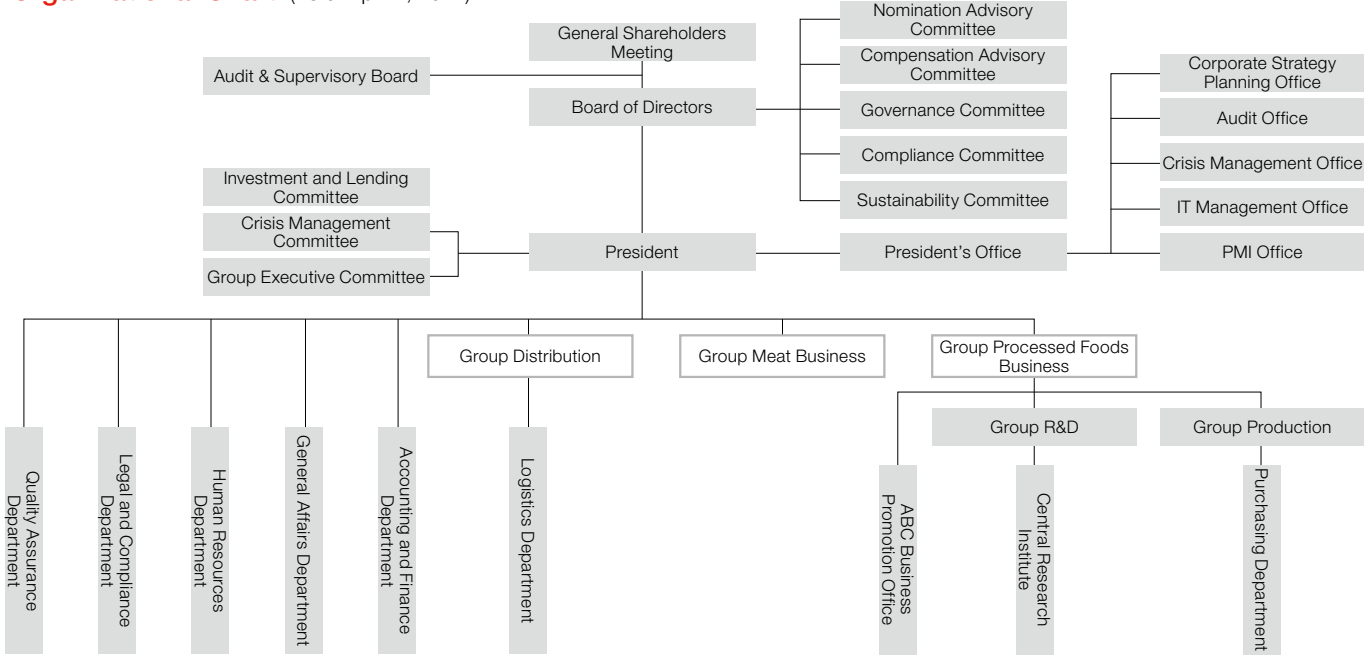
Name	Owned shares (in thousands)	Ownership ratio (%)
Mitsubishi Corporation	115,779	39.55
Custody Bank of Japan, Ltd.	17,396	5.94
The Master Trust Bank of Japan, Ltd. (Trust account)	13,921	4.75
The Ito Foundation	12,000	4.09
S Planning Inc.	10,279	3.51
Ito Bunka Foundation	6,200	2.11
Sumitomo Mitsui Banking Corporation	4,803	1.64
Mizuho Bank, Ltd	3,152	1.07
MUFG Bank, Ltd.	3,151	1.07
Nippon Life Insurance Company	2,749	0.93

\* Itoham Yonekyu Holdings is excluded from the above list of major shareholders even though it owns 4,616,000 treasury stocks.  
\* Ownership ratio is calculated by deducting treasury stocks.  
\* All shares held by the Custody Bank of Japan, Ltd. and The Master Trust Bank of Japan, Ltd. pertain to fiduciary services.  
\* Shares owned by Mizuho Bank, Ltd. include 1,260,000 shares pertaining to an employee pension trust.

Corporate Information (As of March 31, 2021)

Trade name	ITOHAM YONEKYU HOLDINGS INC.
Representative	Isao Miyashita, President and Chief Executive officer
Location of head office	1-6-21 Mita, Meguro-ku, Tokyo
Established	April 1, 2016
Capital	30 billion JPY (anything less than 100 million is rounded down)
Business description	Business management and all other accompanying duties for Group subsidiaries that handle sales and manufacturing of processed meat products, processing and sales of meat, processed foods, manufacturing and sales of ready-made meals
Number of employees	8,313(Consolidated)
Fiscal year	From April 1 to March 31
Accounting auditor	KPMG AZSA LLC

Organizational Chart (As of April 1, 2021)



Group Companies

