
Itoham Yonekyu Group

Medium-term Management Plan 2020

~ to the Next Stage ~

November 18, 2016
Itoham Yonekyu Holdings Inc.

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1. Corporate Image Targeted

Group Principle

Contribute to the realization of sound and affluent society through business.

Vision

A leading food company that continuously evolves with its employees by embracing the spirit of fairness and the challenge to progressions.

Action Guidelines

- Supply products and services of high value by pursuing safety, security and quality
- Build and expand trust by making good on promises
- Capacity development through broad-minded communication and mutual understanding
- Honest and transparent actions with top priority on compliance
- Business actions with awareness to global environment

2. The Position of the Plan

Executive Summary

Pre-Management Integration

- In January 2019, Itoham, Yonekyu and Mitsubishi enter into a comprehensive alliance arrangement. The targeted synergy effect of ¥8.0 billion was not achieved.
- Itoham achieved the sales target set in its medium-term management plan through 2015 (CNV 2015). Operational income, ordinary income, net income and ROE were below target. (Ordinary income and net income showed increase for 5 consecutive years. Target net income and ROE were achieved in 2014)
- Yonekyu surpassed the 2018 ordinary income target set in its 5th Medium-term Management Plan (revised) in 2014

Medium-term Management Plan 2020

- Target of ¥1 trillion sales and OPM of above 3% by 2020.
- The Plan places emphasis on growing product categories and sales channels (adhering to growing markets) while expanding current business. It also pursues the synergy effect, enhances competitiveness and reorganizes functions.
- Strengthen management foundation to support expanded business scale.

2. The Position of the Plan

Background and the Position of the Plan

Itoham Yonekyu Group Medium-term Management Plan 2020

A leading food company with ¥1 trillion sales and OPM above 3%



- Has endeavored to adopt to changes in the market, strengthen its corporate and product brand images, increase its cost competitiveness.
- By affiliating ANZCO, sales into the global market, especially in Asia, have increase dramatically.

Challenges

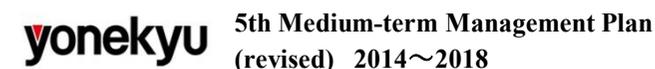
Need for high mobility in making proposals to the ready-made and restaurant sectors, increased cost competitiveness and stronger value chain in the meat division to ensure steady growth in the future



“Aggressive Management Strategy”
Increase business size, and at the same time, bring together the strength of both companies to create a synergy effect



Mitsubishi Corporation



Has expanded and reorganized its business, improved productivity and logistics efficiency and enforced strict profit and loss management, resulting in record profits in fiscal year 2015.

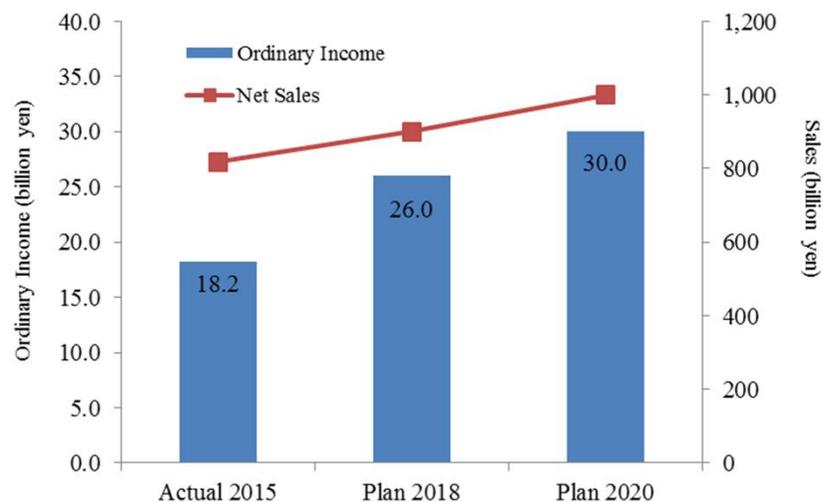
Challenges

The necessity to increase production capacity and sales foothold without jeopardizing cost competitiveness

3. Performance Targets

Target Values

	Actual 2015		Plan 2018	Plan 2020
				billion yen
Net Sales	817.4		900.0	1,000.0
Ordinary Income	18.2		26.0	30.0
(Synergy Effect)			5.0	5.0
Ordinary Income Rate	2.2%		2.9%	3.0%
% of Ordinary Income Attributable to Overseas Operations	11.9%		12.2%	13.5%



3. Performance Targets

Target Values

(Ref) by Items and Operating Segments

billion yen

	Actual 2015		Plan 2018	Plan 2020
Sales	817.4		900.0	1,000.0
Processed Food	112.1		150.0	200.0
Ham/Sausage	174.2		190.0	200.0
Meat	520.1		550.0	600.0
Others	11.0		10.0	-
Processed Food Division				
Sales	276.3		336.0	400.0
Operating Income	7.7		13.8	16.0
% of Sales	2.8%		4.1%	4.0%
Meat Division				
Sales	539.7		558.0	600.0
Operating Income	9.9		12.7	14.5
% of Sales	1.8%		2.3%	2.4%
Others/Consolidation Adj				
Operating Income	-0.2		-15.0	-15.0
Consolidated Op Income	17.3		25.0	29.0
Non-operating Gain/Loss	0.9		10.0	10.0
Ordinary Income	18.2		26.0	30.0

3. Performance Targets

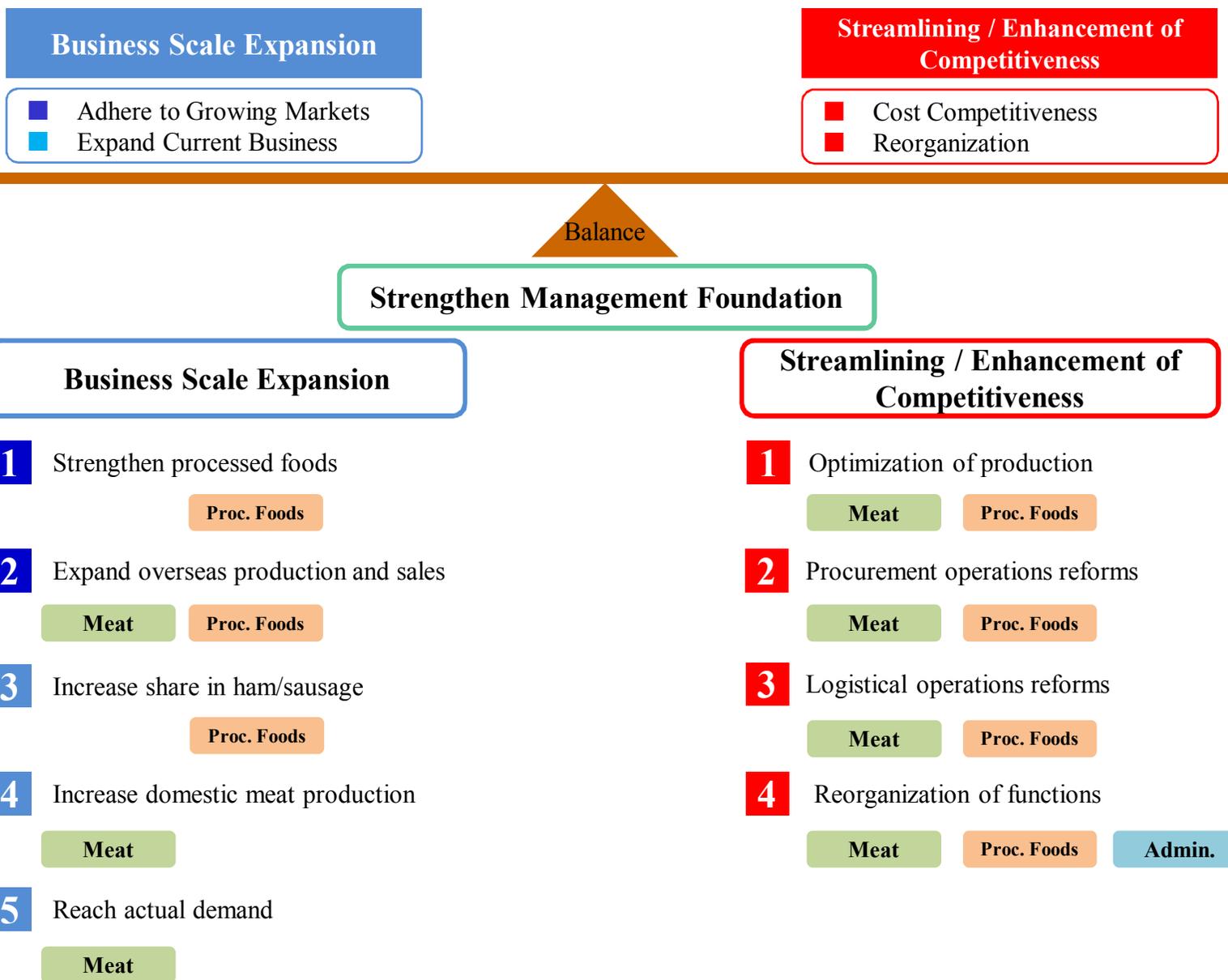
Target Values

(Ref) Balance Sheet / Cash Flow

billion yen

	Actual 2015		Plan 2018	Plan 2020
Total Assets	360.9		401.0	427.0
Debt with Interest	57.4		52.0	52.0
Shareholder's Equity	191.8		232.0	254.8
D/E Ratio			0.22	0.20
ROE			7.6%	8.0%
Operation CF			22.8	24.3
Investment CF			-16.7	-10.4
FCF			6.1	13.9

4. Basic Strategies



5. Detailed Plans

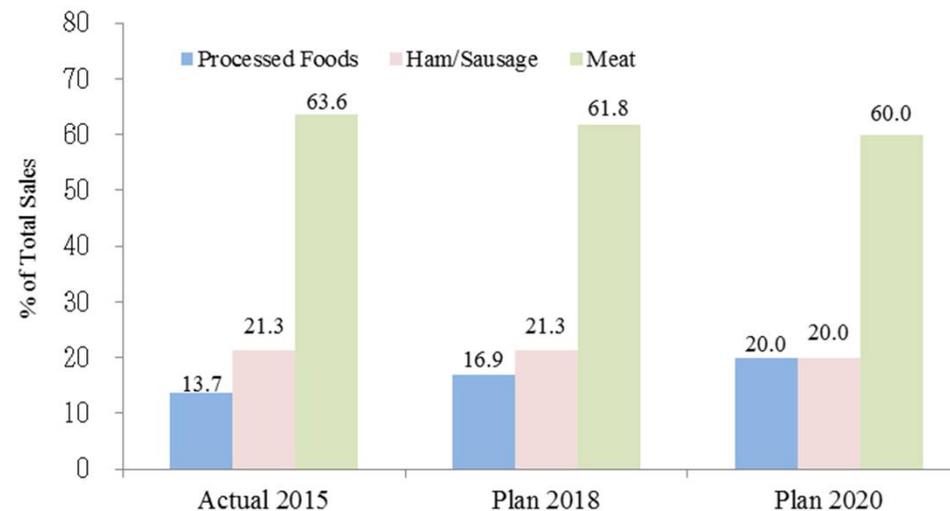
Business Scale Expansion

1 Strengthen processed foods

Proc. Foods

Expand sales of processed foods to same level as ham/sausage
(increase % of total sales from 13.7% to 20.0%)

- Target growing product categories and sales channels
- Increase competitive advantages of current products
- Strengthen sales structure of processed foods



5. Detailed Plans

Business Scale Expansion

2 Expand overseas production and sales

Meat

Proc. Foods

Increase percentage of ordinary income from overseas operations from 11.9% to 13.5%.

- Propel ANZCO's growth strategy and liaise on overseas business expansion
- Expand overseas meat production, primary processing chain
- Alliance with powerful local businesses based on production know-how of Itoham

Yonekyu Group

5. Detailed Plans

Business Scale Expansion

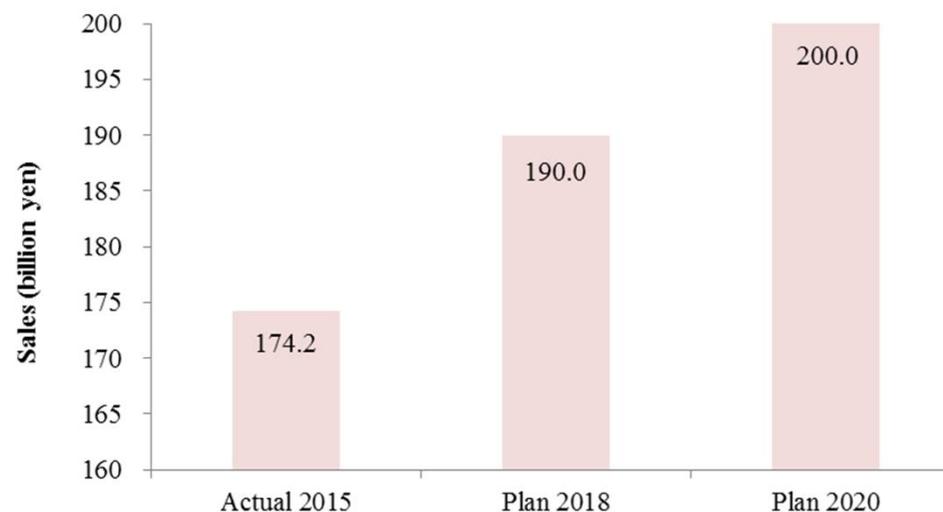
3 Increase share in ham/sausage

Proc. Foods



Increase brand value to maximize supply

- Increase NB value by improving the quality and quantity of presentation to customers
- Strengthen ready-made and restaurant sectors support
- PB initiative that leads to increased profits



5. Detailed Plans

Business Scale Expansion

4 Increase domestic meat production

Meat

Expand domestic production operations to solidify the supply system of branded meat and strengthen the ability to react to market environment fluctuations

- Expand and increase utilization of meat production facilities
- Strengthen relations with contract/cooperative farms

5 Reach actual demand

Meat

Strengthen direct sales capability.

- Increase sales personnel with thorough knowledge of meat
- Review locations of sales offices and reassign staff within the group to create an atmosphere of friendly rivalry
- Strengthen ability to make proposals by enhancing primary processing functions

5. Detailed Plans

Streamlining / Enhancement of Competitiveness

1 Optimization of production

Meat

Proc. Foods

Establish a production system with cost competitiveness by optimization of all assets (including know-how) of Itoham Yonekyu Group to maximize production profits.

- Seamless production exchange of both brands
- Control facility/line/outsourcing of products according to changes in demand
- Sharing of production and development know-hows
- Reduction of product lines

2 Procurement operations reforms

Meat

Proc. Foods

Reduce cost and increase profitability by efficiently procuring items at a lower cost.

- Increase direct importation of meat
- Increase efficiency in importation
- Joint procurement of supplementary ingredients, supplementary materials and utility

5. Detailed Plans

Streamlining / Enhancement of Competitiveness

3 Logistical operations reforms

Meat

Proc. Foods

Maximize efficiency through volume

- Collective logistics of imported meat and processed foods
- Propel facility integration

4 Reorganization of functions

Meat

Proc. Foods

Admin.

Propel reorganization of overlapping functions

- Increase efficiency in sales support functions such as market research and advertisement
- Integration of corporate administrative divisions
- Reorganize administrative section of operating divisions

5. Detailed Plans

Strengthen Management Foundation

1 Strengthen management and administration

- Integration of corporate administrative divisions
- Thorough profit and loss management
- Enrich quality control system
- Build next generation information system

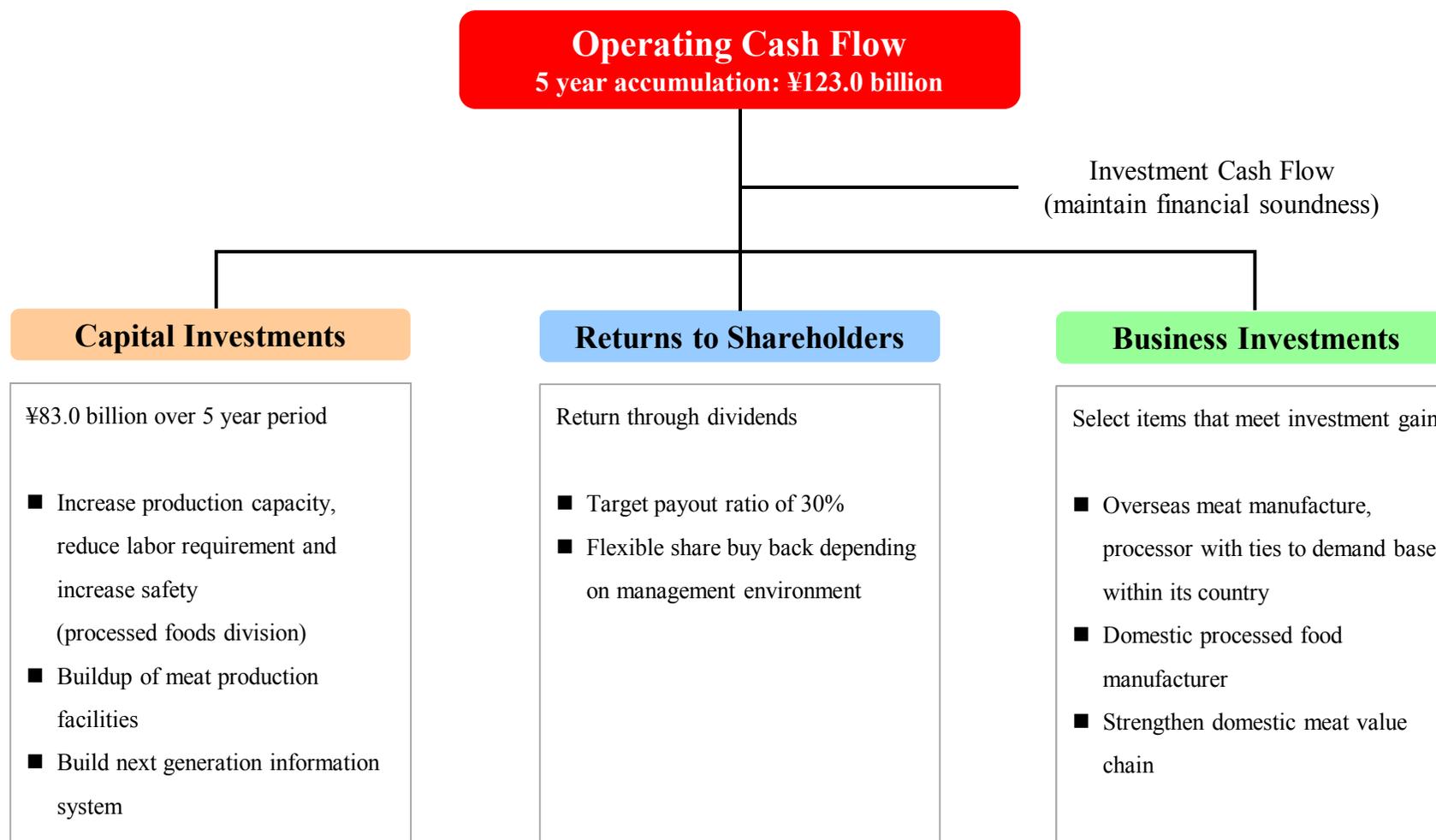
2 Unambiguous distribution of corporate resource

- Constantly monitor and replace assets that its significance of retaining have completed or have greatly declined
- Actively allocate personnel (group's biggest asset) to areas of focus

3 Human resource utilization and development

- Induce human resource development program that meets various career visions
- Promote women and seniors in taking active roles

6. Investments and Returns to Shareholders



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