

Itoham Yonekyu Holdings Inc. Medium-term Management Plan 2023 Integration progress report

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Table of Contents

01 Medium-term Management Plan 2023
Business Summary

02 Integration progress

-01 Plan and Effects
FY2016~FY2021

-02 Plan and Effects [Processed Food]
FY2022~

Table of Contents

01 Medium-term Management Plan 2023 Business Summary

02 Integration progress

-01 Plan and Effects
FY2016~FY2021

-02 Plan and Effects [Processed Food]
FY2022~

01 Medium-Term Management Plan 2023 Summary

- ✓ In Medium-Term Management Plan 2023, we are working on various measures to promote the integration of the entire group and enhance competitiveness and growth potential.
- ✓ In this documentation, we would like to explain the progress and future with regard to "I. strengthening the management base" and " II . strengthening the revenue base" particularly.

<Guidelines for actions>

Achieve further growth and leap by defying stereotypes and reaffirming our strengths

Ongoing challenges after integration

Our vision for achievement during the current of Medium-term Management Plan

I. Strengthen management base

Maximize performance and potential

II . Strengthen earnings base

Maximize Group value

III. Initiatives for new businesses and markets

Establish new core earnings sources

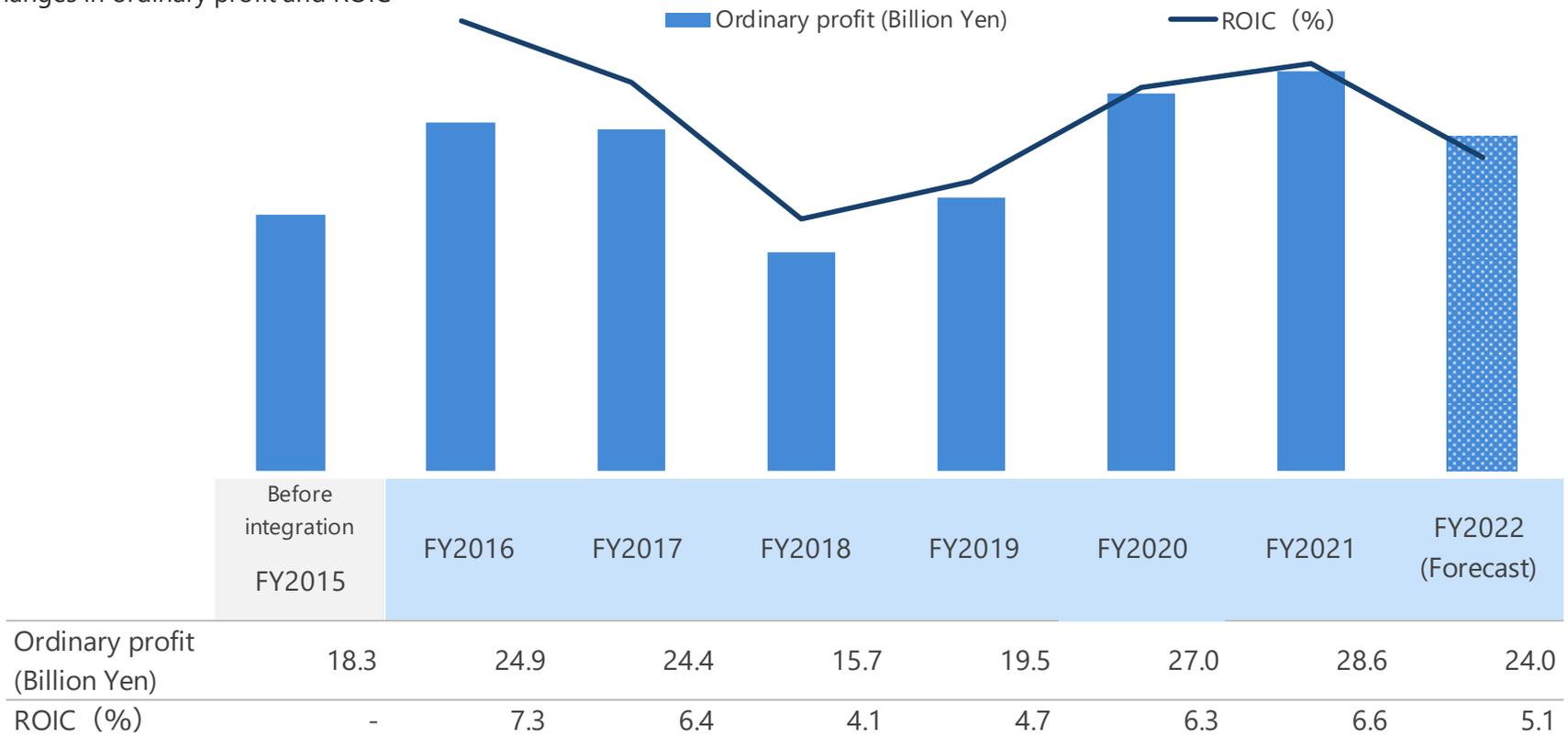
IV. Initiatives for sustainability

Fulfill corporate social responsibility through business

01 Business Summary

- ✓ FY2018 : Significant decrease in profit. The main factors were rising costs of raw materials and logistics costs, price competition, unfavorable ANZCO Foods results, etc.
- ✓ FY2020 : Achieved maximum profit. The main factors were successful cost reduction through synergy effects, expanded demand for eating at home, improved profitability of processed foods, recovery of ANZCO Foods etc.

● Changes in ordinary profit and ROIC



*FY2015 is the simple sum of Itoham Foods and Yonekyu.

*ROIC is calculated by excluding insurance receivable in extra ordinary income.

Table of Contents

01 Medium-term Management Plan 2023 Business Summary

02 Integration progress

-01 Plan and Effects
FY2016~FY2021

-02 Plan and Effects [Processed Food]
FY2022~

02-01 History

- ✓ Itoham owns many long-selling products. Also, a wide range of businesses, including overseas business primarily composed on ANZCO Foods.
- ✓ Yonekyu operates mainly in the Tokai region, and owns unique products. Also, expand the business actively, such as meat livestock farming business and e-commerce business.

ITOHAM FOODS INC.

1928 ● Denzo Ito founded "Ito Shokuhin Kakougyou" in Osaka.

1934 ● **First in the industry,** launched "Cellophane Wiener". (Current "Paul Wiener")

1979 ● **Promote delicatessen retail business.** Established "Itoham Food Solutions Co., Ltd."

1981 ● **Strengthening livestock farming and processing business.** Established "Sankyo Meat Co., Ltd."

1988 ● **The first in the world,** launched baby size wiener "Pork Bits".

2015 ● **Strengthen overseas business.** Increased the investment ratio in "ANZCO Foods" and made it a subsidiary (65%)



Yonekyu Corp.

1965 ● Kiyokazu Shoji founded "Yonekyu Shokuhin" in Numazu.

1981 ● **First in the industry,** built up Factory, it was special factory for Prociutto.

1999 ● **Entered the frozen food business.** Acquisition of all shares of "Yamaki Foods Inc". (Current "Yonekyu Delica Foods Corp.")

2006 ● **Strengthening the poultry livestock farming business.** Established "Yonekyu Tohaku Inc." (Current "Yonekyu Oishii Tori Corp.") in Tottori.

2010 ● **Entered the pork livestock farming business.** Established "Taiyo Pork Corp." in Hiroshima.

2011 ● **Strengthening the online shopping business.** Open own website. (URL/link: <https://www.yonekyu-eshop.jp/>)



Itoham Yonekyu Holdings Inc.



2016 ● Established Itoham Yonekyu Holdings Inc.

2017 ● **Strengthening competitiveness overseas business.** Acquired additional shares of "ANZCO Foods" and made it a 100% subsidiary.

2019 ● **Joint investment with Mitsubishi Corporation Group.** Established "Kyushu Extract Ltd." to manufacture meat extracts and seasoning products.

2020 ● **Non-meat protein products new release.**

02-01 Combining each other's strengths to build a strong portfolio

✓ Through integration, we will complement and strengthen each other to build a strong portfolio. Became one of the largest processed food and meat company in Japan.



Nationwide sales network	Area	Strong relationship with the Tokai region
Strong in ham/sausage	Processed Food	Strong in cooked Foods
Strong in household products	Client	Strong in commercial products
automated and efficient production	Manufacture	niche and unique production
Strong in Beef and Pork	Meat	Strong in Poultry and Pork



To the largest processed food and meat company in Japan

Aiming to maximize integration effects by improving efficiency and cost competitiveness

02-01 Initial targets and results of the previous medium-term plan

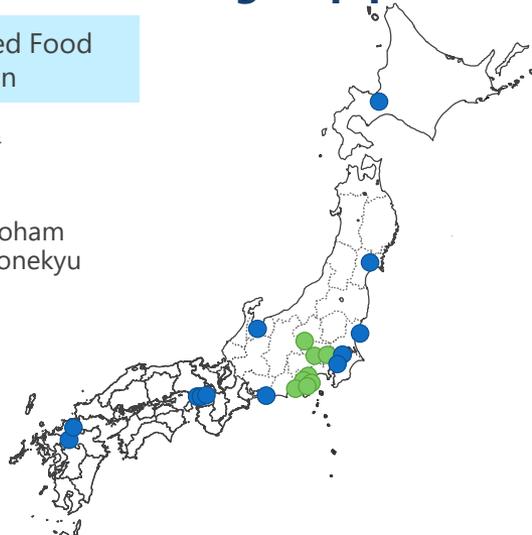
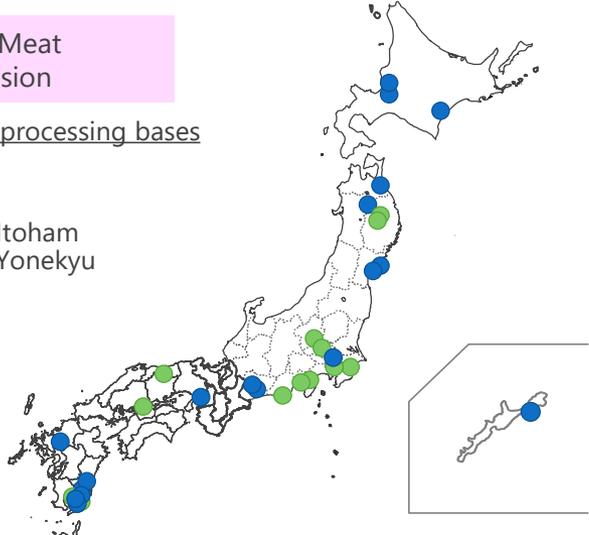
- ✓ Achieved about 5.5 billion yen improvement mainly in the procurement function during the previous medium-term plan
- ✓ Initially, the mainly effectiveness for the production and logistics function were expected to improve about 5.0 billion yen.

	Initial targets		Results of the previous medium-term plan	
Development		✓ Strengthen competitiveness by sharing development technology.		✓ Strengthen competitiveness by sharing development technology.
Procurement		✓ Improvement for price negotiation power and efficiency through joint procurement and centralized inventory.		✓ Improvement for price negotiation power and efficiency through joint procurement and centralized inventory.
Manufacture		✓ Strengthen cost competitiveness and expand production profit by optimizing group assets.		✓ Improve the production profits by utilizing nationwide group production bases.
logistics		✓ Strengthen competitiveness through the large handling volume.		✓ Reduction of logistics costs through joint operation of trucks, etc..
Sales		<ul style="list-style-type: none"> ✓ Increase the value of both brands and maximize supply. ✓ Optimizing labor and operating costs. 		✓ Strengthen competitiveness and improve brand value through the effective using of group assets.
Headquarters		✓ Increase efficiency and reduce costs by integrating headquarters functions.		✓ Increase efficiency and reduce costs by integrating headquarters functions.
Integration synergy effect	About 5.0 billion yen		About 5.5 billion yen	

02-01 Integration Synergy : Specific examples

- ✓ The development technology are shared such as production method.
- ✓ The procurement function are improved more than expected through the joint procurement, centralized inventories, etc.
- ✓ The manufacture bases has nationwide, and go ahead to make efficient by using of group assets.

Develop- ment Synergy effect 	Procure- ment Synergy effect 	<h2 style="color: #003366;">Sharing development technology</h2> <ul style="list-style-type: none"> ● Non-meat product development ● Shared use of raw materials ● Sharing manufacturing methods 	<h2 style="color: #003366;">Joint procurement</h2> <ul style="list-style-type: none"> ● Strengthen cost competitiveness by sharing raw materials, materials, suppliers, etc. and by expanding direct trade. <h2 style="color: #003366;">Centralized inventories</h2> <ul style="list-style-type: none"> ● Cost savings through efficient inventory management.
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Manu- facture Synergy effect 	<h2 style="color: #003366;">Effective utilization of group production bases that located nationwide</h2>	
The Processed Food Division plant bases	The Meat Division farming and processing bases	
<ul style="list-style-type: none"> ● Itoham ● Yonekyu 	<ul style="list-style-type: none"> ● Itoham ● Yonekyu 	

02-01 Integration Synergy : Specific examples

- ✓ The sales function is working to strengthen competitiveness and improve brand value through the effective using of group assets. In The Processed Food Division, market share increased comparison with before the integration. The Meat Division has a stable and strong portfolio with a share of 10% or more for all categories.
- ✓ In the headquarters functions, working to Increase efficiency and reduce costs by integrating.

Sales

Synergy effect

Strengthen competitiveness and improve brand value

The Processed Food Division

FY2021 market share in Japan
*Date : QPR™
 *subject : household foods

■ : Yonekyu
 ■ : Itoham
 ■ : Itoham Yonekyu Holdings

● Ham/Sausage	● Cooked Foods	● Pizza/Snacks
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share%

total 20
5
15

total 21

Before integration FY2015 After integration FY2021

share%

total 14
3
11

total 16

Before integration FY2015 After integration FY2021

share%

total 21
21

total 31

Before integration FY2015 After integration FY2021

The Meat Division

FY2021 market share in Japan
*our research
 *including meat for processed products

● Beef

12%

● Pork

19%

● Poultry

13%

Head-
quarters

Synergy effect

Integrating headquarters functions

- Reduce costs by consolidating headquarters functions, such as centralizing funding.
- Reduce costs by improving duplication of work (personnel and general affairs, accounting and finance, legal/compliance, public relations, etc.)

Table of Contents

01 Medium-term Management Plan 2023
Business Summary

02 Integration progress

-01 Plan and Effects
FY2016~FY2021

-02 Plan and Effects [Processed Food]
FY2022~

02-02 Creation of further synergies

- ✓ We recognize the challenges of delay integration of the production and logistics functions.
- ✓ We will create further integration synergies by restructuring group factories and logistics bases.

	Initial expectations	the previous medium-term plan	2022- "From now on"	
Development	○	○	○	
Procurement	○	◎	○	
Manufacture	◎	△	◎	<ul style="list-style-type: none"> ✓ Go ahead to perform plant restructuring, optimize assets, strengthen cost competitiveness, and increase production profit ✓ Go ahead to perform the restructuring of logistics bases, efficiently manage handling volume, and strengthen competitiveness
logistics	◎	△	◎	
Sales	△	○	○	
Headquarters	○	○	○	

02-02 Group factories restructuring

✓ In order to success further improvement of product functions, we will go ahead to performe "reorganization by function", "consolidation of production", "automation of production lines", and "DX production" to optimize each area.

Challenges



Reorganization by function

- In order to maximize the synergy effect, the production system will be changed from each company to each function.

Consolidation of production

- Optimize the production system for each area by constructing new factories and introducing new equipment.
- Actively introduce facilities that are friendly to the global environment.

Automation of production lines

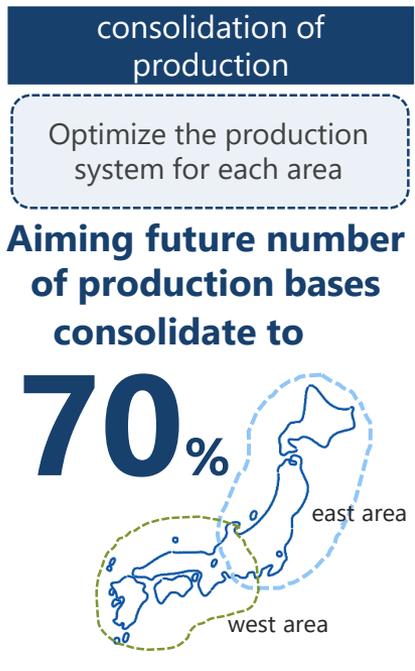
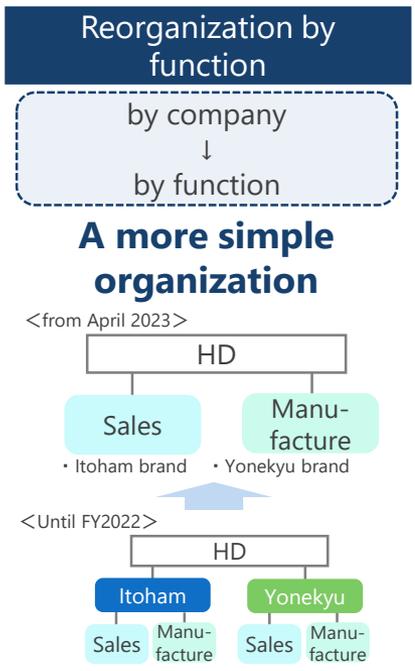
- Strengthen cost competitiveness and reduce risks such as labor shortages by automating manufacturing process.

DX production

- Strengthen cost competitiveness and reduce risks such as labor shortages by the cutting edge DX manufacturing process.

02-02 Goal of group factories restructuring

- ✓ By changing a more simple organization by function basis, we will go ahead to performe production consolidation, line automation, and DX production. As a result, cost competitiveness and production capacity will be strengthened.
- ✓ Created cost competitiveness and production capacity to new businesses and growth areas to achieve further growth for the group.



Outcome of cost competitiveness and production capacity

Strengthen New businesses/Growing markets

✓ In order to solve logistics issues, we will go ahead to performe "base consolidation", "promotion of joint logistics", and "expansion of warehouse space". Optimize each area according to the progress of factory restructuring.

Challenges



Logistics bases restructuring

*Start from Kanto area.

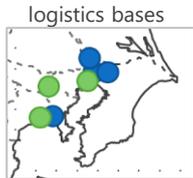
Other areas will be implemented in parallel with factory reorganization.

bases consolidation

Increased warehouse capacity
 reduced delivery distance, reduced
 delivery costs, and reduced CO₂
 emissions by consolidating into
 two main bases

(Kanto area)
FY2022 Number of logistics bases

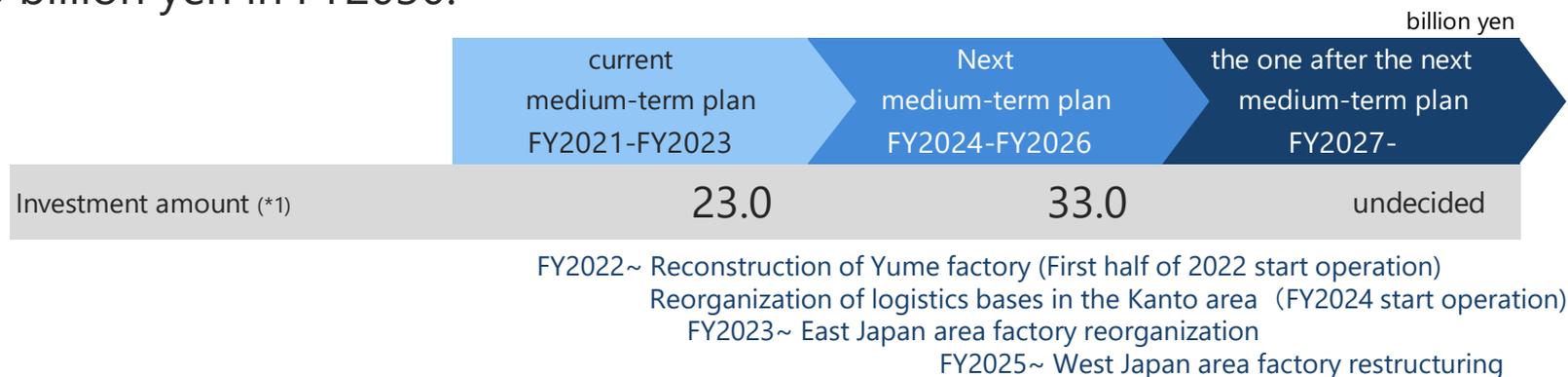
7 bases



FY2024

Consolidate into **2** main bases

- ✓ In current and the next medium-term plan, the company plans to make new investments of 50.0 to 60.0 billion yen, mainly for group factory restructuring.
- ✓ The investment effect is expected to be about 2.0 billion yen in FY2026 and about 5.0 billion yen in FY2030.



	FY2023	FY2026	FY2030
Effect of investment (*2)	-	2.0	5.0
Effect of manufacturing cost reduction (*2)	0.5	3.0	6.0
Effect of Logistics optimization (*2)	-	1.0	2.0
Depreciation expenses (*3)	▲ 0.5	▲ 2.0	▲ 3.0

The production volume is assumed to be the same as in FY2022.

The unit cost of main raw materials, auxiliary raw materials, energy, distribution costs, labor costs, etc. is assumed to be the same as in FY2022.

*1 : The investment amount is the total figure for the target period.

*2 : The effect amount is the figure for the final year of the target period.

*3 : Depreciation expenses are the sum of the increase due to investment in restructuring of bases and the decrease due to consolidation of bases ("-" indicates an increase).

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