

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

**November 08, 2022**

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# 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

**I. Strengthen management base**

**II. Strengthen earnings base**

**III. Initiatives for new businesses and markets**

**IV. Initiatives for sustainability**

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

**Maximize performance and potential**

**Maximize Group value**

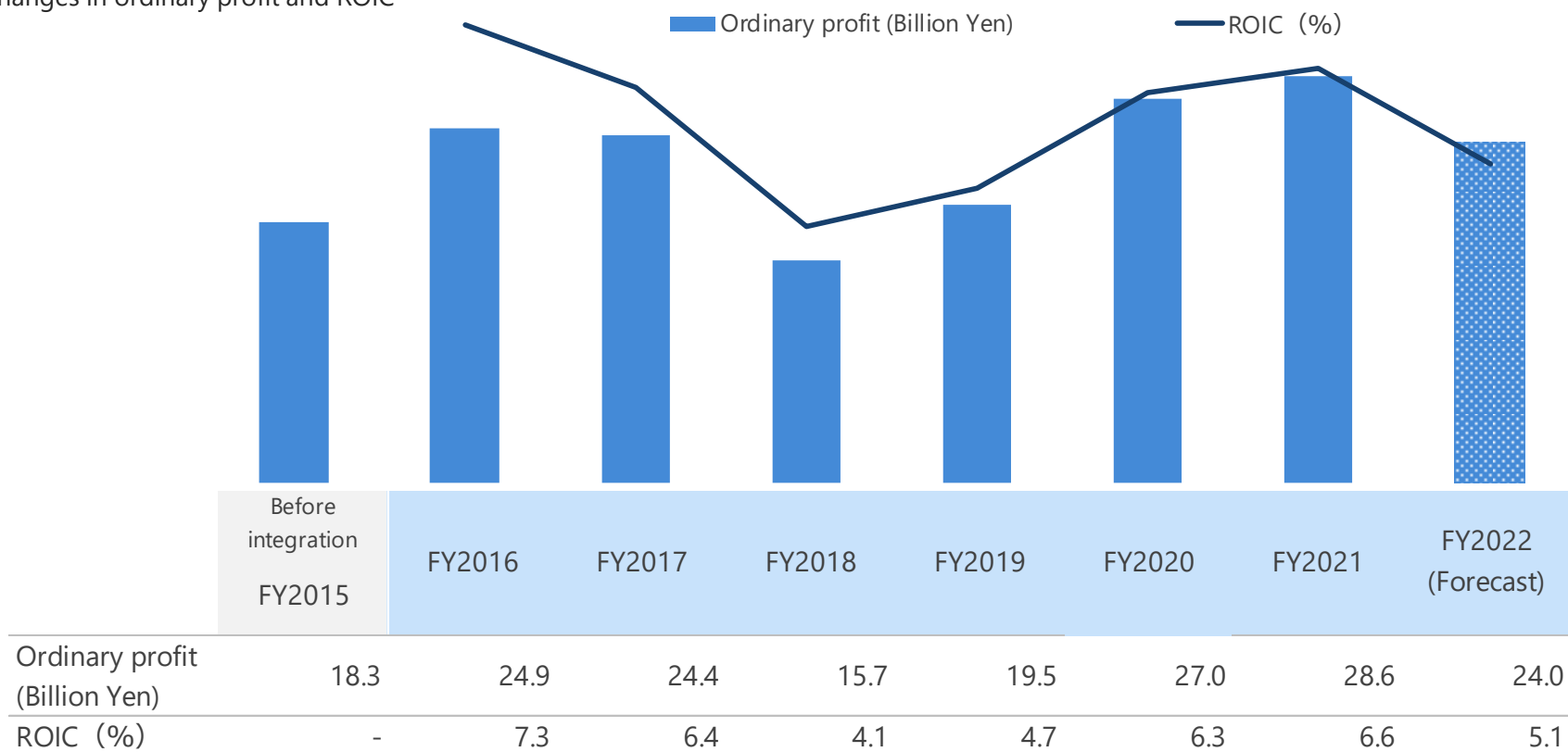
**Establish new core earnings sources**

**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.

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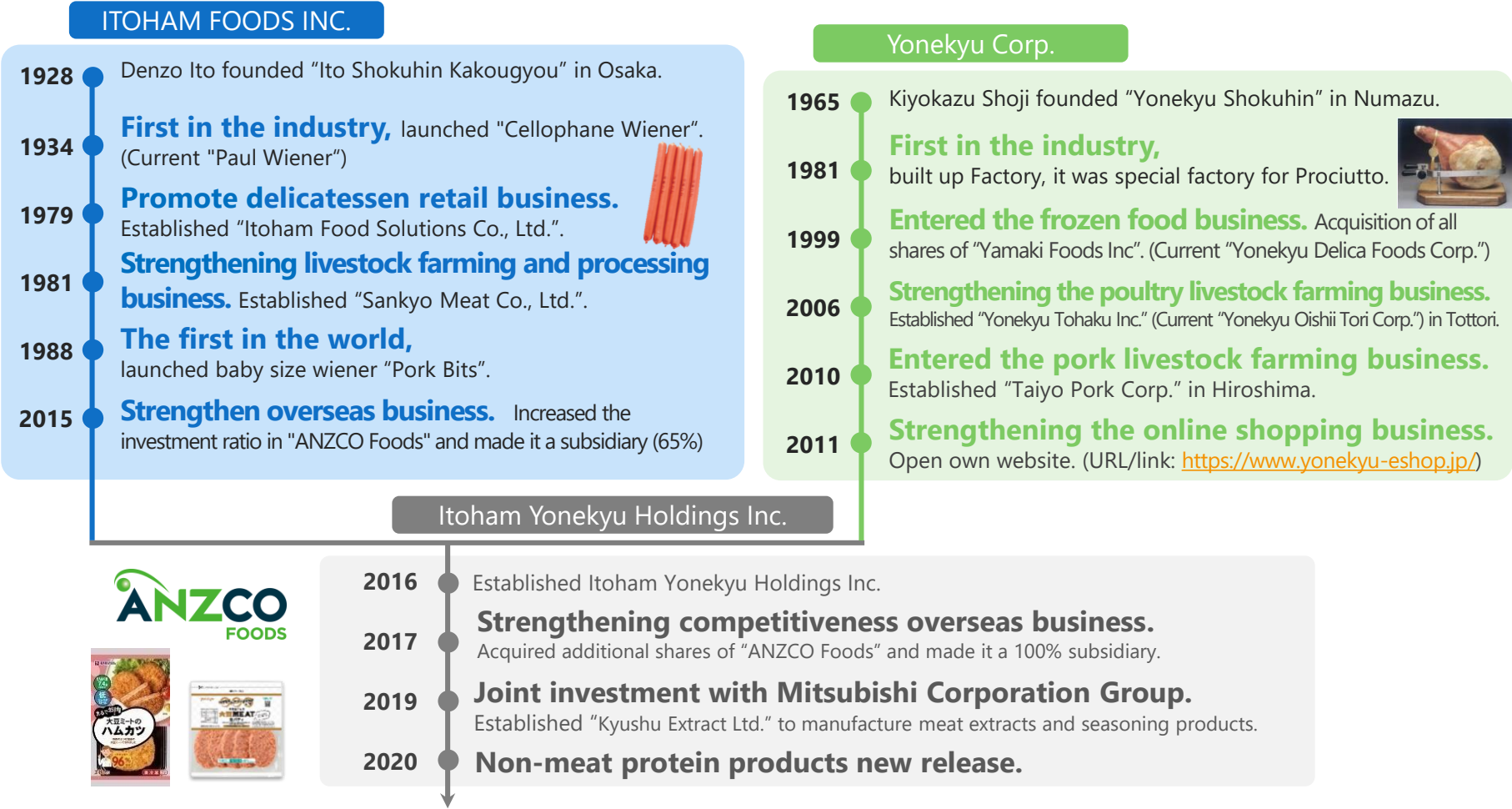
## 02 Integration progress

-01 Plan and Effects  
FY2016~FY2021

-02 Plan and Effects [ Processed Food ]  
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# 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.



# 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"> <li>✓ Increase the value of both brands and maximize supply.</li> <li>✓ Optimizing labor and operating costs.</li> </ul>		✓ 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 <b>5.0</b> billion yen		About <b>5.5</b> 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.

Development

Synergy effect

### Sharing development technology

- Non-meat product development
- Shared use of raw materials
- Sharing manufacturing methods

Procurement

Synergy effect

### Joint procurement

- Strengthen cost competitiveness by sharing raw materials, materials, suppliers, etc. and by expanding direct trade.

### Centralized inventories

- Cost savings through efficient inventory management.

Manufacture

Synergy effect

## Effective utilization of group production bases that located nationwide

The Processed Food Division

plant bases

..... Itoham

..... Yonekyu

The Meat Division

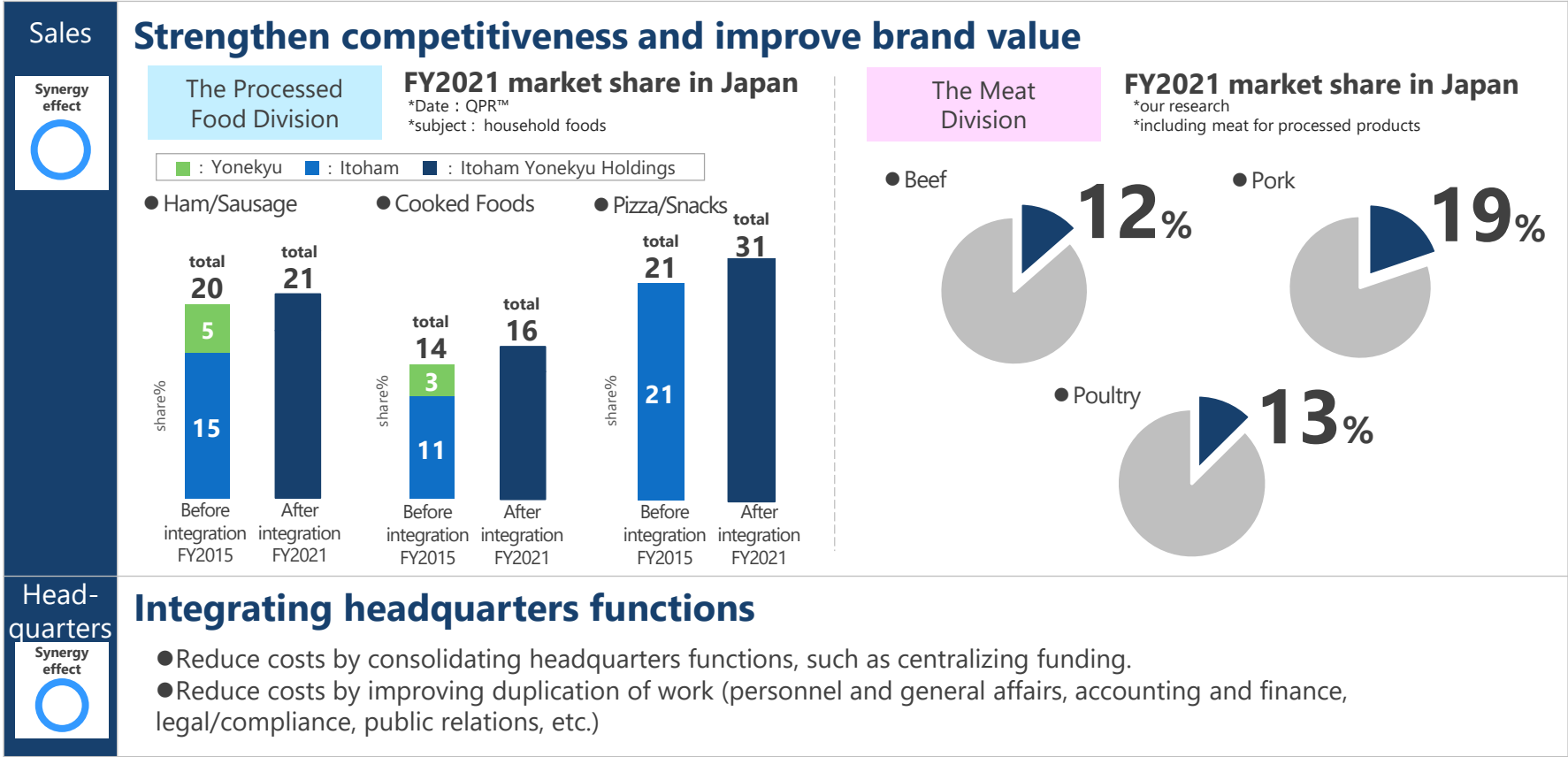
farming and processing bases

..... 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.



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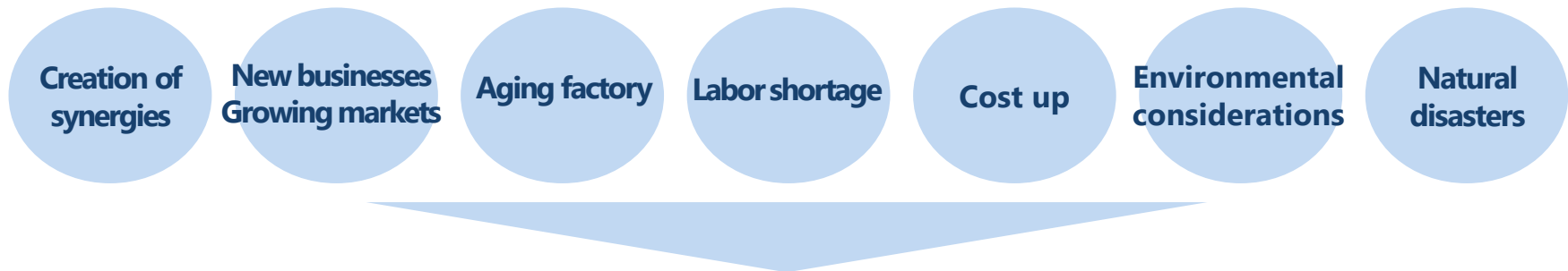
-01 Plan and Effects  
FY2016~FY2021

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FY2022~

- ✓ 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				✓ Go ahead to perform plant restructuring, optimize assets, strengthen cost competitiveness, and increase production profit
logistics				✓ Go ahead to perform the restructuring of logistics bases, efficiently manage handling volume, and strengthen competitiveness
Sales				
Headquarters				

- ✓ 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

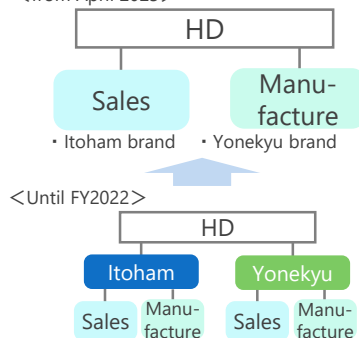
- ✓ By changing a more simple organization by function basis, we will go ahead to performe production consolidation, line automation, and DX production. As a result, cost competitiveness and production capacity will be strengthened.
- ✓ Created cost competitiveness and production capacity to new businesses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

## Reorganization by function

by company  
↓  
by function

### A more simple organization

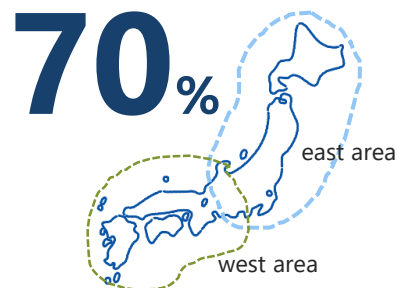
<from April 2023>



## consolidation of production

Optimize the production system for each area

Aiming future number of production bases consolidate to



## Automation of production lines

Strengthen cost competitiveness and reduce risks

Sausage automation production capacity

increase by **50%**



## DX production

Strengthen cost competitiveness and reduce risks

Business improvement through AI/IoT

ex)

- Centralized management of weighing data
- Improving inspection accuracy with AI



Outcome of cost competitiveness and production capacity

## Strengthen New businesses/Growing markets

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

### Challenges

Creation of synergies

Lack of warehouse capacity

Increased delivery area

Aging

Logistics 2024 problem

Environmental consideration

## Logistics bases restructuring

\*Start from Kanto area.

Other areas will be implemented in parallel with factory reorganization.

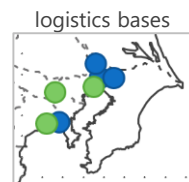
### bases consolidation

Increased warehouse capacity  
reduced delivery distance, reduced delivery costs, and reduced CO<sub>2</sub> emissions by consolidating into two main bases

(Kanto area)

FY2022 Number of logistics bases

**7** bases

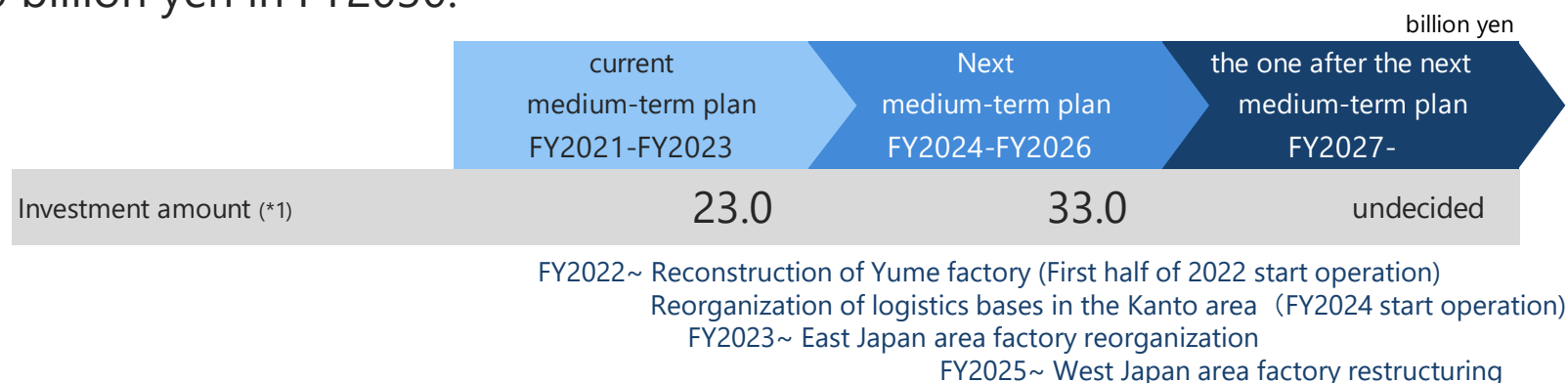


FY2024

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).

### Contact Information

ALT ITO Bldg. 1-6-21, MITA, MEGURO-KU, TOKYO , 153-8587, JAPAN

ITOHAM YONEKYU HOLDINGS INC.

Public & Investor Relations Office

TEL : +81-3-5723-6889

You can also contact us from the company website.

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

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