

Itoham Yonekyu Holdings Inc.

Medium-term Management Plan 2023

Progress Explanatory Materials

May 9, 2022



Group Philosophy and Vision

Group Philosophy

We will 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.

Founding spirit

Spirit that underlies the Group philosophy and vision



**Serving society
through business**

**A Moving Food
Experience**

Medium-term Plan 2023

Action guidelines

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

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

Ongoing challenges after integration

I. Strengthen management base

II. Strengthen earnings base

III. Initiatives for new businesses and markets

IV. Initiatives for sustainability

Vision to achieve during period of Medium-term Management Plan

Maximize performance and potential

Maximize Group value

Establish new core earnings sources

Fulfill corporate social responsibility through business

Developing **priority policy** for each theme

Medium-term Plan 2023

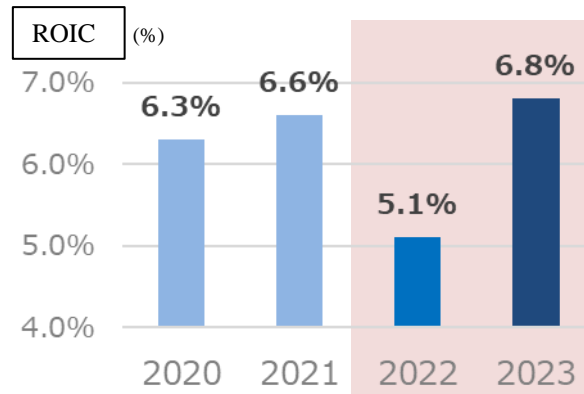
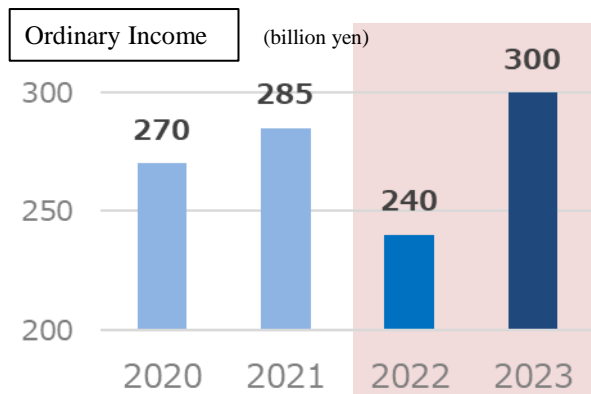
FY21 results and quantitative targets

- ☆ Enhance competitiveness and added value in business to increase return on invested capital (ROIC).
- ☆ Implement shareholder return policies in consideration of financial soundness and capital efficiency to maximize shareholder value.

	FY2020 Results	FY2021 Plan	FY2021 Results	Difference	FY2022 Forecasts	FY2023 Plan
Operating income	240	230	246	16	210	280
Processed Food	123	110	110	0	75	145
Meat	134	135	143	13	150	155
Other	-17	-15	-13	2	-15	-20
Ordinary income	270	250	285	35	240	300
ROIC *1	6.3%	6.0%	6.6%	0.6%	5.1%	6.8%
Processed Food	8.5%	-	8.2%	-	4.7%	-
Meat	9.3%	-	10.3%	-	8.5%	-
Total Assets	3,940	4,000	4,131	131	4,200	*2 4,250
Shareholders' equity	2,399	2,500	2,522	22	2,550	*2 2,700
D/E Ratio	0.15	0.13	0.13	0	0.15	*2 0.10

*1 Insurance claim income in extraordinary income is excluded.

*2 Revised plan based on FY2021 results and FY2022 forecasts.



billion yen

*Rounded down to the nearest 0.1 billion yen.

*ROIC = Earnings before interest after tax / (Interest-bearing debt + Equity capital)

Shareholder return policy

✓ Dividend

With target payout ratio of approx. 40%, we increase dividends steadily in 30% to 50% range.

	Annual dividend	Payout ratio
FYE 3/2021 Results	¥21	30.6%
FYE 3/2022 Estimates	¥23	35.2%
FYE 3/2023 Forecasts	¥24	46.7%

✓ Share buyback and cancellation

	# of shares	Amount
FYE 3/2021 Results	2 million	¥1.4 billion
FYE 3/2022 Results	1 million	¥0.6 billion
FYE 3/2023 Estimates	10 million (Maximum)	¥5.0 billion (Maximum)

5 million shares of treasury stock to be canceled
(Scheduled on June 30, 2022)

Medium-term Plan 2023

Priority Policy and Status (1/2)

Theme	FY 2021 Results		Initiatives for FY2022 and beyond
I. Strengthen management base		<ul style="list-style-type: none"> ● Reorganization -Strategy and procurement functions of the meat division integrated and into HD*1 ● Digital strategy -System design for the meat sector completed as part of MKB*2 project (core system integration) 	<ul style="list-style-type: none"> ● Reorganization -Strategy and headquarter functions of the processed food business integrated into HD ● Digital strategy -System design for the processed food sector completed as part of MKB*2 project -Digitalization of back office operations with the newly introduced expense management system
	Processed Food Business	<ul style="list-style-type: none"> ● Cost reduction -Promote higher operating rates of high-efficiency lines by changing location of plant which manufacture products -Boost yield and man-hour productivity ● Enhancement of added value -Launch new commercial Strengthen communication by using digital marketing, etc. ● Scale expansion -Launch new products of business-use processed food for convenience stores 	<ul style="list-style-type: none"> ● Cost reduction -Start the first phase of the reorganization of production bases (Reconstruction of the Yume Plant begins) ● Enhancement of added value -Strengthen mutual sales by utilizing each company's logistics network ● Scale expansion -New line development for processed food products (Toride Plant)
II. Strengthen earnings base	Meat Division	<ul style="list-style-type: none"> ● Cost reduction -Share information on suppliers and inventory positions ● Scale expansion -Meat Process & Farm Div. established to strengthen production business -Ishikari Packing Center established -Strengthen sales of unheated meat products 	<ul style="list-style-type: none"> ● Cost reduction -Logistics cost containment by using optimized refrigerators for sales -Reorganize and integrate sales offices ● Scale expansion -Newly establish farm for Yonekyu Oishiitori Corp. -Construct Towada Meat Plant cattle processing facility begins -Expand cattle and swine raising capacity on cooperating farms (Tohoku area)
	Other	<ul style="list-style-type: none"> ● Digital strategy -Improve business efficiency by introducing RPA (sales order, and accounting operations, etc.) 	<ul style="list-style-type: none"> ● Digital strategy -Promote efficiency by introducing a meat standards management system -Promote efficiency by expanding the scope of RPA utilization (logistics operations, and others)

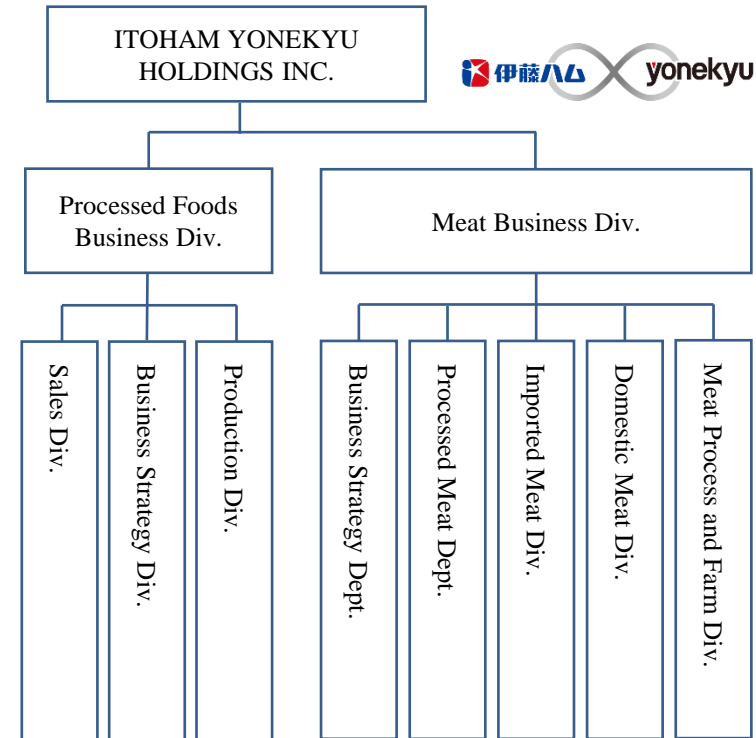
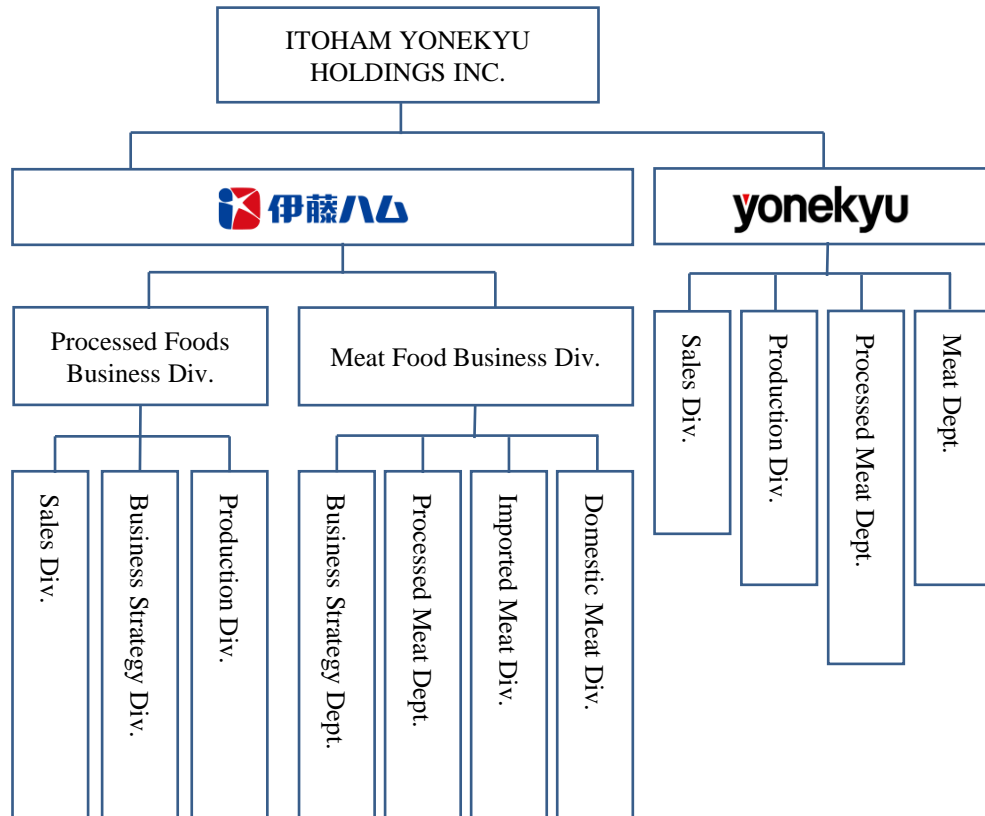
*1 HD stands for Holdings, *2 MKB stands for MIRAIBAN Project

Theme	FY 2021 Results	Initiatives for FY2022 and beyond
III. Initiatives for new businesses and markets	<ul style="list-style-type: none"> ● Expansion of business fields <ul style="list-style-type: none"> -Non-meat business (development of meat business and hybrid products) -Expanding sales of frozen foods (Chinese delicatessen, etc.) ● Expansion of production areas and sales markets <ul style="list-style-type: none"> -Strengthening beef exports, especially to Europe and the U.S. 	<ul style="list-style-type: none"> ● Expansion of business fields <ul style="list-style-type: none"> -Establishment of New Business Development Office -Strengthening non-meat business (improvement in product value) -Strengthening the healthcare business through the acquisition of animal-derived blood products business -Plant of Kyushu Extract Limited goes into full-scale operation ● Expansion of production areas and sales markets <ul style="list-style-type: none"> -Strengthening beef exports through the sales channel of ANZCO FOODS LTD.
IV. Initiatives for sustainability	<ul style="list-style-type: none"> ● Strengthening the system to implement initiatives <ul style="list-style-type: none"> -Establishment of a Sustainability Committee and identification of materiality -Development of human rights policy, procurement policy, and supplier procurement guidelines ● Environmentally friendly initiatives <ul style="list-style-type: none"> -Utilization of biomass materials -Introduction of used cooking oil boilers -Introducing equipment with high energy-exchange efficiency ● Improving the working environment <ul style="list-style-type: none"> -Promotion of work from home and improvement of the system -Partial introduction of hot-desking 	<ul style="list-style-type: none"> ● Strengthening the system to implement initiatives <ul style="list-style-type: none"> -Establishment of the Sustainability Management Office and improvement in information disclosure -Implement measures in line with each policy ● Environmentally friendly initiatives <ul style="list-style-type: none"> -Switching to eco-friendly packaging from drawstring bag form -Introducing equipment with high energy-exchange efficiency -Development of future strategies in response to TCFD

I. Strengthen management base

Reorganization

Shift from company-based units to strategy-based units for flatter organizational structure



*The brands of Itoham and Yonekyu will continue to exist.



- In FY2021, the meat procurement functions were integrated and an officer was assigned to supervise the processed food business.
- In FY2022, strategy and headquarters functions for the processed food business will be integrated.

II. Strengthen earnings base

Cost reduction

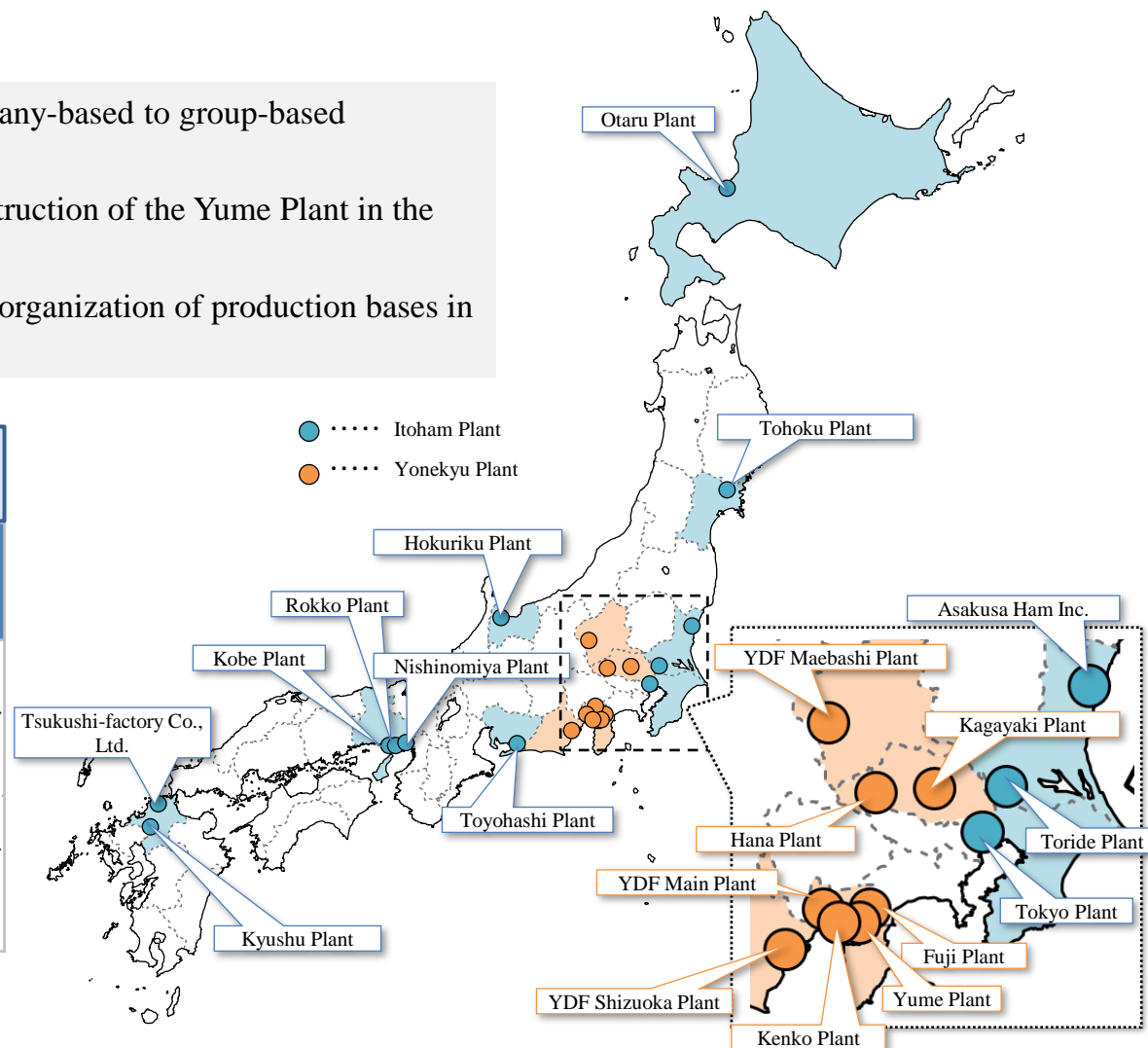
-Start the first phase of the reorganization of production bases (Reconstruction of the Yume Plant begins)

- Reorganize factories with focus shifting from company-based to group-based optimization to strengthen the earnings base.
- As the first phase of the project, we start the reconstruction of the Yume Plant in the Chubu region.
- We plans to invest a total of ¥50-60 billion in the reorganization of production bases in the current and next mid-term management plans.

Investment Schedule for Reorganization of Production Bases

Amount	FY2022	FY2023	FY2024	FY2025 onward
Current MTMP ¥20-30 billion	◆	→	→	→
Next MTMP ¥30 billion			◆	→

◆ Start of investment
→ Contributions to profit



II. Strengthen earnings base

Scale expansion

Newly establish farm for Yonekyu Oishii Tori Corp.

- Expected increase in production volume and earnings by acquiring land and establishing a new farm.
- Creating a more hygienic and stress-free environment will reduce the associated cost and epidemic risk.



Start construction of “Towada Meat Plant” cattle processing facility



(Left) IH MEAT PACKER Inc., Aomori Prefecture, and Towada City signing a location agreement



(Right) Image of Towada Meat Plant cattle processing facility

- Expected business expansion through expansion of cattle processing capacity.
- Establish a group's production and earnings base by integrating production and sales system
- Aiming to obtain an export license to strengthen sales in overseas markets where demand for Wagyu beef is expected to increase.

II. Strengthen earnings base

Enhancement of added value

Communication measures to nurture the brand and acquire new fans

Strengthen efforts to convey the appeal of products and attract new fans, mainly for core brands, by appointing new image characters and renewing promotions.



Digital marketing initiatives

Transmit information via apps and social media as part of efforts to attract a fan base and provide nutritional education.



Application for children
“GokkoLand”



YouTube channel “Hamham with
everybody”



III. Initiatives for new businesses and markets

Expansion of production areas and sales markets

Strengthen Non-meat Business

- Sales in the soybean meat category were approximately 150% year-on-year.
- Proactive collaboration with other companies and use of materials other than soybeans will lead to technological innovation and improvement of the product value.

Examples of initiatives in FY2021

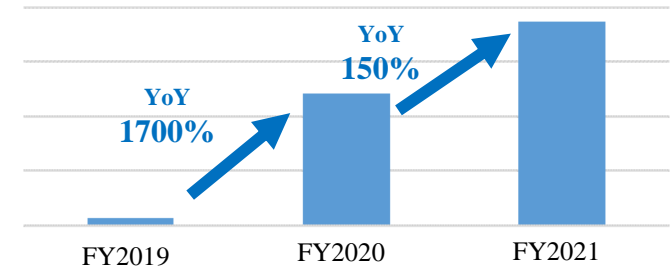


“Soy-meat Hamburger,” “Marude Oniku! Soy-meat Dumplings,” and “Marude Oniku! Minced Soy-meat Cutlet,” containing “MIRACLE MEAT,” have been on sale. “MIRACLE MEAT” is plant meat derived from germinated soybeans, and it is developed and produced by a start-up, DAIZ Inc.

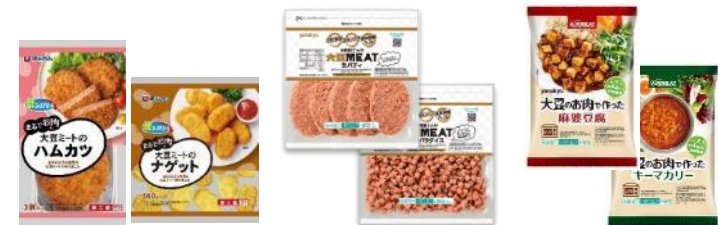
Strengthen Healthcare business through the acquisition of Moregate’s animal-derived blood products business.

- Sales of animal-derived blood products are expected to have substantial growth for vaccines, regenerative medicine, and clinical diagnostics, amid strong demand from pharmaceutical and biotech companies.
- The acquisition of the business will enable us to effectively utilize Moregate’s management resources to expand the scale and add value to ANZCO's healthcare business.

Itoham Yonekyu HD Non-meat Business Sales Trend



Other non-meat products lineup



IV. Initiatives for sustainability

Environmentally friendly initiatives

Switch to eco-friendly packaging from drawstring bag form like “the GRAND Alt Bayern 127g” and other products



The GRAND Alt Bayern
127 g, 127 g×2 bags



The GRAND Alt Bayern
127 g, 127 g×2 bags

(Example of other products)

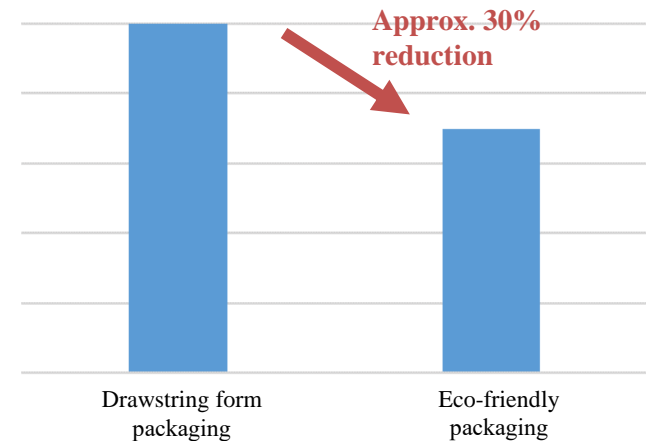


Asano Fresh® Arabiki Pork Sausage 92
g, 92g×2 bags



Meatballs with sweet-and-sour sauce
2 bags included

Annual plastic use



- Expected to reduce the amount of plastic used in the entire product line by approx. 30%* by the change in packaging format.
*Calculated value compared to drawstring bag form
- Delivery loading efficiency improved 1.2 times than before.

IV. Initiatives for sustainability

Environmentally friendly initiatives

Promote development of eco-friendly products

Work to develop eco-friendly products by improving packaging, etc.

(Examples of eco-friendly product development)

Packaging materials partially made from “recycled materials”



Biomass plastic (PE/PET) with “CO2 emission reduced”



“Ink made partially from plant-derived materials” is used



Reduced use of wrapping materials through “packaging material-saving” efforts



Paper trays made from “recycled paper”



“Food waste reduction”
Strengthening of shelf-stable products



Introduce used cooking oil boilers

- The introduction of used cooking oil boilers makes it possible to recycle used oil as fuel.
- Reduce heavy oil consumption by 20% leading to reduce CO2 emissions and costs.

Reduction of heavy oil consumption by using used cooking oil boilers

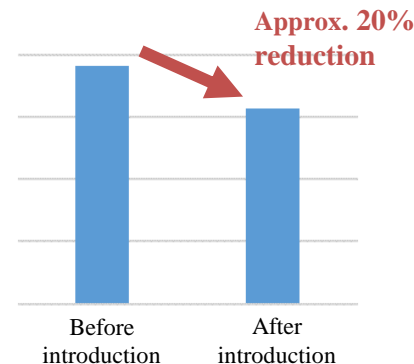


Image of a used cooking oil boiler

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