

Processed food business



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Under our Purpose, “Bringing Joy to Meals and Fun to the Table,” our processed food business works to develop and furnish products of high added value, closely monitoring ever-diversifying consumer values and interests. Even amid the soaring business costs seen in recent years, we aim to contribute to the JT Group’s profit growth by continuing to optimize production operations, the frozen and ambient food business and the seasonings business, and by achieving high-quality top-line growth through such means as increasing sales of our more profitable products.

Purpose	Bringing Joy to Meals and Fun to the Table
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Processed food business basic strategy

The processed food business’s role is to augment the JT Group’s profit growth. Its basic strategy is to:

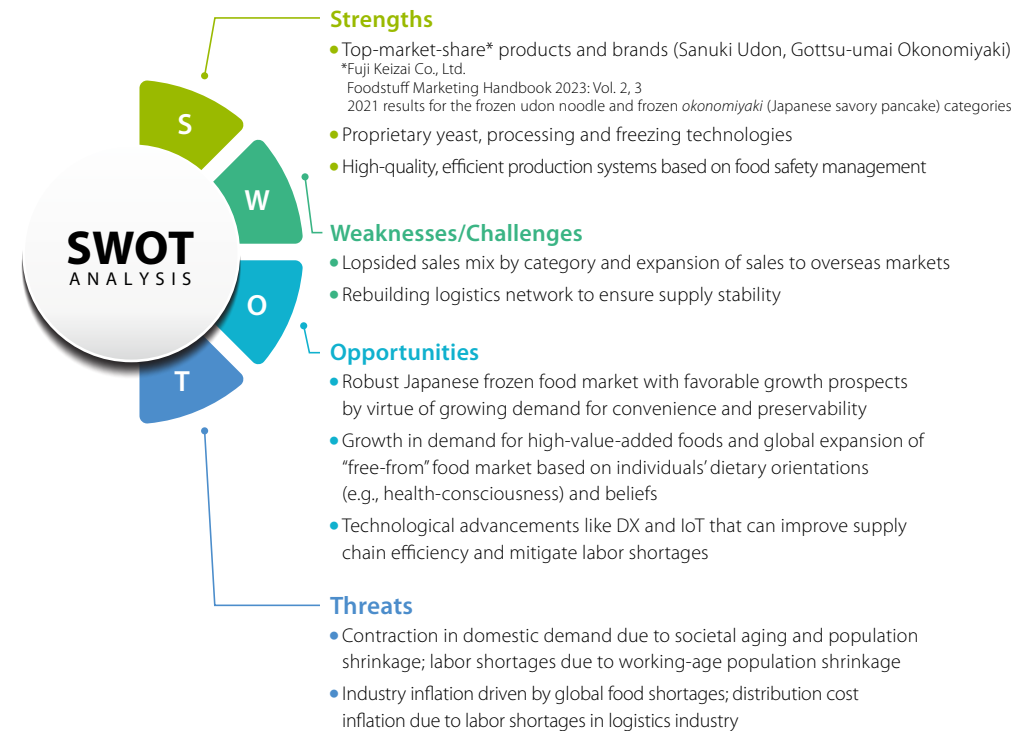
- Further expand sales of core products incorporating proprietary technologies, and upgrade its ability to develop high-value-added products in response to changes in consumer preferences;
- Implement price adjustments in response to the impact of inflation in raw materials, ingredients and logistics costs, and continue efforts to improve productivity and reduce costs; and
- Accelerate initiatives for business growth with a long-term viewpoint.

The processed food business has two operational components. Core products for the frozen and ambient food business include frozen udon noodles, packaged cooked rice and *okonomiyaki* (Japanese savory pancakes), and those for our seasonings business include yeast extract and oyster sauce.



Business environment

SWOT analysis of the processed food business



Performance over the last five years

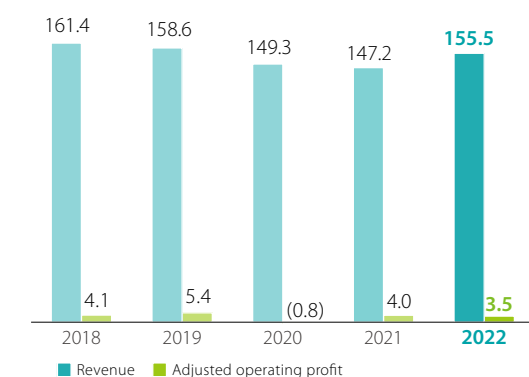
Revenue was mostly flat, but the core processed food category continues to trend toward long-term growth. Adjusted operating profit has been holding up fairly well, bolstered largely by product-mix improvements and an optimal production system promoting lower costs, except in 2020, when the pandemic affected the business. However, it will be important to closely monitor the impact of labor and logistics cost inflation stemming from labor shortages and of international market and exchange rate movements on costs for raw material and ingredients.

We reported a year on year increase of 5.6% in revenue for 2022, due mainly to price revisions to counter cost increases in the frozen and ambient food and seasonings businesses.

Despite revenue growth owing to price revisions, adjusted operating profit fell by 11.3% year on year with inflation in raw materials and other costs, negative exchange rate

effects, and one-time income from an insurance claim recorded in 2021.

Revenue and adjusted operating profit (JPY BN)



Processed food business

Sustainability initiatives through business activities

Case study 1: Offering free-from food “BEYOND FREE” reduced-ingredient foods selected for flavor

In the processed food business, we are working to develop and provide high-value-added products so that everyone can freely enjoy what they want to eat, while staying close to the diversifying values and interests of our consumers. As part of this effort, TableMark Co., Ltd. provides authentic and delicious free-from food in the “BEYOND FREE” category, where specific raw materials and ingredients are excluded.

Currently, it offers “BEYOND FREE” products through the Shoku-tasu online store in three groups: foods free of specific allergens, foods free of animal ingredients, and low-carbohydrate/low-sodium foods. By offering these products we are working to support everyone with the freedom to enjoy what they want to eat.



Case study 2: Biomass plastic as a raw material for packaging

The processed food business manufactures and sells products made from processed rice, such as packaged cooked rice and frozen rice. These manufacturing processes result in “crushed rice,” which can no longer be used for production. In a first for the industry, we are now using the domestically developed carbon-neutral biomass plastic RiceResin[®], which contains 10% crushed rice generated by our Group, as raw material for packaging some of our cooked-rice products. In addition to using RiceResin[®], we have reduced the amount of petroleum-based plastic in our packaging by around 4.2% compared to conventional products. We have done this by making the exterior film even thinner.

* RiceResin[®] is a registered trademark of Biomass Resin Minamiuonuma Co., Ltd. Old rice that is not edible and crushed rice generated during rice milling are upcycled into plastic using new technology



 RiceResin[®]

We are also shifting to environment-friendly containers and packing materials, including the use of biomass-based inks for product packaging and originally developed compact trays with less plastic ingredients for packaged rice, expanding our effort to reduce environmental impact.

Our sustainability strategy and focus areas

In the processed food business, we selected three focus areas and set eight specific targets for these focus areas in 2019 and have been reporting on progress every year. For details see “KPI progress.”

KPI progress



Four perspectives on food safety management

To deliver safe, high-quality processed food for consumers, processed food business have established four priorities to ensure that food safety is deeply embedded within our operations. We embrace our responsibility to positively address social challenges with our consumers through continuing effort to enrich every heart through food, the sustenance of life.



Food safety standards

We make sure that all of our factories* are certified to the global food safety standard FSSC 22000. FSSC 22000 is recognized by the Global Food Safety Initiative (GFSI), the food industry’s global body for promoting food safety management. All the factories contracted to manufacture our products are required to meet food safety standards such as ISO 22000 or FSSC 22000, as an assurance that an adequate food safety management system is in place.

*One of our factories, which started operating in 2020, is on track to acquire this certification

Food defense practices

Food defense is about protecting our manufacturing processes and products from intentional contamination. We apply robust food defense guidelines across the supply chain, both in our own factories and our contracted factories. We also carry out annual audits to check how well these guidelines are being implemented.

Enhancing food quality

Food quality control is an essential element of our daily operations. Along with quality improvement efforts on factory floors, we ensure that all of our employees receive training through customized e-learning materials. We also listen carefully to consumer suggestions for improving product quality, and quickly share them with our factories and operations.

Further food communication

We are always willing to provide details about our food products. We respond to consumers’ requests for information and disclose the precise factory where food products were made, or the country of origin of the main ingredients. We understand the importance of listening to consumers, and have introduced a new online tool to share consumer feedback with all of our employees. We will continue to embed and reinforce this consumer-centric approach throughout our operations.

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