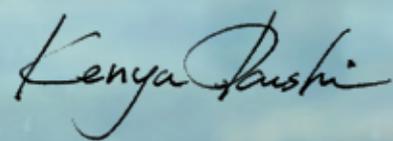


Message from the President



**We help resolve social issues
through our business as we
aim for sustainable growth.**



Kenya Okushi
Representative Director, President
Nichirei Corporation

A Year of Unprecedented Changes

In the fiscal year ended March 31, 2021 (FY2021), which was the second year of our Medium-term Business Plan WeWill 2021, the global COVID-19 pandemic created unprecedented challenges. Although we made progress in line with the plan in terms of earnings, we had to deal with substantial changes in our operating environment.

Due to the impact of the pandemic, sales of commercial-use products were weak, and consolidated net sales decreased compared with the previous fiscal year. On the other hand, operating profit increased due to strong sales of household-use prepared foods in the processed foods business and growth in the temperature-controlled logistics business, among other factors.

We expect a certain degree of recovery in demand once the pandemic subsides. However, as values change along with significantly altered lifestyles in the post-COVID market, Nichirei will not be accepted unless it offers products and services adapted to the new normal. This will require changes in resource allocation and strategy. Moreover, the growth of ESG investment has led to greater interest among investors and greater sensitivity on the part of our suppliers and customers, particularly regarding the environment, and discussion of measures to address such issues has increased.

Medium-term Business Plan WeWill 2021: Achieving Our Goals for the Group in the Final Year

Regarding initiatives in FY2022, although the logistics business has increased facility capacity in Japan through the establishment of new refrigerated warehouses in Nagoya and the Honmoku district of Yokohama, and has enhanced its business foundation with innovations utilizing artificial intelligence (AI) and robotic process automation (RPA), progress has fallen behind the plan overseas, where changes in the operating environment have necessitated readjustments to growth investments. In FY2022, the business will add refrigerated warehouses in the Netherlands and France to enhance its logistics service functions and broaden its business base.

The processed foods business has established three policies. First, it is crucial to increase sales, which are the source of profits, and seek new markets to recoup the decline in sales. The second is to adopt new approaches that differ from those we have been using, including making changes to our product development and our sales organization. Third, now that the barriers are disappearing between household-use and commercial-use products, which we have been producing at separate facilities, we plan to introduce production facilities that can handle both types of products.

When customers prepare meals, they are increasingly likely to require a variety of products as ingredients rather than serving a single household-use product. Product needs are also

diversifying for commercial-use prepared products for sale. As a FY2022 initiative to meet these changing needs, we have devised an investment plan that includes revisions to planned capital expenditures to address new markets.

I have always been proud of the part we play in food infrastructure, and I felt that pride particularly keenly in FY2021. As I mentioned, the COVID-19 pandemic has spurred changes in consumer purchasing behavior and the spread of home delivery and e-commerce. As these and other factors significantly transform the entire supply chain at an unprecedented speed, I believe they have also led to greater recognition of the value of frozen foods and logistics. In an era of change, the Nichirei Group's role as part of food infrastructure is to seek out and identify diversifying needs for food with the goal of developing businesses in those areas, while helping consumers develop better eating habits. It is both our mission and a constant responsibility.

 Medium-term Business Plan WeWill 2021, pages 42-43

Material Matters for Sustainable Growth

The environment and climate change are important issues for corporate management. Economic activities decrease the Earth's limited resources, and once the world population reaches 8 or 9 billion, we clearly will not be able to maintain our current food procurement methods and infrastructure. For the environment as well, Nichirei used to take a reactive approach, basing its initiatives on prevailing situations, but those days are over. Now, we must think for ourselves about how our business activities affect the environment. The material matters we identified in FY2021 factor in our impact on climate change and food infrastructure. In June 2021, with the aim achieving our long-term vision regarding business goals for 2030 (see pages 12-13) we also formulated Group goals, consisting of measures and key performance indicators (KPIs) for each of our five material matters. We have begun considering more concrete growth strategies for the entire Nichirei Group, looking to the next medium-term business plan and further ahead to 2027 and 2030. The Group Strategy Committee, scheduled to meet in November 2021, will bring together the Group's senior management to consider how each business will generate results and contribute to achieving the Group goals, and then incorporate its conclusions into strategy. The committee will bring into sharper focus what we will do as a Group and what each business will do to achieve our goals.

As Group goals (measures and KPIs) for the material issues we have identified, we will work to create new value by designating new products and services for each business as well as the projected scale of their sales. We will also set quantitative targets for progress in creating new businesses. We will also use the advantages of our existing businesses—their technologies and know-how—as the basis for generating cash, and promote the use of information technology (IT) and digital transformation (DX) in helping to resolve issues in food procurement and the environment while raising our competitive advantage in the global market.

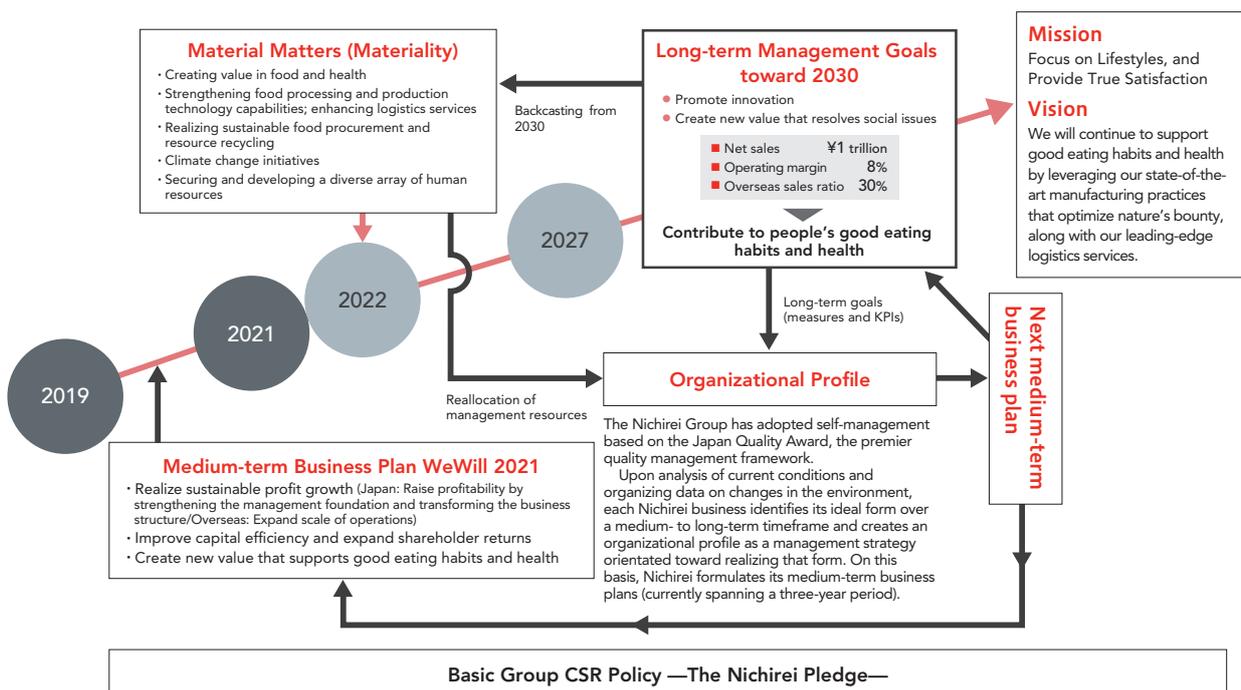
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Looking at the market in Japan, in addition to environmental issues, I sense impending crisis from market shrinkage due to the declining birthrate and aging population, as well as a growing budget deficit. By 2050, one in four people will be over 75 years old, and social security costs are expected to balloon further. There should be more vigorous discussion of the role of people's eating habits in extending healthy lifespans and leading fulfilling lives. Based on its core theme of food and health, the Nichirei Group must show how it can help to resolve these social issues and take a variety of approaches to create new products and services.

On the other hand, there is still substantial growth potential in many countries and regions around the world, making our business rollout into overseas markets crucial. Deflationary conditions have persisted for a long time in Japan, but prices have risen overseas, and there are even some regions where Japanese products sell for higher prices than in Japan. Particularly given factors such as the growing purchasing power of Asia's middle class, I think we should continue to pursue the rollout of our businesses in markets outside Japan with an emphasis on balancing forecasting and backcasting, which entails working backward from targeted future outcomes to identify policies to achieve them. However, there are limits to relying solely on our own power in such markets, so M&A and alliances should be included as realistic methods of expanding overseas sales. Our current overseas sales are about ¥80 billion, and we are aiming for ¥300 billion in 2030.

In addition, risks in the supply chain these days are directly tied to management issues. The Nichirei Group procures products and raw materials from suppliers in various regions around the world as well as Japan. We will therefore establish a system for sustainable procurement in line with our policies, with a focus on the environment and human rights.

In our climate change initiatives, we aim to become carbon neutral by 2050, and have raised our FY2031 target for Group CO₂ emissions reduction (Scope 1 and 2 in Japan) to 50%. I think we need to change our approach from simply carrying out a series of measures to one of setting



goals and devising strategies to achieve those goals through backcasting.

Here and there, some in the capital markets still argue that addressing sustainability in areas such as food procurement and the environment will increase investments and costs, pressuring profits. As a manager, I consider sustainability essential for steady business performance and ongoing growth. I believe that by proactively communicating this approach, companies will spread the idea of sustainability initiatives as something to be conducted as a matter of course. That is why I will stress communication on behalf of the Nichirei Group, including through media such as this integrated report.

The most important management resource in accomplishing our goals for these material matters is our human resources. One current KPI is to double our investment in human resource development, and we have also set a target ratio for female officers and line managers to ensure diversity among core human resources. We will promote these measures as drivers of sustainable growth.

 Material Matters for the Nichirei Group, pages 12-13

Becoming an Innovative Corporate Group

A core topic for us is the kind of value we should provide to our stakeholders. As ESG investment increases, shareholders—including institutional investors—are changing their views on corporations. Many say that, more than just returns on their investment, they want to see evidence of sustainability management. They are asking about the company's purpose and nature, what it intends to accomplish, and how it will help to resolve social issues going forward. Securing innovative human resources is also important for conducting sustainability management. No longer does a high profit margin alone make a company attractive. Nichirei has numerous research and product development staff, but the volume of innovations they produce has tapered off lately. This situation has led me to feel a strong sense of crisis. Therefore, about two years ago, we carried out a Group-wide survey on innovation. We conducted a detailed investigation, asking what proposals respondents had made in the past, what processes had ensued, and the outcome. We then asked them how they felt about their efforts and the outcome. Our findings indicated that throughout the entire Group, many projects had been launched but most had ended partway through, even though there had been initial output. This was due to the movement of individuals within the Company, such as personnel transfers and changes in the heads of organizations. In its ongoing efforts throughout its history to improve efficiency, Nichirei has achieved a certain level of results from working to standardize its operations. However, I think we lacked a perspective on whether the employees who conducted those operations enjoyed their work. In my visits to front-line workplaces, employees have directly shared their thoughts about the work they would prefer to do and their concerns that Nichirei's approach is out of sync with current realities. As a manager, I realized that this issue must be taken seriously. Therefore, as part of our efforts to build a framework that enables the

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Group's diverse human resources to play more active roles, I introduced an innovation management system (IMS) based on ISO 56002. I intend to use this system to establish a cycle for generating meaningful innovation throughout the Group.

However, innovation is not so simple that results can be immediately generated merely by establishing a mechanism for supporting creation and an environment that facilitates it. I went further, incorporating a program into IMS that enabled people with the mindset to become in-house entrepreneurs to start their own businesses. Based on the lean startup concept of starting out on a small scale to test a person's idea, then returning to the drawing board if it does not go well, the program creates a budget based on a three-step judgment and evaluation axis that leads to business expansion. By equipping the Company with an environment and mechanism that enables each employee to explore what they really want to do and then enabling them to do it, and by continuing to develop the human resources that will make the mechanism function, we intend to accelerate our transformation into a corporate group that practices sustainability management.

 Creating New Value, pages 34-37

New Value Creation: Exploiting and Exploring—A Dual Approach That Suits the Nichirei Group

Nichirei has adopted two approaches to new value creation. One is to create value by exploiting existing businesses—looking more deeply into them and asking whether consumers seek or need a certain item. I think that this approach can still produce results under our current system and allocation of resources.

The other approach is to explore—to look outward—for new value. I intend to allocate more management resources to this approach going forward. This dual approach is called “ambidextrous management,” but even with a theoretical understanding of this concept, there have been cases where investing management resources this way has been difficult. I want to create a mechanism for ongoing investment with a long-term perspective. As a manager, creating new value under this approach requires a different mindset from that used for exploiting existing businesses. But it also has the potential to generate new Nichirei Group businesses. At the same time, it is a regular topic of debate within the Company, because it will also necessitate taking on challenges as an outlier, working in areas without restrictions. I would like to think about how we can help to resolve social issues—what we should do and what we want to do—leveraging new ways of thinking as opportunities to create value, unconstrained by the conventions of our existing business domains. Ultimately, however, our foremost priority should not be to enter domains completely unrelated to our established operations; rather, I intend to emphasize management decisions that consider how to utilize the advantages of our existing businesses.

In these changing times, my role as a manager is to make the best use of ambidextrous management to generate synergies among existing and new initiatives.



The Nichirei Group's Intended Impact on Society

A company's management is expected to have a sense of purpose and an impact on society. I set a high value on doing business that consistently adheres to an approach befitting the Nichirei Group: the idea that food brings people together. As an integral part of our lives at every stage, food provides the settings for all kinds of occasions where people reaffirm their bonds with each other, whether in joy or in sorrow. By going beyond food's intrinsic function as the basis of nutrition and health to continue creating products and services that play a role in bringing people together, the Nichirei Group provides broad value to society, a vital element in increasing its own corporate value. My ambition is to be able to provide our products and services for any occasion where they are needed so that our stakeholders can lead fuller lives.

Food sustainability has recently come to the fore as a priority global issue, and new initiatives such as meat analogues have appeared in the food supply chain. Non-food companies have also been entering these areas. Of course, meat is unlikely to be completely replaced by substitutes, and I realize that the technologies behind these new nutritional sources are only just beginning to emerge. Nevertheless, I view these new entrants as a threat, so I will keep a close watch on when these technologies become popular enough and such products versatile enough to incorporate them into our operations. In this way, I intend to expand the scope of the Group's impact on society and make it long-term.

Based on its Mission to provide true satisfaction, the Nichirei Group will continue supporting the supply of food with the aims of helping to resolve social issues through its business and achieving further business growth. Dialogue and engagement with our stakeholders are invaluable to us in the evolution of our management. We therefore request your ongoing support.