



We will pursue sustainability management that grows our business as we help to resolve social issues.

A handwritten signature in black ink, reading "Kenya Okushi". The signature is fluid and cursive, with the first name "Kenya" being more prominent than the last name "Okushi".

Kenya Okushi
Representative Director, President
Nichirei Corporation

Review of the Previous Medium-term Business Plan WeWill 2021

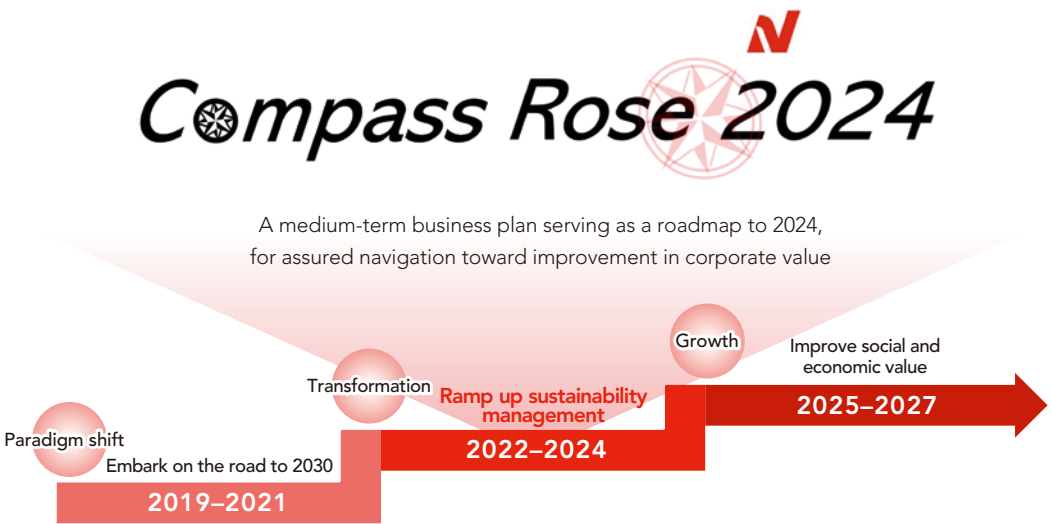
Challenges in a Changing Operating Environment

Under its previous medium-term management plan, WeWill 2021 (FY2020-FY2022), Nichirei aimed to strengthen its foundation for growth by making capital expenditures, mainly in the processed foods and temperature-controlled logistics businesses. We also conducted initiatives to realize sustainable growth throughout the Nichirei Group with the aim of improving capital efficiency, expanding shareholder returns, and creating new value that supports good eating habits and health. Although we made a good start in terms of our business results, the impact of abrupt changes in our operating environment caused operating profit in the final year to fall substantially short of the plan.

By business, we increased net sales and profits in the processed foods business up to the second year of the plan through concentrated investment in mainstay product categories, but the business was impacted by the COVID-19 pandemic and the sudden jump in prices for raw materials in the plan's final year. On the other hand, we achieved stable growth and improved profitability in the temperature-controlled logistics business by strengthening its foundation for quickly adapting to changes in the operating environment. Expansion of the overseas business progressed steadily through corporate acquisitions in Europe and other measures.

As a Group-wide initiative, we clearly identified five material matters (materiality) for which we set targets consisting of measures and KPIs. These material matters cover areas including creating new value that helps to resolve social issues from the perspective of the SDGs, sustainable procurement, and initiatives to address climate change. In the new medium-term business plan, we will maintain our focus on achieving these targets while ramping up our ESG initiatives.

Concept behind New Medium-Term Business Plan Compass Rose 2024



Our new medium-term business plan for FY2023-2025 is called Compass Rose 2024. A compass rose is the figure on maps and nautical charts that indicates north, south, east and west. The concept behind the plan is that the entire Nichirei Group will use it to navigate forward with assurance, even as

the business environment undergoes major change. Nichirei's logo is positioned as the "N" for north. Our destination is the achievement of our Management Principles and our long-term management goals toward 2030, which we established in 2019.

Our operating environment has changed significantly in recent years. In addition to the prolonged disruption caused by the COVID-19 pandemic, climate change is causing problems in supply chains and geopolitical risks such as the war in Ukraine have emerged. I believe that dealing with these abrupt changes requires us to fundamentally reconsider our assumptions about the nature of our business.

Sustainability Management at Nichirei and the Growth Strategies of Compass Rose 2024

Establishment of the Nichirei Group Sustainability Policy

In Compass Rose 2024, we have revised our former Basic CSR Policy as the Nichirei Group Sustainability Policy: The Nichirei Pledge. Through business activities based on this policy, we will ramp up sustainability management to improve both social and economic value as we fulfill our responsibilities as a company that supports good eating habits and health. Because it deals with food, the Nichirei Group cannot avoid addressing the issues of climate change countermeasures and sustainable procurement of raw materials and other products. These issues were included in the material matters we identified in FY2021, but we have updated the material matters in line with the times and reiterated them in a policy that will form the basis of our management.

■ Processed Foods

The COVID-19 pandemic has changed our eating habits. The growth in home cooking has increased the need to save time and trouble, and in turn has strengthened demand for frozen foods. In order to keep growing as lifestyles change, we must develop high-value-added products that meet these new needs and deliver them to customers. In FY2022, we invested in equipment at the Yamagata Plant and began operation of a production line that can handle personal-use¹ single-serving products. Demand for such products is growing, backed by the prevalence of telework and the increasing number of elderly single-person households, among other factors. In addition, single-serving frozen foods that offer a complete meal for one person and can be prepared with only a microwave, are not limited to household use. Restaurants and other businesses where there is a shortage of labor are also expected to use them, thus helping to resolve a social issue. On the other hand, the pandemic, climate change and the war in Ukraine have made stable procurement of raw materials difficult. The processed foods business has production bases in Japan and overseas, including a factory in Thailand for our mainstay chicken products. However, operations at that factory were substantially reduced in FY2022 as the COVID-19 pandemic dragged on. Many of the factory's employees are from Cambodia or other neighboring countries, and restrictions on cross-border movement made it difficult to maintain an adequate workforce. This resulted in delays in supply to Japan, which was a factor in reduced sales and profits.

The experience brought home the urgent need to rethink our production network and systems for sustainable procurement of raw materials. From the perspective of sustainability, human rights issues in the supply chain are also a high priority. Under Compass Rose 2024, we will restructure our supply chain. This will include considering a shift of some of our production network to Japan and stepping up domestic procurement of raw materials for which we are highly dependent on overseas markets. By accomplishing these measures, we intend to get back on a growth track. Another priority will be to appropriately adjust our selling prices to reflect soaring raw material prices and other rising costs. Failing to do so will result in a drop in cash flow that will make it impossible for us to sustain the business.

1. Personal-use products: Single-serving meals (one-person meals), and foods meant to be eaten on the go, with one hand

■ Temperature-controlled Logistics

Maritime transport was significantly disrupted during the COVID-19 pandemic due to vessel delays and container shortages. Meanwhile, various needs for temperature-controlled logistics increased in overland transport. However, the logistics industry is experiencing a chronic shortage of drivers that is expected to worsen from 2024 onward, when the so-called Work Style Reform Act² goes into effect for truck drivers in Japan. The amount of cargo is expected to continue increasing, so the question of whether all these goods can be transported has become a major social issue.

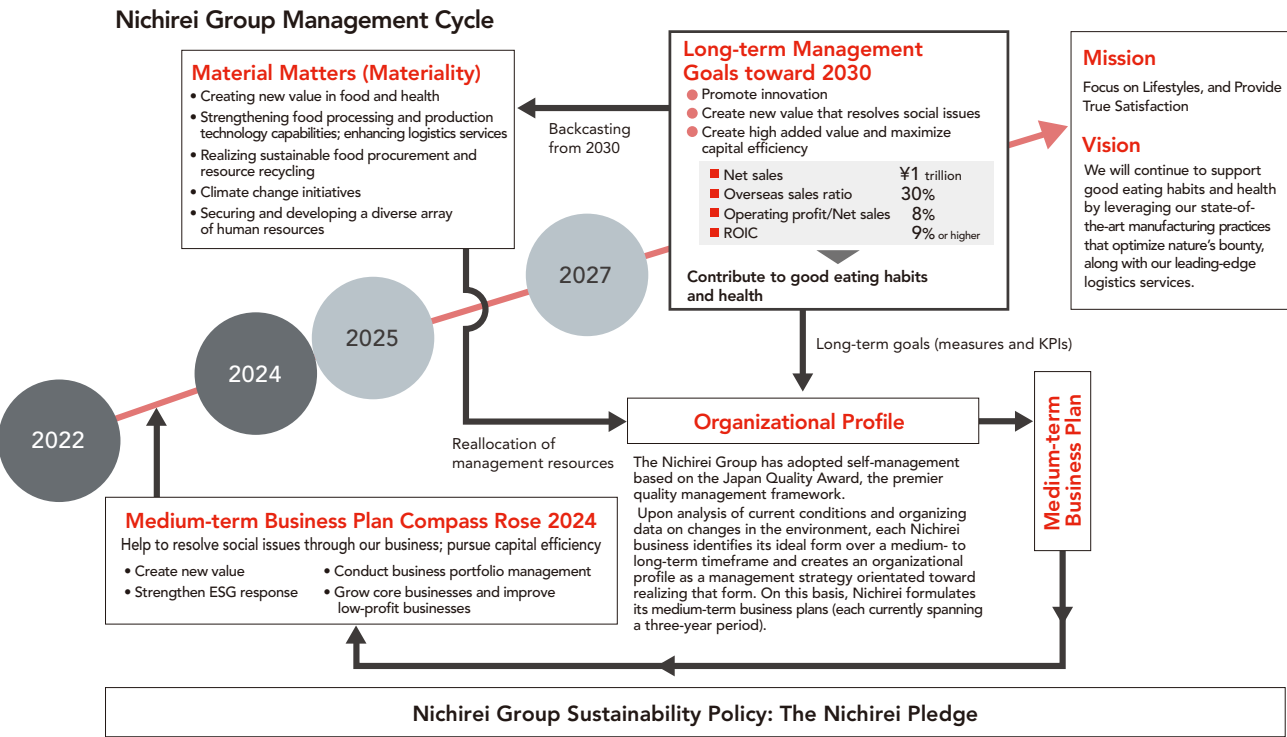
We have been working to strengthen trunk-route transport since the previous medium-term business plan, and have established a large-scale logistics facility in Nagoya, which is located halfway between Tokyo and Osaka. Under Compass Rose 2024, we will continue to make proactive capital expenditures to complete our truck-route infrastructure as soon as possible. Moreover, by combining a review of labor practices in the logistics industry with various measures such as our truck loading dock reservation system, we will reduce drivers' on-duty hours, thus helping to resolve a social issue and generating new business opportunities. This strategy leverages Nichirei's advantages of having bases in key locations and its capabilities for handling a large volume of cargo and for combining various types of cargo.

In Japan, we will further expand our frozen food logistics platform, which handles domestic distribution of products from the Nichirei Group and other companies, and utilize digital technology to improve process innovation and raise the efficiency of onsite work. Overseas, we are steadily expanding business through proactive investment in the port business in Europe and other growth areas. We will make the capital expenditures required to make full use of port facilities and coordinate functions across the organization with the aim of maximizing earnings from our businesses in Europe.

2. Formal name: the Act on the Arrangement of Related Acts to Promote Work Style Reform

Investing in Infrastructure

We plan to invest ¥120 billion over the three years of Compass Rose 2024. Half of that, approximately ¥60 billion, will be the investments for growth I mentioned above, mainly in the processed foods and temperature-controlled logistics businesses. The remainder will be focused on investment for the environment. Reducing our environmental impact is an urgent matter, and our initiatives include



installing solar power generation equipment, using natural refrigerants at new facilities and converting equipment at existing main bases, and reducing power consumption by introducing high-efficiency freezing and refrigeration equipment. We are also taking concrete steps to address growing demands from investors and other stakeholders for the elimination of chlorofluorocarbons. This will be a large investment that entails a trade-off with profit from a short-term perspective, but we will maintain control of the balance between investment and profit in our medium- to long-term planning.

Another area of focus for investment is digital technology. We have been working to upgrade our core systems and strengthen information security, but achieving sustainable business growth will require business process improvements and restructuring driven by digital technology. We will bring together initiatives from both inside and outside the Group to advance technologically and enhance our competitive advantages in the market.

Managing Our Business Portfolio

We have adopted ROIC as a KPI for capital efficiency in Compass Rose 2024. Although we have planned for a slight decline in ROIC due to the increase in new investments, we intend to maintain ROIC at 7% or higher to avoid an excessive decrease in capital efficiency, then to increase it to 9% or higher by 2030. Doing so will require targets for each business in accordance with our portfolio. In Compass Rose 2024 we have set weighted average cost of capital (WACC) and ROIC targets for each business. We will break down ROIC to a level that enables management within each business, and monitor those KPIs.

Investment decisions must also consider non-financial aspects. Discussions of potential investments at Board of Directors meetings encompass CO₂ emissions and water risks. We are considering introducing internal carbon pricing,³ which will help us visualize non-financial value. Given that a thorough response in the area of ESG could lower the cost of capital, we will allocate resources while balancing factors such as a business's evaluation based on ROIC and WACC and its growth potential.

3. A mechanism to promote low-carbon investments and measures, by which an organization sets its own carbon pricing to convert its CO₂ emissions into costs. This mechanism is used in reducing emissions, creating incentives to promote energy conservation, changing awareness inside the organization, and decision-making guidelines for investments.

Creating New Value in Food and Health

We take a dual approach to creating new value, both within each operating company and under the leadership of the holding company. New value is difficult to define, but I believe it is created by addressing customer needs through business activities in areas close to our existing businesses. At the same time, our holding company should address latent needs to create value that exceeds the expectations of current consumers and customers. The resulting products and services will not be far outside of our current business areas; rather, I believe that generating some sort of synergy with our existing businesses will ultimately enable us to provide new kinds of value unique to the Nichirei Group.

One of the Nichirei Group's advantages is the supply chain it has created that extends from food procurement to production, distribution and sales. However, the pandemic has exposed vulnerabilities in our procurement, driving home the need to strengthen the upstream part of our food supply chain. We looked back over Nichirei's history to consider how we can help resolve social issues using our technologies and advantages. Potential areas included health, nutrition, and food ingredients that take those factors into account, such as acerola. Focusing once again on these areas, we then reviewed the measures and KPIs of our material matters. In the meat and poultry products business, we are working to develop new products with health value. We have been conducting research of animal feed that uses ingredients derived from flaxseed to improve the quality, taste and nutritional value of meat. We are communicating the value of these products to consumers with the aim of expanding sales by FY2025.

Food prices are projected to rise as the growth of the global population increases demand. For stable procurement 10 or 20 years from now, we must consider expanding our focus to new foods and ingredients. Some initiatives are already under way, and we will also allocate resources to research

and development of ingredients, including new protein sources such as plant-based meat analogues, cell-cultured meat and edible insects.

Establishing Sustainability Management in Practice and in Employee Mindsets

In addition to formulating the Nichirei Group Sustainability Policy, we reviewed our governance system and established an advisory body to the Board of Directors in the form of the Group Sustainability Committee, which deliberates on long-term sustainability initiatives. We concurrently established a department in our holding company for promoting sustainability and assigned persons in charge of sustainability at each operating company.

We have dealt with sustainability issues before, but I think our officers and employees tended to focus on financial value. Compass Rose 2024 therefore has a greater emphasis on sustainability management.

Our goal is to ensure that every employee is fully aware of sustainability in current or new work. Without that perspective, those employees will not come up with new ideas, and I think it will be difficult for them to make on-the-spot decisions. There is a limit to what I can communicate to employees on my own, so in FY2023 we began holding study sessions for Company officers to deepen their basic understanding of sustainability and its historical context. More than 100 people have participated, including those from related departments. We need every officer to understand the relevance of sustainability in their work, and to support and be fully conversant in our approach, so they can discuss sustainability in their own words.

We also intend to use the Company intranet to enable all employees to access the latest information and updates on the Company's activities in order to promote dialogue and establish a sustainability mindset among employees.

FY2023 Launch of Three Portal Sites Accessible by All Employees to Communicate and Exchange Information



Digital transformation (DX) portal site



Innovation portal site



Sustainability portal site

Nichirei Three Years from Now:
A Corporate Group Where All Can Succeed by Displaying Their Individuality

Strategic initiatives over the next three years will be crucial to attaining our long-term management goals toward 2030. Our human resources are the key to achieving these goals. One of our material matters is securing and developing a diverse array of human resources, and the development of the Nichirei Group depends on whether our diverse human resources are motivated and able to play an active role and grow. Naturally, we will promote the advancement of female employees and health management among all employees. We will also allocate management resources to developing talent in the field of digital technology. I fear that Nichirei may be falling behind in utilizing digital technology for business innovation. It is therefore imperative that our employees acquire the necessary digital skills. To me, the word “reskilling” means adding the skills society will require in the coming era, not re-learning what one already knows.

The same can be said for sustainability. The study session for Company officers drove home one point to me: Even if people have seen or heard about sustainability in the media, unless they understand



the background and content of the issues being presented, they will not be able to choose the specific issues they must deal with or carry out their plans if they do.

We are establishing conditions that support the development of our human resources in the areas of digital technology and sustainability. I want to set up a system that not only raises all employees to a higher level, but also allows motivated people to go even further. There are various approaches to human resource development, but I think individuality will be key going forward. In other words, we need to consider development that suits each individual, so employees can succeed by displaying their individuality. That is why is essential that our vision for Nichirei defines and invests in the human resources we require. Our human resources departments are also creating mechanisms that incorporate DX to focus on individuals. In FY2022, we replaced our core personnel information system with a new system that integrates management of all our human resource data for use in everything from training to job assignments. I also intend to use the human resource development system and integrated personnel information system for our succession plan in the future.

Toward Our Transformation

We have positioned the term of Compass Rose 2024 as a period of transformation that will take us to the midpoint of our drive toward 2030. Moving forward with sustainability initiatives, restructuring, and upgrading and strengthening our business foundation will advance us to a new stage. To reiterate, in order to do so it will be crucial for each employee to recognize how their own work relates to sustainability. Constant attention by all of us in the Nichirei Group to social issues, thinking about how we can contribute, and then acting on our own initiative will generate change.

The Nichirei Group will continue to value dialogue with its stakeholders as it fulfills its responsibilities to society as a company that supports good eating habits and health through business activities, based on its Management Principles and the Group Sustainability Policy. We will also continue working for sustainability management and capital efficiency to improve social and economic value. As we do so, we look forward to your ongoing support.