



Resolving Social Issues, Eyeing Further Growth

On December 1, 2020, we will celebrate Nichirei's 75th anniversary. And as I recall now, when I was appointed president, I announced our aim to be a Company that continues to do business for the next 100 years.

In fiscal 2020, we formulated what might be called a milestone in terms of long-term management goals toward 2030, and launched the new medium-term business plan WeWill 2021. We have identified materiality for realizing our vision for 2030, and have begun formulating measures and KPIs that need to be reflected in the next medium-term business plan.

Nichirei Group business activities involve a wide range of food which, by its very nature, brings with it a great social responsibility that forms a strong connection between the sustainable growth of the Company and the realization of a sustainable society. For this reason, the Nichirei Group will incorporate in its management strategy such approaches as will link business activities with the resolution of social issues.

As we face society and take on challenges without fear of failure, we shall continue to support people's good eating habits over the long term.

Kenya Okushi
Representative Director, President
Nichirei Corporation

Note: Coined word "WeWill" is the theme of Nichirei's present medium-term business plan. It represents plan initiatives and our strong intention to create our own future.

Results and Issues in the First Year of WeWill 2021

In the food industry, lifestyle changes continue to drive the externalization of food. Although the ready-made meal market has expanded, factors such as soaring labor, distribution, and raw material costs have caused increasingly severe hikes in expenses. In the area of food distribution, as labor shortages become more prominent, efforts to develop technologies and introduce equipment to save labor are accelerating.

Amid these conditions, in the first year of the medium-term business plan WeWill 2021, the Nichirei Group is working on measures, focused on our core businesses, that are aimed at realizing the creation of new value to support good eating habits and health.

In the processed foods business, enhanced sales promotion efforts, including television commercials broadcast throughout the fiscal year, resulted in favorable sales of cooked rice and processed chicken products, which are the mainstay categories of household-use frozen food.

In the logistics business, we were able to absorb cost increases stemming from labor shortages and other issues by improving operational efficiency and charging appropriately, while at the same time the amount of goods handled increased.

As a result, with the core processed foods and logistics businesses driving Group performance, net sales reached ¥584.9 billion, up 0.8 % year on year. By the same comparison, operating profit rose 5.2 % to ¥31.0 billion, while ordinary profit increased 6.4 % to ¥31.8 billion.

Loss on retirement of fixed assets due to equipment upgrades and increased removal costs resulted in a 1.7 % year-on-year decline to ¥19.6 billion in the profit attributable to owners of the parent.

With regard to capital investment, as demand was stronger than expected in our main business, we were unable to suspend production, and we had to postpone equipment upgrades due to high levels of operation at production plants. Bearing in mind the importance to our growth of capital investment, we will reorganize our plan for such outlays in fiscal 2021.

In addition, while we recognize that expanding overseas business is important, we also acknowledge that, as a result, business alliances and M&A may be affected by negotiations with partner companies, and so shall make the necessary adjustments to our plans starting in the second year of WeWill 2021.

COVID-19 Brings a New Perspective

The social and economic environment has been undergoing drastic changes, due to the spread of the COVID-19 virus since March 2020. The Group has set up a countermeasures headquarters, as it places the highest priority on the health and safety of our employees and, in line with our social responsibility, is continuing its business activities to help prevent food shortages.

Demand for home-cooked and ready-made meals has increased as consumers refrain from dining out to avoid infection, although demand for commercial-use products in the food service industry has decreased significantly. We thus will continue to promote business that prioritizes the health and safety of our employees and respond as appropriate to customers facing difficulties.

In addition, I believe that what we eat is changing, and will become even more varied after COVID-19. Rather than simply going back to the way things were, markets will be created that are different from anything we have known up to now. And should some players create their own markets, that would be a chance to generate new business opportunities.

In such an environment, it is important to acquire the macro information necessary for management decisions, as well as to understand the micro changes perceived by those working in the field, and quickly to incorporate both in our business activities.

With the transition made to telework during the COVID-19 pandemic, I have come to realize the significant potential of communication tools. I am confident that it will become easier to exchange information in real time, while sharing information and collaborating with a sense of urgency will lead to the rapid delivery of new and abundant dietary items.

The spread of the pandemic also has provided us with an opportunity to reassess risks. Assuming disasters such as massive earthquakes and recent typhoons and heavy rains to be risks that hinder business continuity, we created business continuity plans (BCP) in recognition of the need to respond to each scenario. Also clear is the need to develop measures to counter infectious diseases such as COVID-19.

Based on recent experience, the Group will improve its BCP so as to be ready in the event of an outbreak of another infectious disease. It is important to anticipate change and adequately estimate risks when planning, ahead of new threats requiring us to employ a BCP.

Creating New Customer Value

In the second year of WeWill 2021, the focus will be on creating systems and mechanisms to provide new value that will become the foundation of Group growth.

In 2017, Nichirei set up a body within its Strategic Planning department tasked with creating new business by exploring business models not bound by existing business areas or ways of thinking.

As a next step, we have begun to develop an innovation management system (IMS), in accordance with ISO 56002, intended to verify and evaluate the creation of a wider variety of businesses. The existing Business Innovation Group merged with the Technology Management Department, which oversees IMS, enabling them to work together.

With the new system in place, the Nichirei Group will be better able to discover and nurture new businesses from a long-term perspective. The system will increase our opportunities to utilize and support good ideas, focus our efforts on meeting challenges, and increase the accuracy of commercialization.



Identifying Materiality

In June 2020, the Nichirei Group identified five material matters for implementing a management strategy that captures business opportunities and risks in order to achieve the long-term management goals sought by 2030.

Nichirei Group Materiality

- Creating value in food and health
- Strengthening food processing and production technology capabilities; enhancing logistics services
- Realizing sustainable food procurement and resources recycling
- Climate change initiatives
- Securing and developing a diverse array of human resources

The Nichirei Group, being in the food provision business, is intimately connected to society. We recognize that our business activities affect the lives of our stakeholders and society, and that we thus have tremendous social responsibility. This is the reason we believe that building relationships of trust with our stakeholders is essential and so, in 2017, we formulated our CSR basic policy, The Nichirei Pledge: Working to Make Our Communities More Sustainable.

Our purpose is to realize a sustainable society and the sustainable development of the Company. To ensure the links between business activities and the resolution of social issues are firm, we have determined it necessary to identify material matters and incorporate them into our business strategy.

All officers, including outside directors, participate in the identification process. We position business opportunities and risks as being proactive or reactive, and identify material matters from both perspectives. For proactive material matters, we provided all office holders with a questionnaire summarizing “social needs” and “affinity with business and willingness to execute.” From this we created a rough draft.

Throughout this process, I realized that, as we resolve social issues, the Company will grow. While we can imagine growth in some areas, we are also aware of the potentially negative impact on corporate value of maintaining the status quo. However, I believe the successful management of negative issues can render them an opportunity to enhance corporate value.

Outside officers with insights in various fields have expressed opinions based on diverse values. One officer even asked: “In terms of resource recycling, can the business of food provision be described as stable and secure?”

We spent a considerable amount of time narrowing down our rough draft of proactive and reactive material matters. In our discussions, we were guided by our mission, vision, and the Nichirei Pledge, as well as all the resulting efforts and achievements. This is where I thought Nichirei truly distinguished itself.

We engaged in dialogues with experts concerning the rough draft, and the frank opinions expressed resulted in new perspectives, ideas, and advice that was incorporated into the draft.

One of the material matters we identified is climate change initiatives. The impact of climate change on the Group is significant, as we handle food products that are blessings of nature while, at the same time, the energy consumed by our logistics and food manufacturing activities impacts the environment.

Based on recommendations made by the Task Force on Climate-related Financial Disclosures (TCFD), the Group conducted scenario analyses and established Group environmental targets and measures aimed at reducing CO₂ emissions.

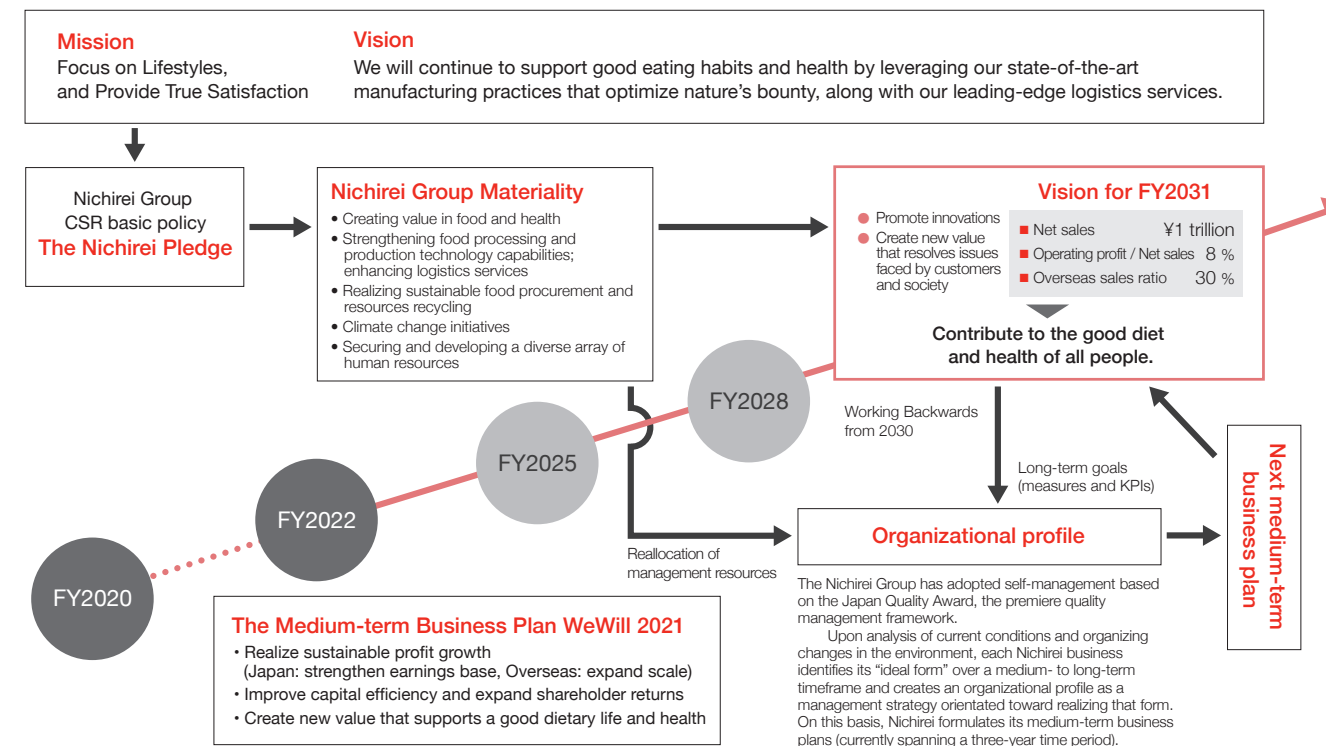
In June 2020, we announced our support for TCFD recommendations and participation in the TCFD Consortium, steadily intending to promote climate change-related initiatives.

Further, we will proactively respond to food loss, which is becoming a social issue. As a food manufacturer, we have already taken appropriate measures to dispose of waste at the production stage, and are making progress in reducing the amount of waste generated.

In future, we will focus efforts on measures including the creation of ideal supply chains to “Realize sustainable food procurement and resources recycling,” one of our material matters.

The first action we can take as a Group is to design products and services. We will consider what can be done with existing products, as well as incorporate environmental considerations into the design of new products and services.

Further, we can achieve differentiation by creating something with added value that is unique to Nichirei. Creating products in this way can lead to initiatives by other supply chain companies, such as food suppliers and logistics companies. In the near future, I would like to proactively exchange opinions with related companies and take a series of steps aimed at reducing food loss.



Vision for 2030—and the Next 100 Years

Human resources are the key to the Group's goal of creating new value and resolving environmental and social issues. When systems and mechanisms are created, it is the employees who use and apply them. Thus, it is essential to provide an environment in which each employee can devote themselves to their work with a sense of purpose. At the same time, we will continue to promote work style reforms and formulate Group goals (measures and KPIs) so that employees can take the initiative in tackling the five material matters.

This presents the Company with an opportunity to create measures under a major theme and so, together with Group companies, we are currently considering how Nichirei's unique aspects might be expressed in 2030. Rather than relying on existing processes and measures, I believe my role is to drive measures that are not merely extensions of current business activities.

This year, Nichirei celebrates its 75th anniversary; the year is also the centenary of the birth of frozen food in Japan. A hundred years ago, the value of frozen food lay in the fact that it could be delivered far away from its source without sacrificing quality.

Today, we not only guarantee quality, but also make it possible to put an abundance of food on dining tables in a limited amount of time, while at the same time supporting human health and healthy lifestyles. In order for Nichirei to continue supporting people's good eating habits over the long term, we must respond flexibly and quickly to changes in consumer demand and society.

Nichirei, as an organization driven by the independent actions of each employee, creates new customer value, conducts business activities, and helps resolve social issues.