

Message from the CFO



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Despite Uncertainty, New Capabilities Will Arise

I supervise the Nichirei Group planning and management unit, which includes the finance division. To help realize its long-term management goals toward 2030, I promote the Group's major objectives: ensuring a solid financial position is maintained, and motivating people—the most important management resource for business. At the same time, I facilitate the following of the investment PDCA cycle.

From a position that integrates Group financial and non-financial elements in the holding company, I focus on three perspectives, namely, our ability to perceive, collaborate, and unify.

I perceive present, assumed, and potential risks, and collaborate data with digital technology to make appropriate decisions. Then, unifying the direction of the Group with the five material matters items designated this year, we demonstrate the Group's comprehensive capabilities by creating synergies among businesses and divisions.

Corporate value encompasses both the economic and social values that are at the core of our management principles, namely, our mission—To Focus on Lifestyles, and Provide True Satisfaction.

If finance is the foundation that supports the Group, then social value is its central pillar. With the foundation and main pillar firmly established, we will realize medium- to long-term growth and enhance the corporate value of the Nichirei Group. At the same time, we will effectively engage with internal and external stakeholders.

FY2020 Financial Results and Issues (Including COVID-19)

In fiscal 2020, profit attributable to owners of parent was slightly lower than the previous year due to extraordinary income and losses. As a result, it did not reach 20 billion yen. However, the operating profit was a record high ¥31 billion, marking a good start for the first year of the medium-term business plan. The operating cash flow increased ¥8.1 billion year on year to ¥39.4 billion, and my assessment is that financial indicators are in line with plans.

FY2020 Consolidated Results

		(Millions of yen)			(Millions of yen)			
Capital Efficiency	ROE	10.9 %	Growth	Net sales	584,858	Financial Soundness	D/E ratio	0.5 times
	REP ¹	9,850		EBITDA	49,391		Shareholders Returns	DOE ²
					Annual dividends per share			An increase of ¥10 to ¥42 per share

Notes: 1. Our original indicator. Shows profit after deduction of capital costs.
 2. Dividend on equity ratio

At the same time, the capital expenditure was ¥27.3 billion, which is slightly behind our initial plans for investments aimed at strengthening our foundation, business innovations, and new developments. The total Group capital expenditure for fiscal 2021 (ending March 31, 2021) is expected to total ¥38.8 billion, as planned.

In addition, despite concerns about the spread of the COVID-19 pandemic, in the Logistics segment the Nagoya Minato Distribution Center (cold storage capacity: 37,294 tons) commenced operations as planned in April 2020, enabling us to establish a base for profit expansion in the Nagoya area.

Since we anticipate that financing conditions will continue to be uncertain due to the pandemic, we are considering increasing liquidity on hand for the time being.

WeWill 2021 Last Year Focus Points: Risk and Business Management

Enhanced Risk Management

So far this fiscal year, in order to enhance the disclosure of business and other risks—including actual and potential risks—we have analyzed the impact of each risk from business and financial perspectives and considered countermeasures.

We have designated responding to climate change to be a material matter and, as part of our response to the Task Force on Climate-related Financial Disclosures, we conducted an impact survey taking into consideration the frequency of climate change and its impact on business.

We have analyzed the degree to which our business and finances would be affected by extreme weather conditions, physical risks (such as floods and rising sea levels), transitional risks (such as legal and regulatory revisions), and environmental measures taken in the supply chain. Then we began to consider appropriate responses.

At the same time, potential risks in the supply chain must also be taken into account. In the food industry, there are invisible risks involving reputation and operations, involving human rights and environmental issues in a broad range of areas, from raw materials procurement to production processing and logistics.

We include these non-financial factors in our business activities and finances in order to facilitate comprehensive risk management.

In addition, we carry out appropriate risk management for actual risks. Aware of the increasing scale of natural disasters, such as typhoons and torrential rain, we had been improving our business continuity planning system for use in the event of a disaster when, at the end of last fiscal year, the COVID-19 virus began to spread rapidly.

Having established a Group countermeasures headquarters and ensured safety throughout the entire supply chain—including that of Group employees—we continue to engage in the business of supporting food infrastructure such as food factories and logistics centers.

Message from the CFO

This is the first time we have had to deal with an infectious disease that has spread so widely, so we have struggled a bit. Nevertheless, we will incorporate all necessary countermeasures.

The offensive tactic of creating new value is indispensable for enhancing corporate value. Nevertheless, I believe it is possible to adopt a defensive stance that minimizes negative risks and prevents corporate value from being damaged.

The current risk management system is described on page 68. We are now working to create a new risk management system. Under this system, we aim to be able to respond accurately and efficiently by covering risks that affect the entire Group, and then categorizing the corresponding items according to the Group's common characteristics and business characteristics. This new system is scheduled to begin operation in April 2021.

Data and Digital Technologies in Business Management

COVID-19 presents an opportunity to further accelerate various environmental changes.

In the field of business management, it is necessary to select and quickly incorporate information that is truly important into the decision-making cycle.

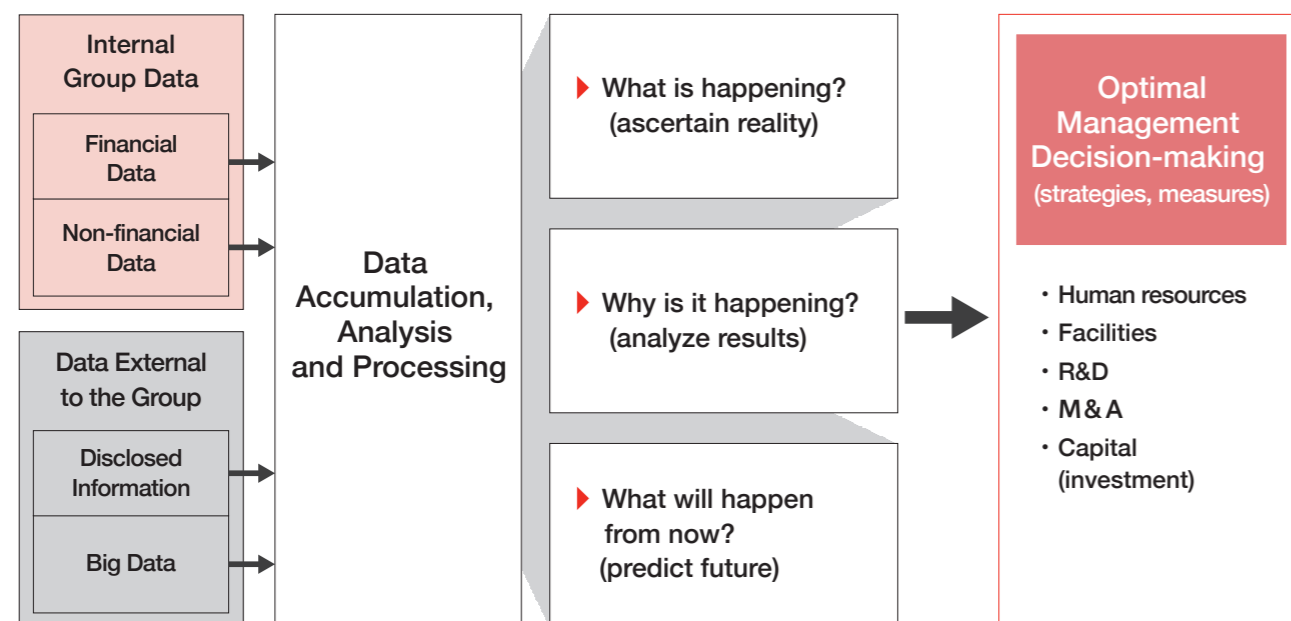
First, it is necessary to analyze and understand Group financial figures. By linking these to non-financial information, one is able to provide useful data to management and business companies.

In addition, it is necessary to combine this with data from outside the Group and develop it into a data source able to facilitate timely and appropriate decisions. Some external data are publicly available, some are difficult to collect, and some become useful with advanced analytical processing. It is also important to have a variety of sources of information.

In order to collect, analyze, process, and predict such data by making full use of AI and digital technologies, we must discover and develop human resources who have excellent data processing and system construction skills, and who can fully understand and analyze the Group's business characteristics and trends in lifestyles and markets. But, since it is people who create the mechanisms, we must find and develop human resources who understand the Group's business characteristics, as well as consumer and market trends.

These tasks take time to complete, so while drawing a grand design during this medium-term business plan period, I would like to proactively take on challenges without fear of failure in terms of the processes necessary for such important issues as expanding our overseas business.

Data and Digital Technologies in Business Management



Linking Materiality to Management, Business Strategy

The ultimate role of the holding company is to decide how to allocate management resources to enhance corporate value. Capital and people are our resources. In addition to actively investing to expand and strengthen our business foundation while responding to various issues, the capital allocation policy also focuses on efforts to realize a sustainable society.

Regarding capital expenditure, which is a material matter in terms of the allocation of funds, our medium-term business plan calls for capital expenditure of approximately ¥100 billion, of which 50% will be targeted for growth; 30% for infrastructure enhancement, business innovation, and new development; and 20% for rationalization and maintenance. In fiscal 2020, Group management engaged in earnest discussions and identified five material matters for achieving our vision for 2030. We will establish specific goals and KPIs for these five material matters, while keeping our management and business strategies consistent.

During fiscal 2020, confronted with risks including the expanding scale of natural disasters and the infectious disease COVID-19, we had no choice but to focus on defensive measures to prevent damage to our corporate value.

That said, at all times the focal point of resource allocation has remained whether it contributes to the enhancement of corporate value. In order to create a mechanism for obtaining the desired results, we will focus on the Group CSR basic policy, the Nichirei Pledge, and five material matters, and will invest resources with an emphasis on attaining a balance between offensive and defensive tactics, all while bearing in mind the stakeholders within and outside the Group, and allocations being made to financial and non-financial sectors.

Securing and Developing Human Resources

As the fifth material matter, we selected Secure and develop an array of human resources. Regardless of how well a strategy is constructed and mechanisms are created, it is people who think and act. Thus, in the discussion of material matters, Group management was unified in selecting this matter.

We are working on rebuilding our core personnel system as a tool to achieve this goal, and aim to commence operations in September 2021. The core system incorporates talent management functions (human resources development and appropriate allocation), and improves the efficiency of practical work such as payroll calculation and personnel changes.

We will create a system that makes maximum use of human resources and contributes to demonstrating the comprehensive capabilities of the Group.

