

# Processed Foods Business

Nichirei Foods Inc.  
<https://www.nichireifoods.co.jp/en/corporate/>

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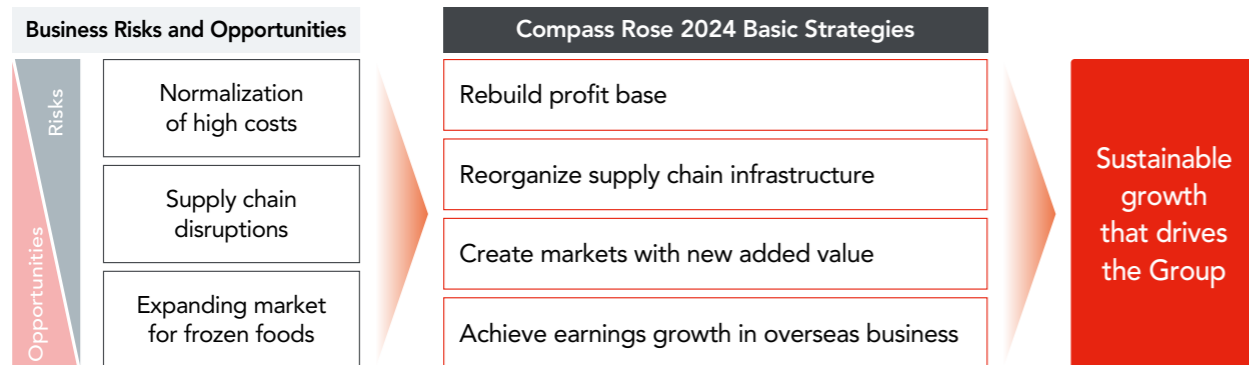


### Net Sales and Operating Profit

(Billions of yen)

|                                 | FY2023       |                     |             | FY2024       |                     |             |
|---------------------------------|--------------|---------------------|-------------|--------------|---------------------|-------------|
|                                 | Results      | vs. Previous Year   |             | Plan         | vs. Previous Year   |             |
|                                 |              | Increase (Decrease) | Growth Rate |              | Increase (Decrease) | Growth Rate |
| <b>Net sales</b>                | <b>275.7</b> | 31.5                | 13%         | <b>296.0</b> | 20.3                | 7%          |
| Household-use prepared foods    | 81.4         | 4.6                 | 6%          | 86.1         | 4.7                 | 6%          |
| Commercial-use prepared foods   | 100.1        | 7.4                 | 8%          | 108.4        | 8.3                 | 8%          |
| Processed agricultural products | 20.4         | 0.5                 | 2%          | 21.5         | 1.1                 | 5%          |
| Overseas                        | 58.9         | 18.1                | 44%         | 65.0         | 6.1                 | 10%         |
| Others                          | 14.9         | 0.9                 | 7%          | 15.0         | 0.1                 | 1%          |
| <b>Operating profit</b>         | <b>14.0</b>  | (0.3)               | (2%)        | <b>15.6</b>  | 1.6                 | 12%         |

### Basic Strategies



### Progress of Medium-term Business Plan Compass Rose 2024

FY2023, the fiscal year ended March 31, 2023, tested our ability to respond to change. We were faced with a series of overlapping factors reducing profit, including soaring raw material and energy costs, sharp depreciation of the yen and an egg shortage due to avian influenza.

Net sales increased ¥31.5 billion, supported by the frozen food market, which remained firm due to growth in the mainstay chicken category and recovery in the commercial-use sector, among other factors. On the other hand, operating profit decreased slightly, despite multiple price adjustments and measures to improve

profit. Nevertheless, our steady implementation of promotions and other measures enabled us to almost completely counteract factors that would otherwise have caused a significant decline in profit, so I feel that we have developed the organizational strength to respond to change.

The growth of our overseas business was another major achievement. Our overseas sales ratio surpassed 20% in FY2023, driven largely by the Asian foods business in North America and the overseas sales business of GFPT Nichirei (Thailand) Company Limited. The Asian foods business in North America continues to grow, mainly for processed rice products and chicken, backed by a brisk market driven by rising

health consciousness, among other factors. In July 2022, we made our first self-operated base for processed rice products (Nichirei Sacramento Foods Corporation) a subsidiary, establishing a model that integrates production and sales for further growth. We are now introducing production technology from Japan and working to improve the company's productivity. GFPT Nichirei (Thailand) uses an integrated production system from raw materials to finished products to broaden its markets overseas. It adds value to all parts of the chicken, including breast meat for Europe, poultry by-product meal for Thailand and feet for China, in addition to the parts for export to Japan. Going forward, we intend to expand into Malaysia and other markets.

In Japan, the frozen food market continues to expand. With the shift to eating food prepared outside the home, the number of users of household-use frozen foods and situations for eating such products are both growing. For commercial-use products, customers are increasingly turning to the value that frozen foods offer in terms of convenience and preservation as a countermeasure against labor shortages and food loss. Nichirei Foods will be sure to capture this expanding market.

We consider rebuilding our profit base and improving business sustainability to be key issues. Achieving operating profit of ¥18.4 billion in the final year of Compass Rose 2024 and executing strategies for growth thereafter are urgent tasks.

Our basic policy for FY2024, the second year of Compass Rose 2024, is to transform into a sturdy yet agile business structure. Based on this policy, we are carrying out five strategies: rapidly commercialize new value; make existing businesses highly profitable; expand overseas business; make the supply chain more resilient; and develop diverse human resources.

To rapidly commercialize new value, we are using the production line for single-serving frozen products at our new Yamagata Plant to expand the personal-use business. *Hiyashi-Chuka*, a microwaveable chilled product, received an enthusiastic market reception following its launch in the previous fiscal year. In addition to fleshing out our lineup of high-value-added noodles, we are ramping up the development of side dish sets and working to quickly open up a new commercial-use single serving market for senior health and welfare facilities, food service and other customers.

To make existing businesses highly profitable, promoting further growth in mainstay categories such as rice products and chicken, which have a high ROIC, will increase overall profitability. A new plant for rice products at Kyurei Inc. in Fukuoka Prefecture began operation in April 2023. This will increase the supply of fried rice products by 50% and establish a structure for producing our mainstay products at two bases (the Funabashi Plant and Kyurei), thus capturing brisk

demand while addressing business continuity planning.

To make the supply chain more resilient, we are addressing a variety of foreseeable risks. Among these risks, it is essential to consider human rights and the environment when procuring raw materials, not just the stability of procurement. Since FY2023, we have been conducting due diligence, mainly on domestic chicken suppliers, and promoting initiatives to deepen mutual understanding. We are also taking measures for some raw materials and products that are subject to geopolitical risks, including changing and diversifying the countries where we procure them.

### Overseas Business Strategy

We will continue to expand our operations, centered on the Asian foods business in North America, the acerola business, and the overseas sales business of GFPT Nichirei (Thailand) Company Limited.

In the Asian foods business in North America, in addition to promoting growth in the rice products and chicken categories, we will begin full-scale entry into the appetizer category, which is the largest market sector. As we increase market share, we will consider production at our own facilities.

In the acerola business, we will begin in-house production of powder at Nichirei do Brasil Agricola Ltda. in Brazil. Backed by the clean label trend, demand for acerola powder is broadening for various applications in addition to food, such as cosmetics. We have also established new sales offices in North America and Europe, where markets are large. Our aim is to leverage our three competitive advantages of sustainable raw material procurement, powder manufacturing capability and local sales bases to achieve highly profitable business growth going forward.

### Progress of Material Matters for the Group

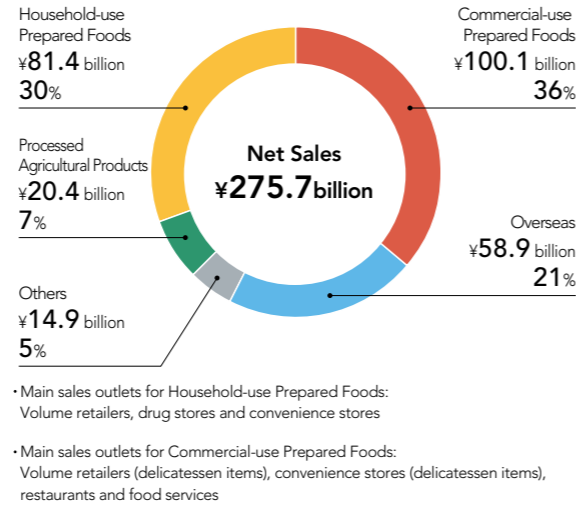
Viewing the material matter of creating new value in food and health to be important as a new pillar of earnings, we have articulated a new brand statement: "Toward a world of sharing deliciousness and health—FoodJoy Equity." We will implement strategies to make this statement a reality.

In addition to the personal-use, single-serving products mentioned above, we are focusing on developing health value as a business where we can offer new value. We are also working to create a new market for frozen foods by offering value worthy of the Nichirei name, from providing daily health benefits from products with abundant vegetables to developing original ingredients using alternative materials.

### Business Details

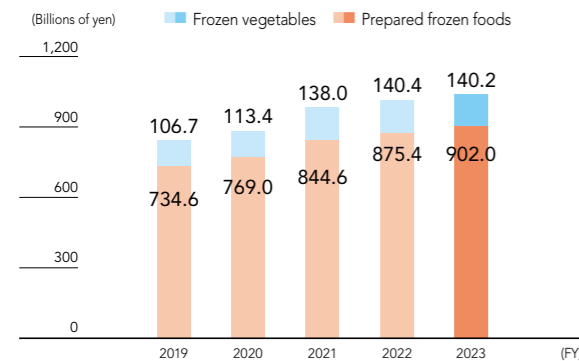
Nichirei Foods provides frozen foods (household-use and commercial-use), retort pouch foods and wellness foods that utilize the company's unique capabilities in product development and quality assurance. Our frozen foods business in Japan is characterized by high market share for chicken, processed rice products, frozen vegetables and spring rolls in both the household-use and commercial-use categories, and a large number of commercial-use products handled for the home meal replacement (HMR) and delicatessen categories. Our overseas business is focusing on the development and sale of Asian food products in North America.

### FY2023 Sales Composition



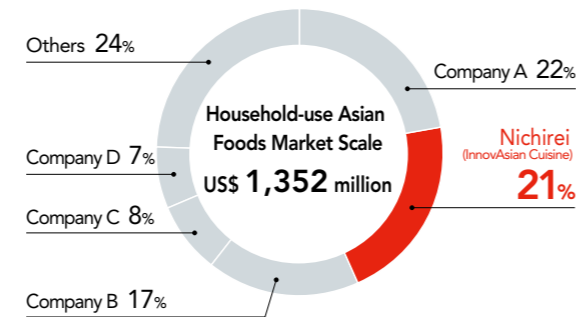
### Market Environment

#### Household-use Frozen Foods Market Scale in Japan



Source: Market scale calculated by INTAGE Inc. SCI consumer panel (Spending per 100 people (age 79 and under); all business categories)

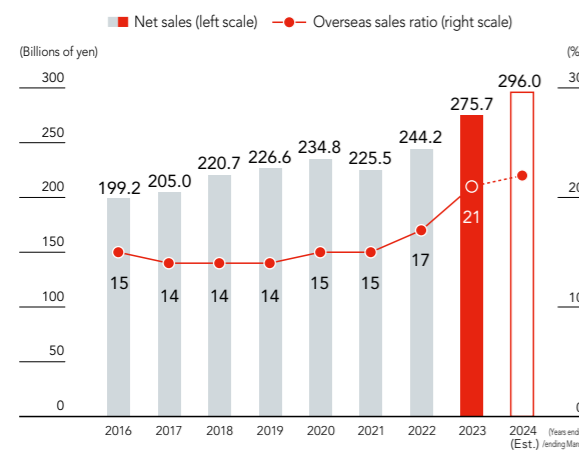
#### Our Share of the Household-use Asian Foods Market in the United States



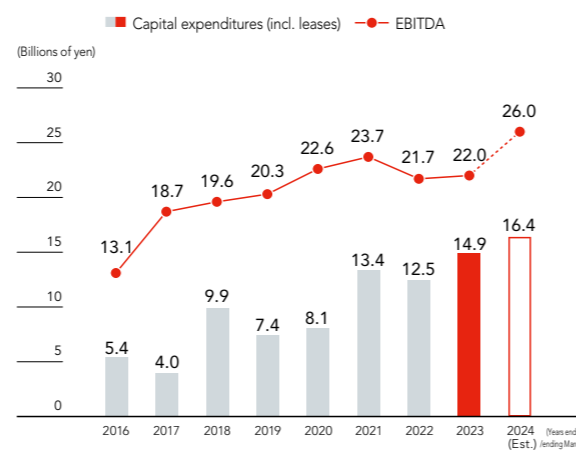
Source: Calculated from Nielsen data on household-use Asian food brands (national brands only) for January–December 2022.

### Net Sales, Capital Expenditures and EBITDA

#### Net Sales



#### Capital Expenditures and EBITDA



### Material Matter 1 Creating new value in food and health

## New Brand Statement “Toward a world of sharing deliciousness and health—FoodJoy Equity”

Nichirei Foods has articulated a new brand statement. It incorporates the essence of our aim to achieve a better world of sharing by providing health value with an emphasis on deliciousness and making full use of the benefits of freezing in areas such as shelf life that helps to reduce food loss. “FoodJoy” refers to the delight that frozen foods bring, while “Equity” means fairness for all from offering value tailored to each individual—or in other words, sharing.

Moreover, to make the statement a reality, we are pursuing business activities that increase four kinds of value for sharing. By doing so, we will evolve the business so that not only consumers, but everyone we interact with and society as a whole, can enjoy the convenience of freezing.

#### Four Kinds of Value for Sharing Going Forward



### Material Matter 2 Strengthening food processing and production technology capabilities

### Material Matter 4 Climate change initiatives

## Eco-friendly Plant for Rice Products Begins Operation with Capital Investment of Approximately ¥11.5 Billion

The new rice products plant of Kyurei Inc. in Munakata City, Fukuoka Prefecture began operation in April 2023, with a production capacity of approximately 70 tons per day. We have also introduced the latest equipment and ramped up initiatives for eco-friendliness and automation. Environmental measures to reduce CO<sub>2</sub> emissions include using refrigerators that use natural refrigerants instead of CFCs, installing solar panels on the roof and utilizing renewable energy. For automation, the plant has introduced inspection and disposal of burnt items using AI robots and high-performance cameras, in addition to automating unloading of raw materials, product pallet loading and pallet transportation.



Exterior of new plant

Quality control using AI robots and high-performance cameras