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We are ramping up sustainability management with the aim of further growth for the Nichirei Group.

The First Year of Medium-term Business Plan Compass Rose 2024 in Review

Although the impact of the COVID-19 pandemic subsided in FY2023 (the year ended March 31, 2023), the business environment remained challenging due to rising geopolitical risks, volatile currency exchange rates, and an upsurge in raw material and energy prices, among other factors. Under these conditions, we undertook measures in the first year of our medium-term business plan Compass Rose 2024 (FY2023-FY2025) to increase Nichirei's social and economic value through business activities based on the Nichirei Group Sustainability Policy: The Nichirei Pledge.

Social demands for sustainability and changes in the market environment during the fiscal year made us keenly aware that profit growth depends on business activities that help resolve social issues such as sustainable raw material procurement and climate change.

Consolidated net sales of the Nichirei Group set a record high, increasing 10% from the previous fiscal year to ¥662.2 billion. We were also able to significantly grow the overseas operations of our core processed foods and temperature-controlled logistics businesses. Despite the impact of an unprecedentedly large increase in costs, operating profit increased and exceeded our initial plan because price adjustments in processed foods and

collection of electric and fuel surcharges in temperature-controlled logistics proceeded smoothly, and the bioscience business performed well.

We believe that customers' acceptance of our price adjustments indicates their recognition of the value of Nichirei's products and services. We will continue increasing the value we provide so that consumers can eat better.

With business conditions expected to remain severe in FY2024, the immediate challenge facing the processed foods business is to develop products and services in line with people's lifestyles and values, which have changed because of the COVID-19 pandemic. While continuing to deal with the higher costs that have become the norm, we will focus on expanding processed rice products in response to such market changes as growing needs for saving time in meal preparation and menu diversification. We are also working to create a market for personal use, single-serving products with new added value unique to Nichirei. We will work to develop them into a mainstay of profit growth by rolling out new commercial-use products that help to deal with labor shortages and are available in small lots, in addition to expanding the existing product lineup.

In the temperature-controlled logistics business, we have been steadily revising our business model since the previous medium-term business plan to address the so-called “2024 Problem” facing the logistics industry, which is a shortage of truck drivers that is expected upon the enforcement of a provision in Japan’s Work Style Reform Act. Through a phased nationwide rollout of *SULS*, our next-generation transportation and delivery system, which is already in operation in Tokyo, Nagoya and Osaka, we will reduce both long-distance transport and dwell time at logistics facilities. We believe that the rapid construction of a high-quality, sustainable transportation system will help us resolve social issues and create new business opportunities.

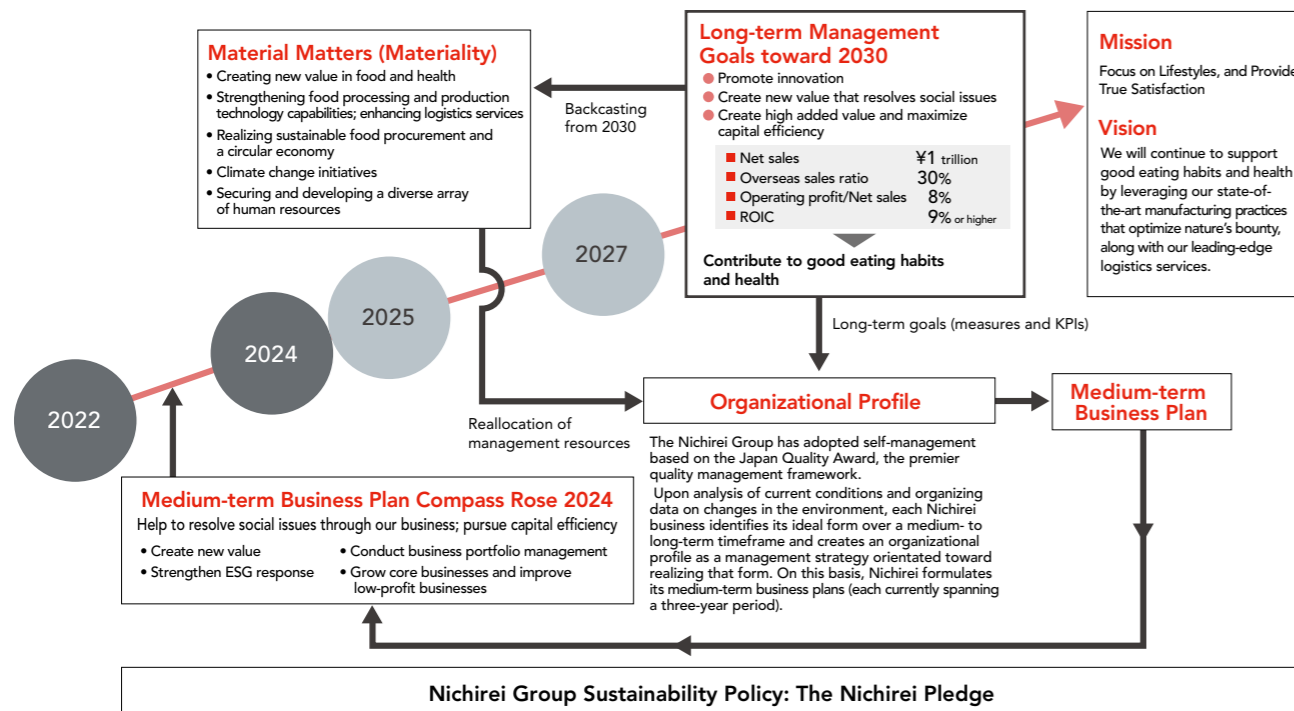
In the marine, meat and poultry products business, we will continue to adjust prices in line with fluctuating costs. We will increase the number of sustainable MSC¹ and ASC² certified marine products that we handle to maintain a stable supply of marine resources, which are becoming depleted globally. We realize that we cannot remain in business if we cannot confirm the traceability of our products, and we are ascertaining our strengths in order to concentrate our resources on competitive products. To create new value in meat and poultry products, we are expanding our lineup of premium

ingredients such as the *Amani-no-Megumi* series, which uses distinctive feed and rearing methods, and proactively working to expand our model of an environmentally friendly regional agricultural and livestock cycle.

For the five material matters we identified in FY2021, we have set KPIs for FY2025, the final year of the medium-term business plan, toward the achievement of the Nichirei Group’s goals (measures and KPIs) for FY2031. In particular, we have raised the priority for addressing issues related to the environment and procurement. For climate change initiatives, for example, we are making steady progress toward zero CO₂ emissions for generating the electricity we use by stepping up efforts such as installing solar power generation equipment and using an offsite PPA³ in the Hinode area of Funabashi City (Chiba Prefecture), where the Group’s main business sites are concentrated. For the material matter of realizing sustainable food procurement and a circular economy, in April 2023 we established procurement guidelines for marine products and palm oil, which are key food resources that underpin the Group’s business activities. Going forward, we aim to conduct sustainable food procurement and build a sustainable supply chain together with our suppliers and business partners.

1. Marine Stewardship Council (MSC) certification requires that wild seafood used has been caught using methods that do not deplete the natural supply.
 2. Aquaculture Stewardship Council (ASC) certification requires that marine products used have been cultivated in a sustainable manner.
 3. Power Purchase Agreement: A type of contract for direct purchase of electric power by a user from a producer of electricity generated from a specified renewable energy project.

Nichirei Group Management Cycle



Working to Realize Our Vision for 2030

Growth of Overseas Business and Development of Global Human Resources

In FY2023, the Nichirei Group’s overseas sales increased 37% year on year to ¥133.3 billion, and the overseas sales ratio exceeded 20%. Growth drivers were processed foods in North America, where sales were strong in the rice products and chicken categories of Asian foods, and temperature-controlled logistics in Europe, where the scale of business grew due to the effects of investment and expansion of functions under the previous medium-term business plan. Overseas sales in the first year of the current medium-term business plan thus exceeded the plan’s final-year target of ¥130 billion.

Under the medium-term business plan, we will aim for an overseas sales ratio of 30% by FY2031 through proactive allocation of management resources to overseas expansion. To do so, we will need to ramp up the development of global human resources in line with the speed of our business expansion. Each Group operating company takes the initiative in developing the human resources it needs for business management, employing a medium- to long-term perspective in developing leaders by dispatching selected junior employees and talented managers from Japan to conduct business operations overseas. In the belief that continuing growth requires that we systematically increase the number of locally hired managers along with developing global management personnel, we are moving forward with a human resources strategy that enables diverse talent to succeed.

At the same time, I am aware of the critical importance of how we conduct effective governance as a group. The holding company will be responsible for the development and Company-wide deployment of globally capable human resources with specialized skills in areas including legal affairs, finance and accounting, information and digital technologies, and sustainability. Forming a pool of systematically trained human resources as candidates for these positions will facilitate personnel allocation in line with our strategies and build a framework to support the overseas expansion of operating companies.

Instilling ROIC Management

Under the current medium-term business plan, we have adopted return on invested capital (ROIC) as a



management indicator aimed at raising capital efficiency. Due to upfront investments in large-scale facilities, we plan on a slight decline in ROIC for the Nichirei Group overall in FY2024, but we are targeting ROIC of 7% or higher in FY2025 and intend to raise it to 9% or higher by FY2031. An understanding of ROIC management is spreading throughout the organization, but I sense that we have not reached the stage where it is being broken down for application in the next action plan. We have set an ROIC target for each business, so we will set KPIs that break down the elements of each target to a level that facilitates internal management, then aim for improvement by implementing a plan-do-check-act (PDCA) cycle. In April 2023, we integrated the divisions that handle strategic planning and performance data monitoring into a single unit. In addition to instilling ROIC management more swiftly, this move will promote portfolio management that uses ROIC as one method for quantitatively evaluating a business while also taking non-financial aspects into account.

Creating New Businesses

We have set net sales of ¥1 trillion as one of our long-term management goals toward 2030. In addition to the growth of our overseas business and ROIC management, creating new businesses will be key to achieving this goal. Of course, our operating companies focus on new businesses, but development of new businesses that are slightly outside the realm of our existing businesses is conducted by the holding company. Good results are never immediate, so it is important to be flexible while maintaining a sense of urgency as we repeat a process of trial and error. We intend to make our innovation management system

(IMS) a fixture in this process. An IMS can help us achieve commercialization as it enables us to rapidly conduct a series of processes starting with verification on a small scale, and shift to the next project if we determine that that there is no target or need for the subject under review. The difficulty of seeing progress has been an issue. However, now that the organization promoting new value creation has been reorganized directly under me as president, we will allocate resources from a long-term perspective and move forward in creating new businesses that are worthy of the Nichirei brand.

We also continue to conduct a program for soliciting ideas for new value from Nichirei Group employees. This is the fourth year we have done so, receiving proposals from a broad range of age groups, from junior and mid-career to veteran employees. We aim to commercialize the ideas that are adopted as development themes after verifying that they will create value for society. Demonstration tests are now under way on new value-added ingredients,

educational content on food, and other themes that will help resolve food-related social issues. The program is aimed at creating opportunities for employees to act on their ideas, taking on new challenges and transcending organizational, occupational and regional boundaries. Previously, employees participated in the program while working in their respective departments, but we have established an in-house side job system that allows participants to give their full attention to the program. Their achievements are also covered in their personnel evaluations, so that employees can be properly evaluated for their side jobs. Creating new value is a team effort, requiring contributions from all Group employees. I consider it essential to foster a corporate culture that encourages a spirit of challenge. We must increase not only the number of people who come up with ideas and lead the way, but also those who support them in various ways in taking on their challenges.

use this technology. It is important to create autonomous organizations where employees can set objectives and goals that are meaningful to them personally, rather than having the Company set and dictate them. We want to develop leaders knowledgeable in digital technology, and provide a framework for leaders in each workplace to initiate change based on an understanding of the overall business.

Instilling a Mindset of Sustainability and the Success of Diverse Talent

I view sustainability in the same way. Each person must consider for themselves why it is important. We have set a policy for the Nichirei Group, but on its own that will only lead to a growing disconnection from worksites. We proactively provide rank-based education about sustainability throughout the Group, including e-learning for all employees and training for managers or above, in an effort to raise their basic level of understanding to the point where they can continue on a personal journey of learning through trial and error. Study sessions on sustainability for directors and Audit & Supervisory Board members are now open to online participation by staff in charge of promoting sustainability and other motivated employees. Many employees participate in each session, and a total of more than 1,000 have attended sessions. I sense that employee interest is rising. By continuing these initiatives, we expect to develop and spread a mindset of sustainability to all workplaces.

Diverse talent who display their individuality through their work will lead to the growth of the Nichirei Group.

Internal open recruiting is one measure we use to help employees plan careers through which they can demonstrate their abilities and succeed. In FY2023, we established a human resource platform and open recruiting spanning all Group companies. This has made it easier for employees to transfer between operating companies and to different job types. More departments posted job openings, and applications from employees more than doubled. I value a corporate culture where employees can take on challenges of their choosing. Achieving such a corporate culture requires creating mechanisms to ensure that the Company does not overlook such challenge seekers. Through visualization, we can use an analysis of data on our human resources as the basis for creating training plans tailored to each individual.

Developing management talent is another important issue. Over the past four years, the Nominating Advisory Committee has been actively discussing our next slate of senior management personnel, implementing and verifying a variety of methods for selecting from a candidate pool. Moreover, looking ahead to our long-term management goals toward 2030, we have started setting clear requirements for the human resources who will be our next senior management. To cultivate and add candidates for our next generation of management, we will promote greater mobility of management personnel across our business portfolio, generate new Group synergies by increasing the diversity of our management ranks, and link these measures to the future growth of the Group.

Creating Autonomous Human Resources and Organizations

Improving Digital Literacy

One important theme I am addressing as president is information technology (IT) and digital transformation (DX). I have been working on upgrading core systems and strengthening information security for some time, but improving and restructuring operations using digital technology will be critical for ongoing business growth. Raising awareness of and interest in IT and digital technology within Nichirei has therefore been an urgent task. Two years ago, I set up a dedicated division in our holding company and recruited human resources internally to establish a foundation for discussing and promoting DX that suits Nichirei's businesses. In FY2023, we also started training in digital technology for all employees in Japan. Approximately 1,200 employees took the course in the first year, and all employees are

scheduled to complete basic training by the end of FY2024. We believe that improved digital literacy for all employees will lead to more in-depth discussions in a common language for everyone from junior employees to management. Enabling a superior to understand a proposal from a junior employee will help avoid nipping a great idea in the bud and make it easier to put forward new proposals. A digital mindset and literacy will be indispensable requirements for managers going forward. We aim to use an integrated human resources system to manage data on employee DX training results and digital skills across the Group to develop our human resources and build our organizations.

I feel that digitalization has progressed rapidly at the worksites of the processed foods and temperature-controlled logistics businesses over the past few years. New technologies such as AI, autonomous driving and robots can improve work efficiency and reduce labor in processing factories and refrigerated warehouses, thus addressing the social issue of labor shortages. At the same time, I believe there is still room for improvement in back-office productivity at our Head Office. We will maintain a sense of urgency in digitalizing the entire Nichirei Group.

Skills in using digital technology are undoubtedly essential, but it is up to each person to decide how to

Ramping Up Sustainability Management

Medium-term Business Plan Compass Rose 2024 has transformed our former management style, with a major shift toward sustainability management. Looking back over the plan's first year, I feel that this decision was right. We recognize that human resources are the source for creating social and economic value. Ramping up sustainability management requires reforms not just of our management ranks, but also of the awareness of our employees. I intend to continue creating an environment and mechanisms that enable employees to deepen their understanding, review their current work,

become aware of how they can help to resolve social issues going forward, and then to do what they truly want to do. We have already begun to see results, so we will continue to roll out various initiatives in each business to improve corporate value.

The Nichirei Group values dialogue and engagement with all of its stakeholders in working to improve corporate value using its comprehensive capabilities as an enterprise that supports good eating habits and health. In doing so, we look forward to your ongoing support.

