

## Review of Medium-term Business Plan WeWill 2021

Major changes have occurred over the past three years.

Due to the impact of factors related to the COVID-19 pandemic from the end of FY2020, such as restrictions on movement, a slump in sales of commercial-use frozen foods led to a short-term decline in net sales, but business conditions at restaurants and other establishments have been recovering. Net sales increased over the three years of the plan due to contributions from household-use product and e-commerce sectors, which continue to grow as a result of changing lifestyles, and from our overseas business, mainly in North America.

On the other hand, two issues led to an unavoidable decline in operating profit, especially in the final year of the plan. First was disruptions in our network of suppliers for products and raw materials due to substantial pandemic-related curtailment of operations at our chicken processing factory in Thailand, as well as sea freight delays, among other factors. The second issue was high resource prices, which were brought about by the post-COVID restart of the global economy, resulting in higher product costs and reduced profitability. Reorganizing our supply chain and rebuilding our profit base will be urgent issues for business continuity going forward.

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

We believe that Japan's frozen food market will continue to grow, even amid challenging business conditions. Due to the COVID-19 pandemic, the numbers of households using frozen foods and eating opportunities have expanded, and frozen foods have started to become established among consumers as an everyday meal option. Against the backdrop of a chronic labor shortage, there are high expectations for the special qualities of commercial-use frozen foods to meet the market needs of delicatessens, hospitals and senior care facilities in all stages of preparation, from raw materials to finished products. Under these circumstances, we will leverage our advantages—technologies for reproducing deliciousness, and a broad customer base—to further revitalize the market as we grow our business.

Compass Rose 2024 gives top priority to the two above-mentioned issues of reorganizing the supply chain and rebuilding the profit base. For our mainstay category of chicken products, we will strengthen our supply system by promoting mechanization and labor saving at our processing factory in Thailand, and begin diversifying potential risks by producing some products in Japan for a model that is mutually complementary with operations overseas, including in China. For cooked rice products, our other mainstay category, we will bolster our supply chain with a renewed emphasis on domestic rice, a main ingredient that is not affected by the overseas procurement environment or exchange rates. Demand for cooked rice products has grown significantly due to the COVID-19 pandemic and is expected to remain strong. To ensure a more stable supply, we plan to start operation of a new production facility in Munakata City, Fukuoka Prefecture at the beginning of FY2024. From the perspective of our business continuity plan (BCP), this will also help to improve the distribution of our production facilities, which have been concentrated in Funabashi City, Chiba Prefecture. We will also work to improve rice varieties for more efficient harvesting and stable quality, thus contributing to improving Japan's overall food self-sufficiency through the cooked rice products category.

Procurement costs are rising due to soaring raw material and energy prices in addition to the depreciation of the yen. In response, we will cut costs by improving production efficiency and reviewing procurement methods, and make appropriate selling price adjustments with customer understanding.

In addition to the above measures, we will focus on personal-use, single-serving products, cooking ingredients and health to increase added value for our products and enhance brand power, thus building new sources of

profitability. In February 2022, we added a production line at the Yamagata Plant for personal-use, single-serving products. The first product off the new line was *Hiyashi-Chuka*, which offers the new value and enjoyment of a delicious chilled dish that can simply be prepared using a microwave oven. We will also develop and produce commercial-use products that help resolve the social issue of labor shortages, and provide a high level of value for consumers. For cooking ingredients, we are enhancing meal kits, which include vegetables, meat, sauces and other ingredients and frozen vegetables, which have been attracting renewed attention due to the COVID-19 pandemic. As for health, our number one consideration is to provide deliciousness, the universal value of food. Predicated on that, we will utilize the unique formulation and cooking technologies that our R&D and product development departments have refined to contribute to good eating habits through a diverse product lineup.

In the overseas business, the market for Asian foods is expanding rapidly in North America, with ongoing strong sales centered on household-use products. In addition to expanding our mainstay categories of chicken products and cooked rice products, we will enter new categories with the aim of achieving the top share in the Asian foods market. In the acerola business, the strong antioxidant effect of natural vitamin C derived from acerola is gaining renewed recognition in the growing "clean label" market, mainly in Europe and the United States. This winter, production of acerola powder will begin at a new facility at our acerola raw materials subsidiary in Brazil, ramping up our efforts to globally provide the value we have identified through years of research.

## Material Matters for the Group

We consider the five material matters Nichirei has identified to be crucial for medium- to long-term growth and business continuity. For the material matter of "creating new value in food and health," we will use Nichirei's strengths in reproducing deliciousness and superior processing technologies as the basis to develop and utilize new ingredients that address health and environmental concerns, provide new products and services, and offer value unique to frozen products.



**Masahiko Takenaga**

Director, Executive Officer, Nichirei Corporation  
 President, Nichirei Foods Inc.

### Business Scale

Total assets	¥150,150 million
Group companies	6 in Japan, 11 overseas
Employees (consolidated)	9,013
Food production factories	20 (15 in Japan, 5 overseas)
Main production facilities	Mori Plant, Shiroishi Plant, Yamagata Plant, Funabashi Plant, Kansai Plant, Kyurei Inc., CHUREI Co., Ltd., GFPT Nichirei (Thailand) Company Limited, Surapon Nichirei Foods Co., Ltd.
Main products	

### Advantages

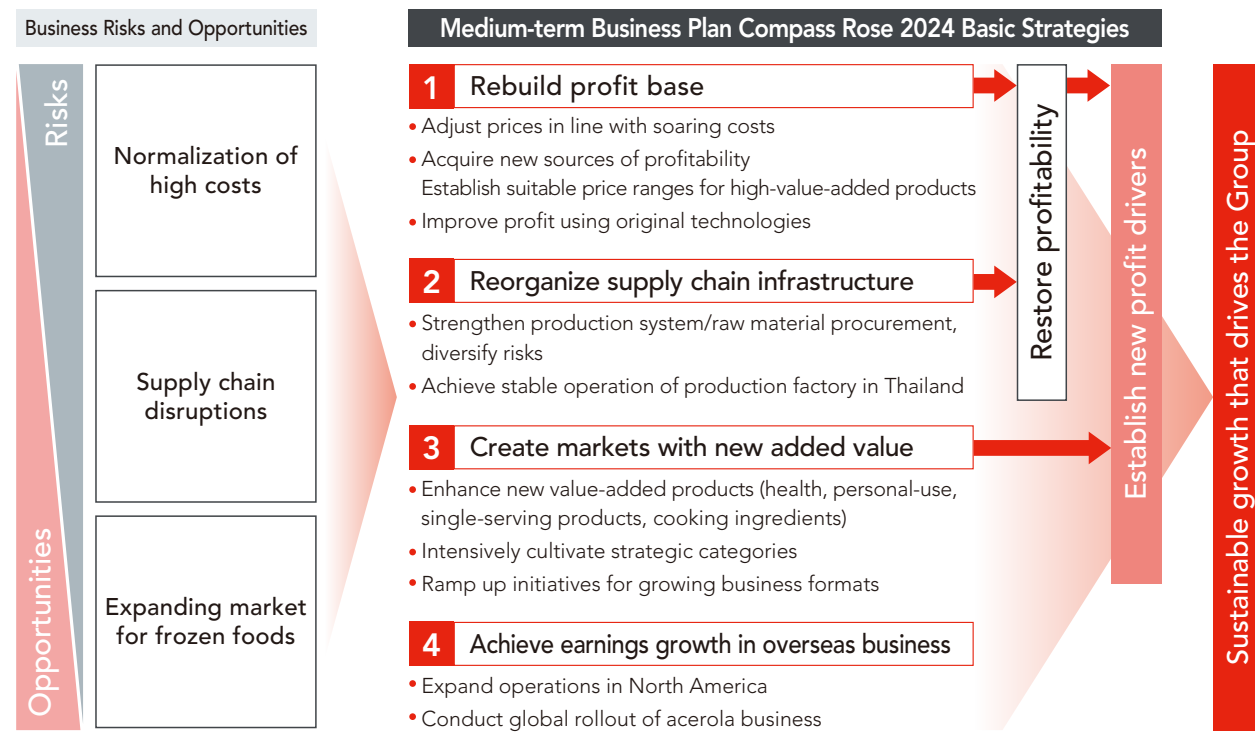
#### A frozen foods pioneer with Japan's top market share

- Development and processing/production technology capabilities for reproducing the deliciousness of homemade meals or meals prepared by chefs
- Ability to make proposals tailored to diverse business types and consumer needs
- Quality assurance and traceability that support safety and reliability



Basic Strategy

Achieve sustainable growth by restoring profitability and establishing new profit drivers



- 1 Rebuild profit base**
- ▶ **Adjust prices in line with soaring costs**
    - Adjust selling prices to reflect the impact of high raw material prices and currency translation
  - ▶ **Acquire new sources of profitability**
    - Further enhance brand power and added value through digital marketing and product development to establish higher price ranges
  - ▶ **Improve profit using original technologies**
    - Develop original equipment to achieve differentiation based on quality, and reduce costs
    - Use AI, automation and other advanced technologies to improve production efficiency

- 2 Reorganize supply chain infrastructure**
- ▶ **Strengthen production system/raw material procurement, diversify risks**
    - Cooked rice products:** Work with producers to build a sustainable raw material procurement system
    - Achieve both increased production capacity to meet brisk demand and BCP support
    - Chicken products:** Establish a mutually complementary model by increasing the proportion of overseas chicken products that are shifted to production in Japan
    - Raw materials:** Shift to domestic in-house production of raw materials originally imported for use in main products
  - ▶ **Achieve stable operation of production factory in Thailand**
    - Improve efficiency by automating raw material processing and avoid labor shortages by securing staff
    - Increase production at GFPT Nichirei (Thailand) No. 2 Factory (expanded in 2020) by developing products using new technologies

- 3 Create markets with new added value**
- ▶ **Enhance new value-added products (health, personal-use, single-serving products, cooking ingredients)**
    - Develop products with health value based on our original freezing technologies
    - Provide new value in the household-use and commercial-use categories (welfare meal services, etc.) with personal-use, single-serving products that capture expanding individual demand
    - Conduct a further rollout of meal kits for labor-saving freshly cooked meals
  - ▶ **Intensively cultivate strategic categories**
    - Develop high-value-added products that span strategic categories where Nichirei is strong, such as cooked rice products and chicken products
  - ▶ **Ramp up initiatives for growing business formats**
    - Expand lineup of products with enhanced functionality for the rapidly growing e-commerce and welfare meal business formats

- 4 Achieve earnings growth in overseas business**
- ▶ **Expand operations in North America**
    - Expand the cooked rice product lineup for the vibrant Asian foods market and ensure supply by stabilizing the procurement and production system
    - Enter new categories to increase share in the North American market
  - ▶ **Conduct global rollout of acerola business**
    - Ramp up pace of new value offerings for the “clean label” market that leverage the strong antioxidant effect of acerola

**Processed Foods Business Financial Targets** (Billions of yen)

	FY2022 (Results)	FY2025 (Plan)	Increase (Decrease)	CAGR
<b>Net sales</b>	244.2	275.0	30.8	4.0%
Household-use prepared foods	76.8	85.2	8.4	3.5%
Commercial-use prepared foods	92.6	102.8	10.2	3.5%
Processed agricultural products	20.0	21.8	1.8	3.0%
Overseas	40.8	51.0	10.2	7.7%
Others	14.0	14.2	0.2	0.6%
<b>Operating profit</b>	14.2	18.4	4.2	8.9%

Material Matter Creating New Value in Food and Health

Creating Markets Based on the Three Areas of Personal-use, Single-serving Products, Health and Acerola

The new production line for personal-use, single-serving products at the Yamagata Plant can flexibly meet diverse needs, allowing us to offer a wide range of meals and container formats. With a commitment to deliciousness that encompasses aroma and appearance, we will create a new market for personal-use, single-serving frozen foods.



New individual-serving production line at the Yamagata Plant

In the area of health, our focus is on developing new technologies that fully utilize the characteristics of freezing. We currently sell calorie-, sodium- and other content-controlled wellness foods online and through other channels, and are developing products with a high level of health value, such as low-sugar and high-protein foods, for use in a wide range of meal options, including restaurants and delicatessens.



Rich in natural vitamin C and with a strong antioxidant effect, acerola has in recent years been used in a widening range of non-food applications, such as cosmetics. We will further advance research and development to discover and utilize new functionalities.

Material Matter Securing and Developing a Diverse Array of Human Resources

Establishing a New Department and Promotion System to Increase Diversity

In April 2022, Nichirei Foods established the Diversity Promotion Department. The new department will cooperate with the Human Resources Strategy Department and the HAMIDAS Promotion Department in organizational management to promote diversity and inclusion and improve job satisfaction.

We will develop and utilize diverse human resources who respect values that differ from their own and foster a corporate culture and environment in which everyone can make the most of their strengths and work with a sense of purpose. By doing so, we aim for individual growth and corporate growth that creates new value through innovation. In particular, we are focusing on measures to increase the ratio of female managers, to provide opportunities for skill development in response to changing times, to create appropriate training and evaluation systems, and to promote more dialogue within the organization.

