

Moving Forward with New Plan “WeWill 2021”

Underpinning all Nichirei Group business activities is our management philosophy: Focus on Lifestyles and Provide True Satisfaction. Understanding needs throughout the world, creating and providing valuable products and services that satisfy customers is our purpose and the reason we exist.

In April 2019, Nichirei launched a new medium-term business plan WeWill 2021, which was formulated based on the aforementioned philosophy.

The plan was devised to indicate our intention to create a distinctive future for ourselves. It is the first step to realize the goals outlined in our revised management principles and in the formulation of long-term management goals toward 2030. Both are designed to realize sustainable growth by creating value that is unique to Nichirei. To achieve these goals, we must not be afraid of making mistakes and focus on the importance of taking on new challenges.

Nichirei has resources in a wide range of food-related areas, from ingredient procurement to logistics. Coordinating these resources to realize a sustainable society should enable us to change our existing profit structure and increase economic value, while at the same time creating social value in addition.

As Nichirei's president, I cannot emphasize too strongly that, regardless of how severely the social environment may change, our aim is to be a Company that continues to do business for the next 100 years by leveraging our ability to respond flexibly and to continue creating distinctive Nichirei products and services that meet the needs of society.

Kenya Okushi

Representative Director, President
Nichirei Corporation

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



Previous Plan (FY2017–2019) Results and Issues

* Fiscal years (FY) indicate years ended March 31.

The basic policies promoted under the previous medium-term business plan were to improve domestic business earnings capabilities and grow overseas business and to create operational innovations and new business development targeting medium- to long-term growth in both domestic and overseas businesses.

In the food industry, food-related needs have continued to diversify as demand had grown for simpler preparation and healthier choices, while at the same time labor, distribution and ingredient costs have risen, due to labor shortages.

Meanwhile, in the food distribution industry, we have seen increases in cargo handling expenses, vehicle procurement costs and electricity charges. This has been amid a trend toward facility expansion, driven by increased product handling, due to robust demand for storage.

During the previous plan, in the processed foods business, we concentrated management resources on our core processed chicken products and rice products. We focused our efforts on product development and sales activities, while striving to achieve continuous productivity improvements and to cut costs. All of this enabled us to substantially increase profit margins.

Additionally, in the logistics business, earnings grew steadily through corporate structure enhancements and overseas business expansion.

As a result, in the final fiscal year of the previous business plan, net sales increased 2.1% compared to the previous period, to ¥580.1 billion; the operating income declined 1.3% compared to the previous period, to ¥29.5 billion; and the ordinary income decreased 2.6% compared to the previous period, to ¥29.9 billion.

Further, we recorded extraordinary income associated with asset securitization. This resulted in the profit attributable to owners of the parent increasing 4.4% compared to the previous period, to ¥19.9 billion.

We recognize that the overhaul of our profit structure and further expansion in overseas business are major issues facing Nichirei. Thus we must achieve higher profit levels by strengthening our ability to respond to changes in the external environment as well as rising costs. So we plan to work on more specific measures to expand the scale of our overseas business.

A New Vision

In 2005, the Nichirei Group transitioned to a holding company structure. At present, each Group company makes the most of its existence as an independent entity.

However, in recent years social issues have become increasingly complex and responses to customer demands are becoming difficult to resolve in individual business domains. We thus believe we can create a new business model as well as the new products and services necessary for society and customers by combining Nichirei Group R&D, ingredient procurement, processing, quality assurance and logistics resources.

In order to enhance the cohesive power of the Group and utilize Group capabilities to demonstrate our comprehensive strengths, we decided to create a new Group vision. As it says,

“We will continue to support good eating habits and health by leveraging our state-of-the-art manufacturing practices that optimize nature’s bounty, along with our cutting-edge logistics services.”

The following three initiatives are integral to realizing this vision:

1. Focus on growth

Even in a business environment where the future is uncertain, we will increase corporate value by continuing to increase sales and generate profits, while considering how we can contribute appropriately to society and customers.

2. Take on new challenges

We will rethink our structure, including corporate governance and improve the quality of our management, while at the same time creating new added value by constantly taking on new challenges without fear of failure.

3. Create diverse workplaces

We will focus on developing our human resources and creating enjoyable and rewarding workplaces. We will promote the introduction of RPA*1 and AI*2 to make operations more efficient and create new types of work that can only be performed by people.

Whether work or play, if it is not interesting no one will do it for very long. To live a rewarding life, doing whatever it is that you want to do is the best motivation of all. Many working people think to themselves that there is something they want to do or try and I want to create a Company in which they can take on such challenges. To this end, our goal is a workplace in which employees can relax and be accepted, even if they make mistakes.

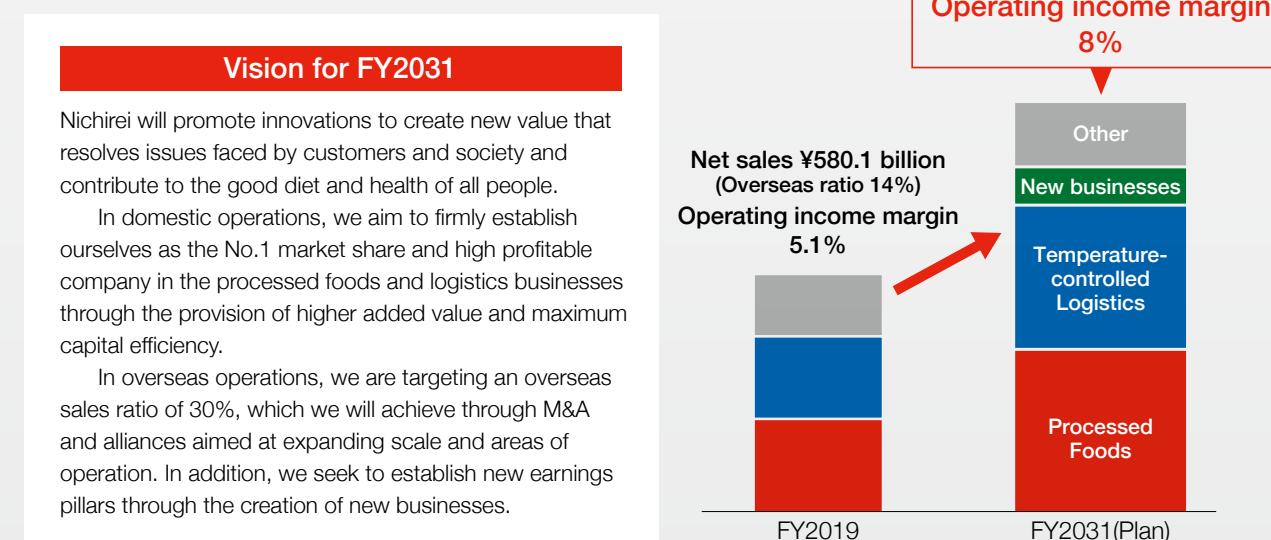
Our new medium-term business plan WeWill 2021 is based on our intention to try new things. We will formulate our own goals at the individual, departmental and team levels and strive to achieve them.

We formulated our vision and, at the same time, announced our long-term management goals toward 2030. Nichirei’s corporate culture is one of seriousness and sincerity because it deals with food. But we have also inherited DNA from predecessors who were constantly trying new things.

Although it is a major challenge, the goal of our 2030 plan is to contribute abundance to the human diet and improve health by creating new value that resolves social and customer issues by promoting innovation. We will strive to achieve solid results while at the same time realizing this goal.

*1 Robotic Process Automation: The use of cognitive technologies to enhance the efficiency and automation of mainly white-collar operations.

*2 Artificial intelligence: Using computers to artificially simulate human intelligence.



* Fiscal years (FY) indicate years ended March 31.

The Medium-term Business Plan WeWill 2021 (FY2020–2022)

* Fiscal years (FY) indicate years ended March 31.

In fiscal 2020, the Nichirei Group launched its new medium-term business plan.

The basic policy of this plan is to realize sustainable profit growth and the creation of new value that supports a good dietary lifestyle and good health.

To realize sustainable profit growth, we aim to strengthen the foundations of our management system and transform our business structure in Japan. At the same time, we will seek to expand the scale of our operations abroad.

Targets for the Nichirei Group overall include net sales of ¥657.0 billion (average annual growth rate of 4.2%) and operating income of ¥35.0 billion (average annual growth rate of 5.9%). In addition, to accelerate overseas business development, we will engage in alliances with local companies, including M&As, to achieve growth targeting overseas sales of ¥100.0 billion or more.

In terms of investment strategy, we plan to engage in proactive investments that surpass those under the previous medium-term business plan. Overall investments for the Group are projected to be ¥100.8 billion, which is ¥37.8 billion more than investments under the previous medium-term business plan.

Focusing on our core businesses of processed foods and logistics, while engaging in overseas business and operational innovations involving IT and other strategies, we will allocate management resources to new business development and R&D, focused on a medium- to long-term perspective. In this way, we will attempt to further enhance competitiveness and create pillars of future growth, including those in new areas.

Since 2001, the Nichirei Group has utilized REP (Retained Economic Profit), an original indicator focused on capital costs, with the aim of ensuring profits that exceed capital costs in each segment. However, under this new plan, we will utilize EBITDA*³ as the new management indicator for evaluating performance. By covering the EBITDA growth rate along with profit margins, we will enhance ongoing financial management and our ability to generate cash.

*³ EBITDA: Operating income + Depreciation and Amortization expense (including lease, excluding goodwill)

The Medium-term Business Plan WeWill 2021 (FY2020–2022)

Sustainable Growth from Raising profitability in Japan and Expanding Overseas Operations.

General
Strategies

1. Realize sustainable profit growth
2. Improve capital efficiency and expand shareholder returns
3. Create new value that supports a good dietary life and health

With regard to financial strategy, we will continue to improve capital efficiency and maintain ROE at 10% or higher. To enhance shareholder returns, we will revise the dividend on equity ratio, previously 2.5% and raise it to 3.0%.

As a result, the dividend per share for the current fiscal year will be increased by ¥10 to ¥42 (dividend payout ratio of 28%). We will continue to target stable dividends.

Under this new business plan, we will engage in the following environmental, social and governance initiatives.

The Nichirei Group is focusing efforts on various initiatives aimed at achieving the long-term objectives set forth in the UN Sustainable Development Goals and the Paris Agreement. It is doing so in order to realize a sustainable society amid rising global concerns over a variety of social issues. These include how best to respond to climate change and respect human rights, as well as the need to conserve water, energy and other resources.

Concerning food, so-called food loss has become a social problem in recent years. Thus, Nichirei will proactively work to solve this problem through our frozen food, ingredients and logistics businesses.

In terms of reducing environmental impacts, we will promote the elimination of chlorofluorocarbons by switching to refrigeration equipment utilizing natural refrigerants, while firmly supporting the reduced use of plastic through the development of new, thin-film packaging materials.

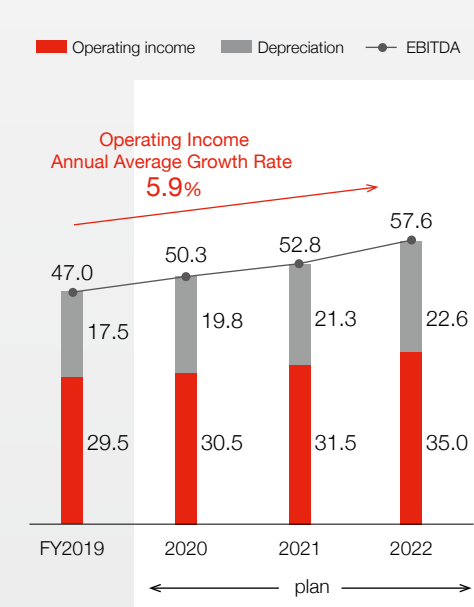
As a measure to further enhance corporate governance, Nichirei will seek continuous improvement through Board of Director evaluations. In addition, it will continue to improve corporate value over the medium- to long-term by strengthening the link to executive compensation system performance.

As even greater changes are expected to take place in the business environment, we will strive to use this new medium-term business plan WeWill2021—aimed at achieving our long-term management goals toward 2030—to maximize Nichirei Group capabilities and enhance corporate value.

Plan Goals

	FY2019 (results)	FY2022 (plan)	Variance	Annual average growth rate
Net sales	580.1	657.0	76.9	4.2%
(Overseas sales)	79.2	102.3	23.1	8.9%
Operating income	29.5	35.0	5.5	5.9%
(Operating income margin)	5.1%	5.3%	0.2ppt	—
Profit	19.9	22.0	2.1	3.3%
EBITDA	47.0	57.6	10.6	7.0%
ROE	11.7%	10% or higher	—	—
EPS	149.7yen	164.9 yen or higher	—	—

Operating Income, Depreciation and EBITDA



* Fiscal years (FY) indicate years ended March 31.