Message from the CFO

Takumi Taguchi

Director, Executive Officer
In charge of Nichirei Group planning and management division
Nichirei Corporation

Creating Value

I supervise the Nichirei Group planning and management division, including Corporate Internal Audit, Business Management, Strategic Planning, IT Planning, Legal Affairs, Human Resources Strategy & General Affairs, Finance, Accounting & Tax and Group Communication.

To help realize the ideals the Nichirei Group is aiming to achieve, I promote the Group's major objectives: ensuring that it maintains a solid financial position and motivating people—the most important management resource in terms of conducting business activities. At the same time, I facilitate the following of the investment PDCA cycle.

From a position integrating Group financial and non-financial elements within the holding company, I focus on three perspectives: our ability to perceive, collaborate and unify.

The ability to correctly perceive reality is indispensable in these times of significant change. We must also collaborate to create synergies among businesses and divisions, to make full use of the Group's comprehensive capabilities. Further, we need to understand how to unify the Group, to enable effective engagement with stakeholders within and outside the Company. Refining these capabilities will enable the Nichirei Group to realize medium- to long-term growth.

Corporate value encompasses both financial and social value that, together, represent the embodiment of our mission, which is to Focus on Lifestyles, and Provide True Satisfaction. If finance is the foundation that supports the Group, then social value can be considered to be its central pillar, and both are essential if medium- to long-term growth is to be achieved.

Resource Allocation Policy

In addition to proactively investing to achieve growth and strengthen our business foundation, while responding to various issues, we allocate resources to Group initiatives aimed at realizing a sustainable society. To this end, we will maintain a balanced capital structure, taking into consideration capital efficiency, growth potential and soundness, so that we can efficiently procure stable funding.

The established management indicators for each target include ROE and retained economic profit or REP (profit after deducting cost of capital) for capital efficiency; net sales and EBITDA for growth potential; and the debt-to-equity (D/E) ratio of financial soundness. We monitor, quarterly, changes in the external environment and business plan progress.

With respect to shareholder returns, our basic policy is to maintain a stable dividend, based on the consolidated dividend on equity (DOE) ratio, and to buy back shares taking into account such factors as capital efficiency and the market environment.

In terms of financial management, we have introduced a Group-wide cash management system in Japan. The system enables us to mitigate Group company funding procurement risks and costs and, in my assessment, is generally functioning very well. However, as some overseas Group companies are joint ventures, we need to strengthen global management throughout the entire Group.

Looking Back

In our previous medium-term business plan, although a variety of factors resulted in cost increases, we were able to absorb them through expanded sales and improved productivity, which enabled us to maintain a high level of profit. We recognize that we have the ability to generate more than ¥30.0 billion in operating cash flows each year. This is the result of efforts by everyone in the Group, and the fact that we do not allow any waste whatsoever.

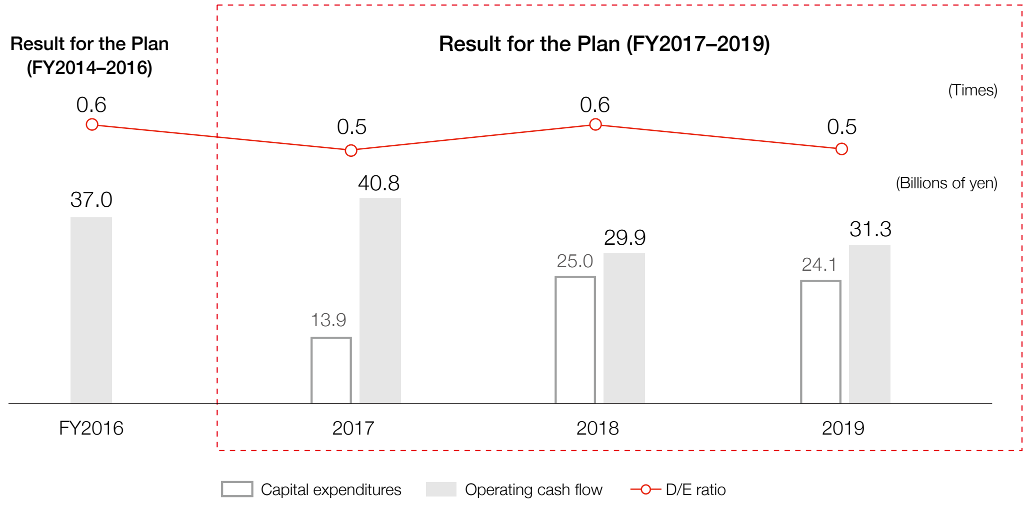
I believe that the result of the previous medium-term business plan reflects not only our ability to generate stable cash flows, but also our ability to utilize them.

Some investments intended to expand sales are a bit behind schedule, and have been carried forward to the medium-term business plan this year. Nevertheless, we continue to steadily invest in strengthening our business foundations and business innovation, while also investing in new business fields.

At the same time, in terms of shareholder returns, we have continued to steadily increase dividends, based on a consolidated DOE of 2.5%, while buying back approximately 10% of outstanding shares. As a result, we have been able to maintain financial soundness, with a D/E ratio of 0.5 while raising ROE to 11%.

In terms of non-financial developments, we are focusing on enhancing information disclosure. In 2018, we formulated the Group Disclosure Policy as a guideline for promoting appropriate information disclosure and constructive dialogue. In the same year, we published our first integrated report.

Together with our website, we will utilize this publication as a tool for effective engagement with stakeholders within and outside the company (demonstrating our unification capabilities) in an effort to inculcate an understanding of both Nichirei's financial and social value.



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

New Business Plan WeWill 2021

Our long-term management goals toward 2030 include, as we have already announced, attaining ¥1 trillion in net sales and an operating income margin of 8%. Achieving these fairly challenging goals will require ideas and initiatives from an entirely different perspective than in the past, and we must focus on reaching objectives in completely different business domains.

Our new medium-term plan WeWill 2021 represents the first three-year segment of the long-term plan. In the final fiscal year of the new plan, we are targeting 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%), as we pursue an even higher growth rate than in the previous medium-term business plan. Also, we plan to boost our capital expenditure to in excess of ¥100.0 billion and aim to achieve overseas sales of around the ¥100.0 billion mark, as I believe the finances underpinning the Group will play an increasingly greater role.

In terms of financial indicators, we will continue proactive investments while maintaining the D/E ratio at around the 0.5 level, and ROE at 10% or higher. We intend to increase the ROE; improve the ROA, making it a return commensurate with investment; and maintain capital costs at an appropriate level.

The plan to have capital expenditure of ¥100.0 billion involves a 50% allocation to growth investments; 30% to infrastructure enhancements, business innovations and new developments; and 20% to rationalization and maintenance. To determine whether these allocations are appropriate, we will closely monitor the progress of our business plans and changes in the environment. Additionally, we will address such issues as how best to determine the basis for investment decisions in strategic areas such as IT and R&D, where it is difficult to quantify the direct link between investment outcomes and existing business earnings.

With regard to shareholder returns, while maintaining our basic policy to provide stable dividends, we raised consolidated DOE to 3.0%. As a result, in fiscal 2020, the annual dividend per share is expected to be ¥42, an increase of ¥10 per share compared with that of fiscal 2019. One of the reasons we adopted a DOE policy is that we can increase dividends each year by accumulating profits. In addition, we have not set a target for share buybacks under the current medium-term business plan. But we plan to respond flexibly according to the business environment and prevailing financial conditions.

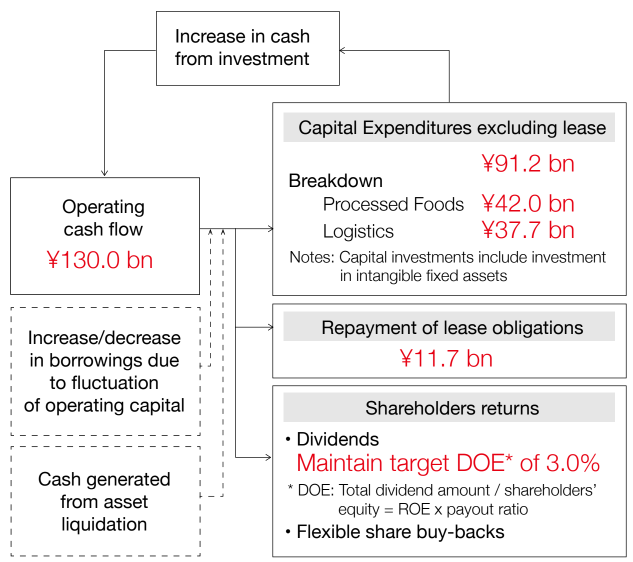
In terms of overseas business expansion, we believe an M&A approach to be the most effective. Further, we consider it necessary to strengthen business due diligence, by deepening cooperation and ensuring that all parties concerned are aware of the objectives and risks. In addition, finding and developing human resources that contribute to overseas expansion is an issue urgently requiring attention. With the introduction of a human resources management system, we could maximize our utilization of human assets to improve the overall strength of the Nichirei Group.

Finally, we are incrementally introducing RPA* to make operations more efficient. However, rather than simply automating existing operations, we are also overhauling our operational processes.

We firmly believe that there are some Nichirei Group operations that only people can carry out. While some are concerned that the introduction of RPA and artificial intelligence (AI) will threaten their jobs, that will not be the case in Nichirei Group workplaces. Regardless of the efficiencies gained through the introduction of RPA and AI, "supporting a good dietary life and health" requires communication from the heart, and this is only achieved through human interaction. We will continue to value investments in people who will lead the Company for the next 100 years.

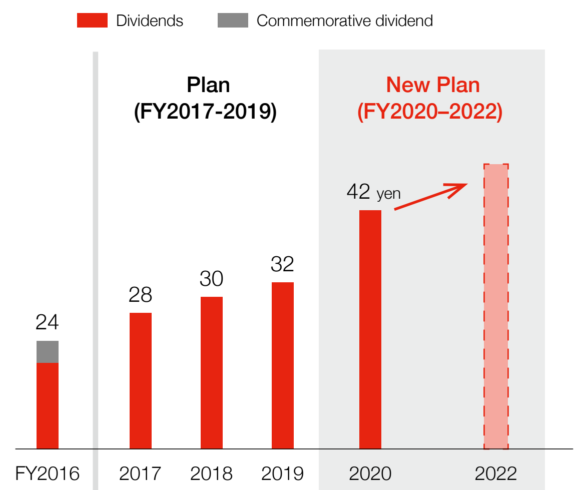
* Robotic Process Automation: The use of cognitive technologies to enhance the efficiency and automation of mainly white-collar operations.

Distribution of Operating Cash Flow (three-year cumulative forecast)



Dividends per Share

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



Note: Number of shares and dividends per share are revised figures following the stock merger on October 1, 2016.