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Nichirei Corporation

Representative Director, President: Kenya Okushi

Stock code: 2871; Prime Market, Tokyo Stock Exchange

## Nichirei Group Medium-term Business Plan: Compass Rose 2024

Nichirei Corporation has formulated “Compass Rose 2024,” the Nichirei Group’s medium-term business plan for the three years from FY2023 through FY2025 (the fiscal years ending March 31, 2023 through 2025). Under this plan, we aim to achieve sustainable improvement in the Nichirei Group’s corporate value by working to resolve social issues and to pursue capital efficiency through business activities based on the Nichirei Group Sustainability Policy, which is a revision of our previous CSR policy.

### I. Review of the Previous Medium-term Business Plan (FY2020-FY2022)

Under the previous medium-term business plan “WeWill 2021,” we worked to realize sustainable profit growth for the entire Nichirei Group, to improve capital efficiency and expand shareholder returns, and to create new value that supports good eating habits and health, while making capital expenditures to strengthen our foundation for growth, mainly in the processed foods and temperature-controlled logistics businesses. The processed foods business increased sales through measures including concentrated investment in core categories and the temperature-controlled logistics business steadily grew its business and improved profitability by strengthening its foundation to address changes in the operating environment. However, results fell short of the consolidated targets for FY2022, the final year of the plan, due to reduced operation at production bases because of COVID-19 and increased costs due to soaring raw material prices and other factors.

### Group Consolidated Results in the Final Year of the Previous Medium-term Business Plan (FY2022) (Billions of yen)

|                            | Result<br>(FY2022) | Increase (Decrease)<br>(vs. FY2019) | Increase (Decrease)<br>(vs. Plan) |
|----------------------------|--------------------|-------------------------------------|-----------------------------------|
| Net sales                  | 602.7              | 22.6                                | (54.3)                            |
| (of which, overseas sales) | 97.6               | 18.4                                | (4.7)                             |
| Operating profit           | 31.4               | 1.9                                 | (3.6)                             |
| Profit <sup>1</sup>        | 23.4               | 3.4                                 | 1.4                               |
| EBITDA <sup>2</sup>        | 52.5               | 5.5                                 | (5.1)                             |

1. Profit attributable to owners of parent

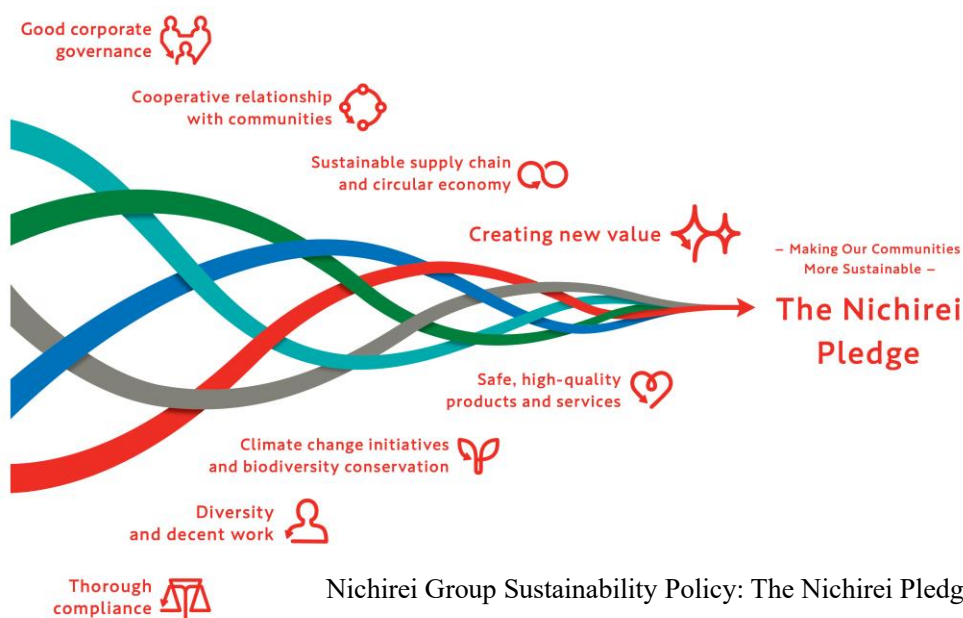
2. EBITDA = Operating profit + Depreciation and amortization (including leased assets, excluding goodwill)

With the impact of geopolitical risks and other factors forecast to make procurement conditions increasingly challenging going forward, we consider our major tasks to be conducting profit structure reforms, including appropriate price adjustments and cost reductions, and establishing a sustainable supply chain.

## II. Overview of FY2023-FY2025 Medium-term Business Plan Compass Rose 2024

### 1. Basic Strategy of Compass Rose 2024

Through business activities based on the Nichirei Group Sustainability Policy: The Nichirei Pledge (see illustration below), the Nichirei Group aims to improve economic and social value by conducting management that pursues capital efficiency while fulfilling its social responsibilities as a company that supports good eating habits and health.



We will introduce business portfolio management based on return on invested capital (ROIC) and prioritize allocation of our management resources for purposes including capital investment in growth fields, business expansion outside Japan, new businesses, and business innovation through the use of digital technology. We will also ramp up our ESG initiatives while focusing on reaching targets for material matters for the Group such as creating new value that resolves social issues, sustainable procurement and climate change initiatives.

## Realizing Sustainability Management



### 2. Consolidated Group Targets of Compass Rose 2024 (Billions of yen)

|   | Target<br>(FY2025) | Increase (Decrease)<br>(vs. FY2022) |
|---|--------------------|-------------------------------------|
| Net sales                                   | 660.0              | 57.3                                |
| (of which, overseas sales)                  | 130.0              | 32.4                                |
| Operating profit                            | 37.0               | 5.6                                 |
| Profit                                      | 24.5               | 1.1                                 |
| EBITDA                                      | 65.0               | 12.5                                |
| Capital expenditures<br>(3-year cumulative) | 120.0              | 27.0                                |
| ROIC  | 7% or higher       | —                                   |

### 3. Financial Strategy

Funds generated from operating cash flow and asset liquidation will be used for investment to maintain and improve corporate value and for shareholder returns through dividends and stock buybacks. As for our basic policy for shareholder returns, we will continue issuing stable dividends based on our target dividend on equity (DOE), while flexibly conducting stock buybacks in consideration of capital efficiency, the market environment and other factors.

|                          |               |
|--------------------------|---------------|
| Return on equity (ROE)   | 10% or higher |
| Dividend on equity (DOE) | Target of 3%  |

#### 4. Business Strategies by Segment

##### FY2025 Targets by Segment (Billions of yen)

| Segment                          | Net Sales    | Operating Profit |
|----------------------------------|--------------|------------------|
| Processed Foods                  | 275.0        | 18.4             |
| Marine Products                  | 44.0         | 1.0              |
| Meat and Poultry                 | 95.0         | 2.0              |
| Temperature-controlled Logistics | 260.0        | 16.2             |
| Real Estate                      | 4.8          | 2.2              |
| Others                           | 6.7          | 0.5              |
| Company-wide/Eliminations        | (25.5)       | (3.3)            |
| <b>Total</b>                     | <b>660.0</b> | <b>37.0</b>      |

##### Business Plans by Segment

| Segment                                  | Business Plan  |
|--|--|
| <b>Processed Foods</b>                   | <ul style="list-style-type: none"> <li>➤ Rebuild the profit base by making appropriate price adjustments based on costs that continue to soar, developing our own equipment to cut costs and achieve differentiation on quality, and setting price ranges corresponding to higher added value</li> <li>➤ Create new value that addresses demand for single-serving products and heightened health awareness</li> <li>➤ Build a sustainable supply chain by enhancing production systems and diversifying risk in raw material procurement</li> <li>➤ Capture greater demand in the Asian foods category by establishing a production and supply system in North America</li> </ul> |
| <b>Marine, Meat and Poultry Products</b> | <ul style="list-style-type: none"> <li>➤ Improve capital efficiency and profitability through selection and concentration of categories</li> <li>➤ Expand sales of premium ingredients that are highly original</li> <li>➤ Expand handling of marine products with environmentally certified ingredients and ramp up efforts for sustainable agricultural and livestock cycles</li> </ul>  |
| <b>Temperature-controlled Logistics</b>  | <ul style="list-style-type: none"> <li>➤ Expand trunk-route transport and delivery functions as well as the frozen food distribution platform, including compliance with labor law regulations in Japan that go into effect in 2024</li> <li>➤ Broaden nationwide and regional transport and delivery networks by using more sophisticated integrated management of storage and transportation</li> <li>➤ Increase sophistication and efficiency of on-site work by leveraging process innovation and cutting-edge technologies</li> </ul>   |

|                   |   |
|-------------------|---|
|                   | <ul style="list-style-type: none"><li>➤ Make capital investments that will lead to improvement of capital efficiency</li><li>➤ Expand business in Europe utilizing port bases and cross-organizational cooperation among functions</li></ul>                          |
| <b>Bioscience</b> | <ul style="list-style-type: none"><li>➤ Strengthen management base by concentrating resources on the growth field of molecular diagnostics</li><li>➤ Expand sales of molecular diagnostic agents that integrate immunostaining equipment with test reagents</li></ul> |

For more details, see “Presentation Materials on Medium-term Business Plan Compass Rose 2024.”

<https://www.nichirei.co.jp/english/ir/library/brief.html>

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