

A background image showing a variety of Japanese dishes on a wooden table, including bowls of miso soup, vegetable salad, and other traditional food items, with a person's hands visible in the background.

Processed Foods Business Briefing

Nichirei Corporation
September 7, 2022



Today's Themes

I. Frozen Foods Market – Outlook and Present Situation

- 1. Outlook for the Frozen Foods Market**
- 2. Main Financial and Non-financial Targets (Processed Foods Business)**
- 3. Present Situation**

II. Sustainability Management

Sustainability Management (Overview)

- 1. Strengthen Strategic Categories**
 - Rice Products
 - Chicken Products
- 2. Strengthen the Next Mainstay Categories**
 - Processed Meats
- 3. Create New Value**
- 4. Expand Overseas Business**

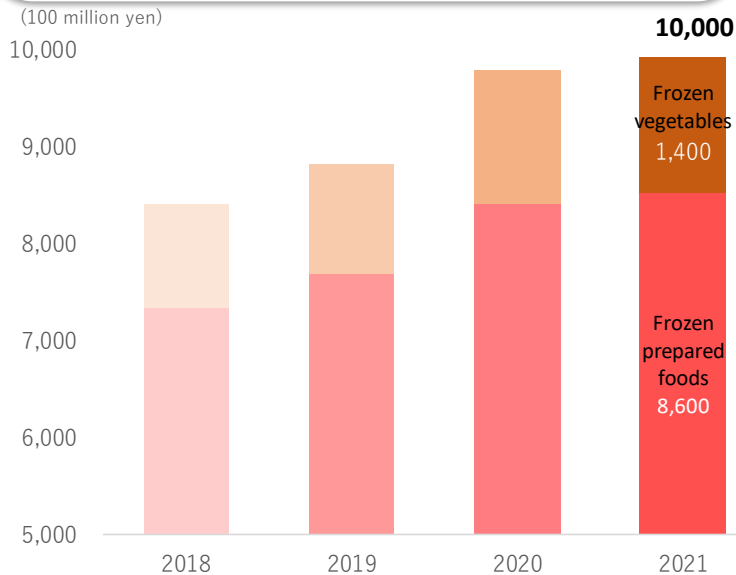
Reference Material: Measures to Address Climate Change

I. Frozen Foods Market – Outlook and Present Situation

Outlook for the Frozen Foods Market (1/2)

Demand for frozen foods continues to increase, driven by changes in lifestyles, diversification of needs regarding meals, and a reevaluation of priorities during the COVID-19 crisis.

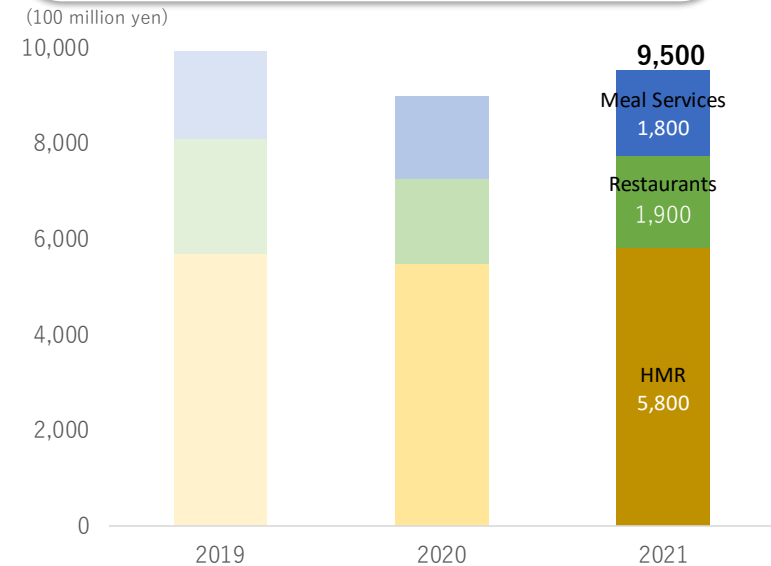
Household-use Frozen Foods Market



Source: Nichirei, created with data from INTAGE Inc. SCI consumer panel (Spending per 100 people up to 70s on frozen foods, all industry category including consumer cooperatives delivery services)

- Market scale reaches new record highs each year.
- Market visibility has increased with new entrants into the restaurant business.

Commercial-use Frozen Foods Market



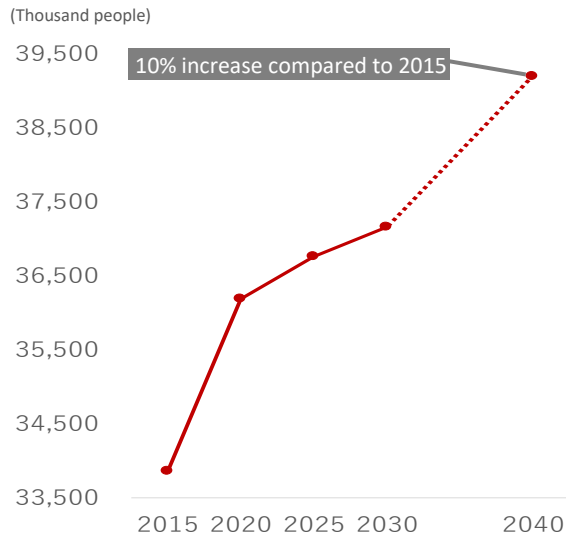
Source: Nichirei

- The market is recovering from the temporary slump during the COVID-19 crisis.
- Home meal replacement (HMR) (deli items) and institutional meal service businesses are performing well.

Outlook for the Frozen Foods Market (2/2)

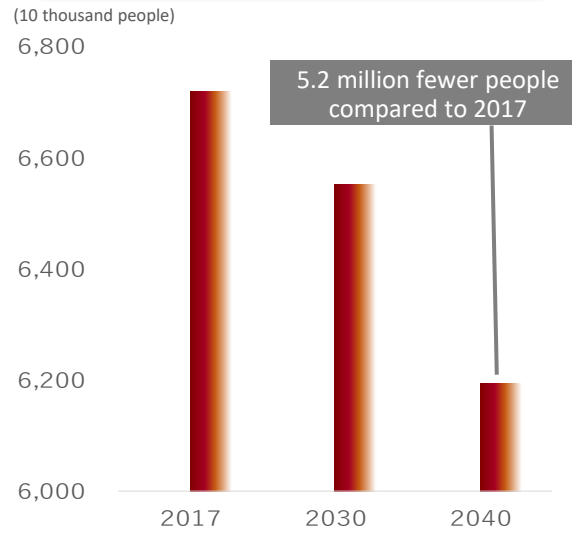
The COVID-19 crisis has accelerated macroenvironmental changes in Japan, and areas in which frozen foods play a role are expected to expand further going forward.

Sharp Increase in the Number of Elderly People



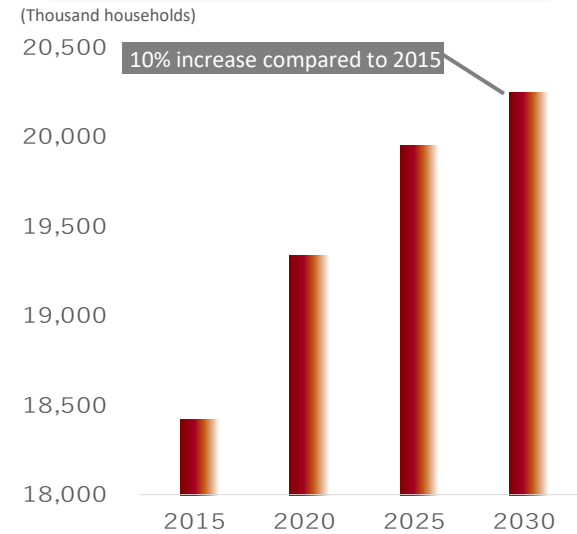
Increase in small-group style and minimum consumption

Decline in the Working Population



Acceleration of serious labor shortage

Increase in the Number of Single-person Households



Further increase in meals eaten outside the home

Source for all graphs: National Institute of Population and Social Security Research

Food Preparation Stage



First-stage processed food material



Ready-to-cook meal kits



Finished products

Frozen foods are used at all stages of the food preparation process, and have a high potential to help address future societal problems.

Main Financial and Non-financial Targets (Processed Foods Business)



Nichirei is implementing a business strategy emphasizing sustainability, aiming for continuous growth.

(Billion yen)

Financial Targets	FY22/3 Results	FY25/3 Plan	Compared to FY22/3	CAGR
Net sales	244.2	275.0	30.8	4.0%
Overseas sales	40.8	51.0	10.2	7.7%
Operating profit	14.2	18.4	4.2	8.9%
Operating margin	5.8%	6.7%	0.9%	—
EBITDA	21.7	28.3	6.6	9.2%
EBITDA margin	8.9%	10.3%	1.4%	—
Capital expenditures (Three-yea cumulative in medium-term business plan)	34.0	38.7	4.7	
ROIC	9.6%	10% or higher		

Non-financial Targets	FY22/3 Results	FY25/3 Plan
Reduction in CO ₂ emissions ¹	-20%	-30%
Higher proportion of natural refrigerants ²	58%	80%

Notes: 1. Nichirei Group overall (compared with 2015 levels, domestic Scope 1, 2)

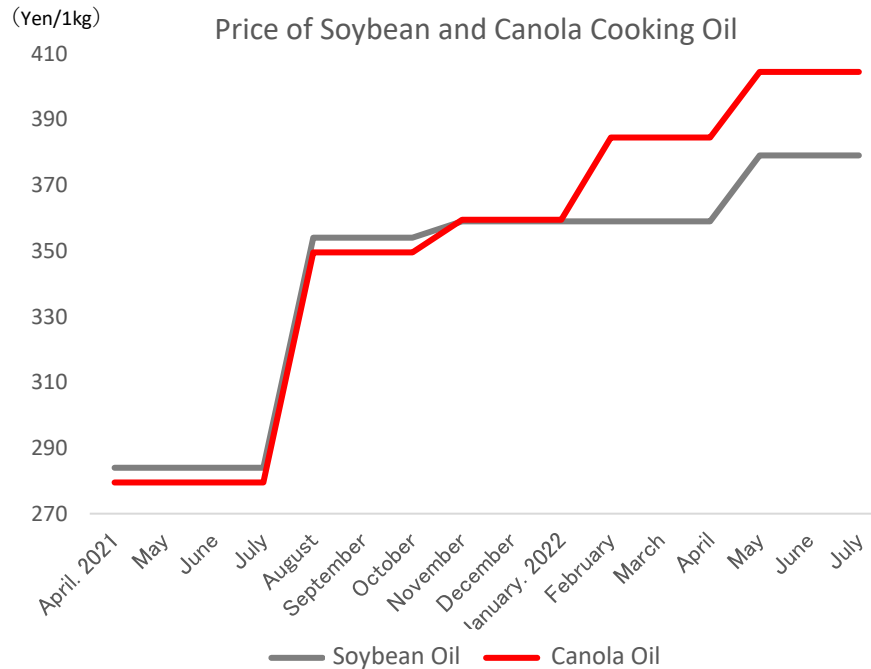
2. Production facilities (Japan)

Breakdown of Capital Expenditures	
¥38.7 billion total	<ul style="list-style-type: none"> • Increase production capacity for rice products • Expand production lines for processed chicken • Environment-related investment (CFC elimination, etc.) • Renewal of aging facilities

Present Situation

In response to the prolonged rise in food material costs and the weak yen, Nichirei has been steadily implementing price revisions since August and September.

Increase in Market Price of Food Material

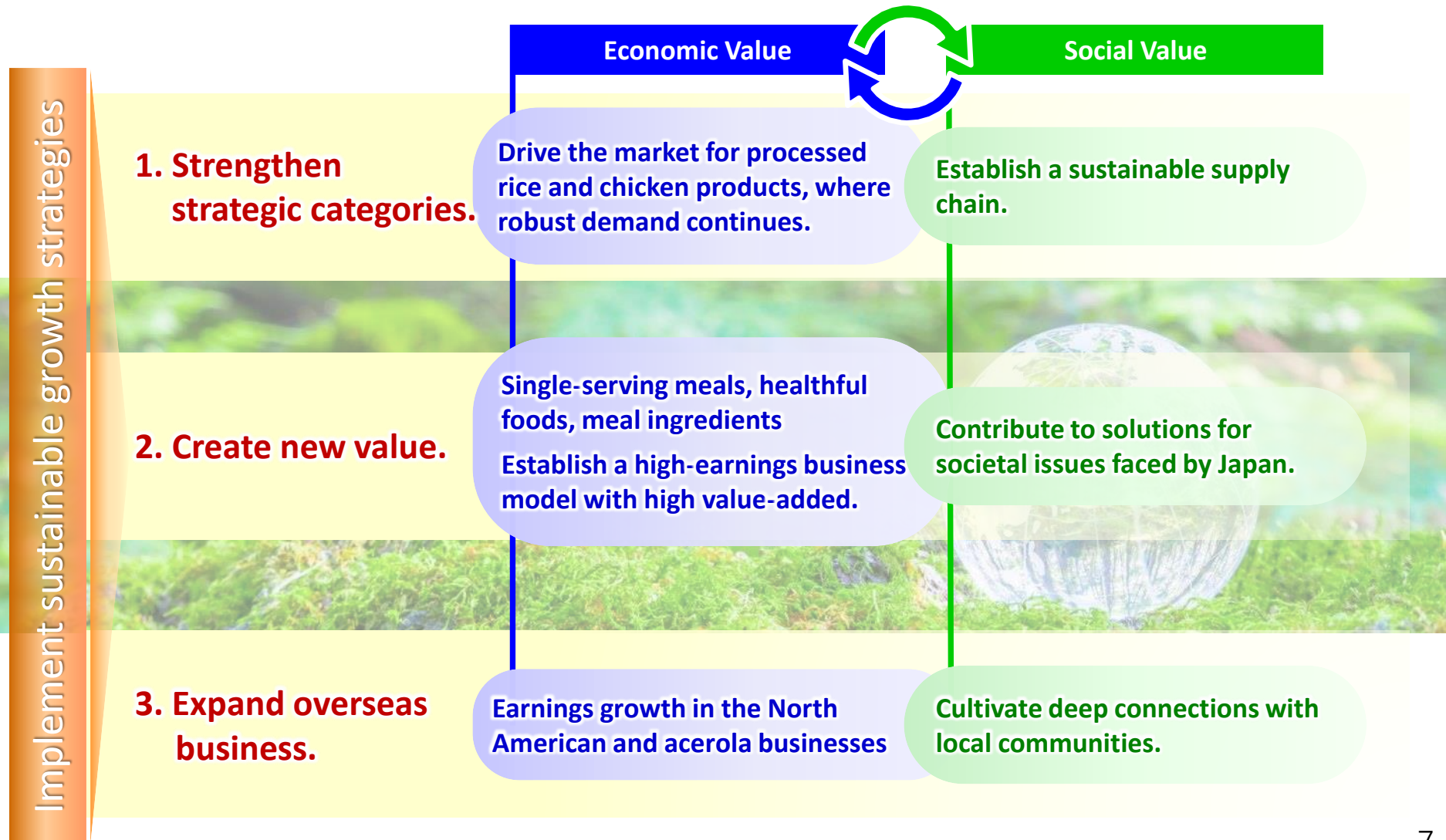


- Market prices for certain food material have stabilized, but prices of certain items continue to rise
- The increase in market prices has resulted in time lags due to inventory status and contract periods, and this situation is expected to become increasingly evident from the second half of the fiscal year

II. Sustainability Management

Sustainability Management (Overview)

Nichirei aims to enhance both its economic and social value by pursuing a sustainable growth strategy that emphasizes its strengths.



1. Strengthen Strategic Categories

Establish a Sustainable Supply Chain

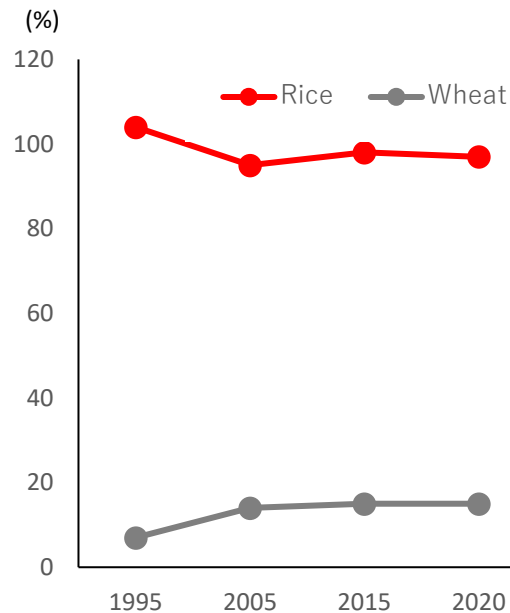
Focus on sustainable procurement in the strategic categories of chicken and rice products.



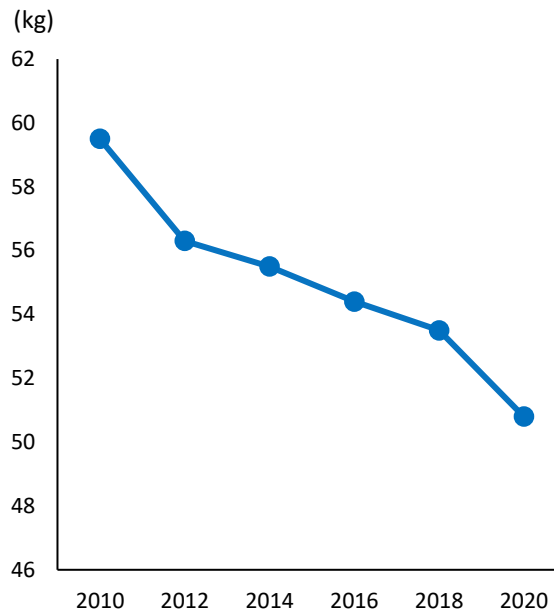
Demand Trends for Rice Products

Rice consumption is declining year by year, but production volume of processed rice products is increasing.

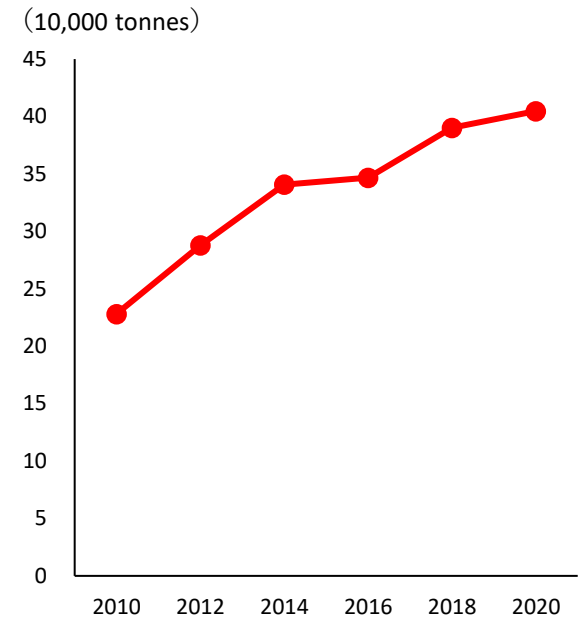
Food Self-Sufficiency Ratio



Rice Consumption Per Person



Production Volume of Processed Rice Products



Source: Ministry of Agriculture, Forestry and Fisheries (MAFF) "Production Trends in Food Manufacture Industry" and MAFF "Food Supply and Demand Chart"

Societal Issue

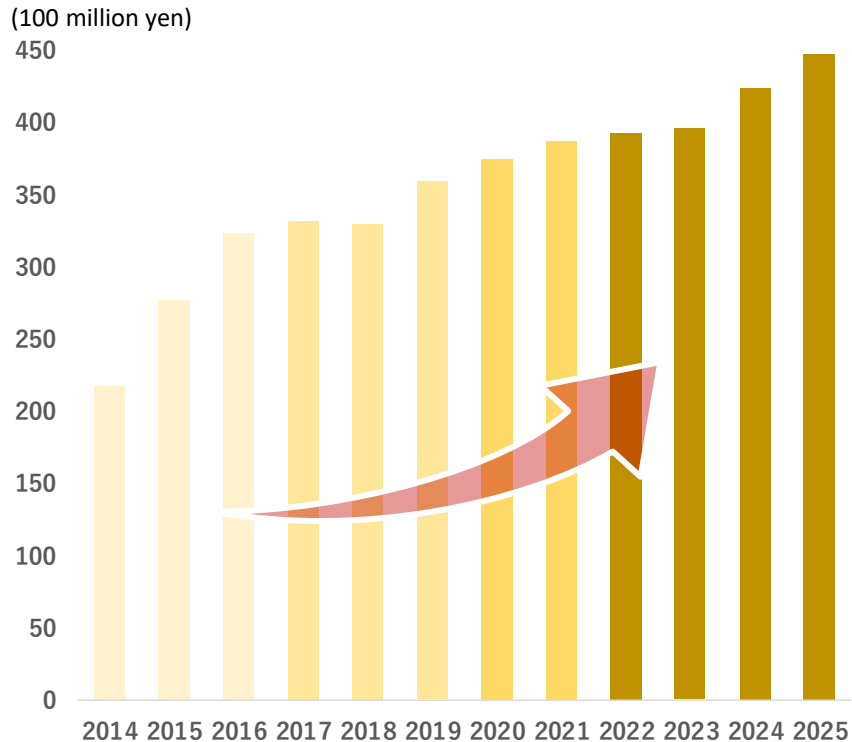
Decline in rice consumption
(cooking rice at home)

Nichirei's Goal

Help maintain the food self-sufficiency ratio by expanding the lineup of frozen processed rice products.

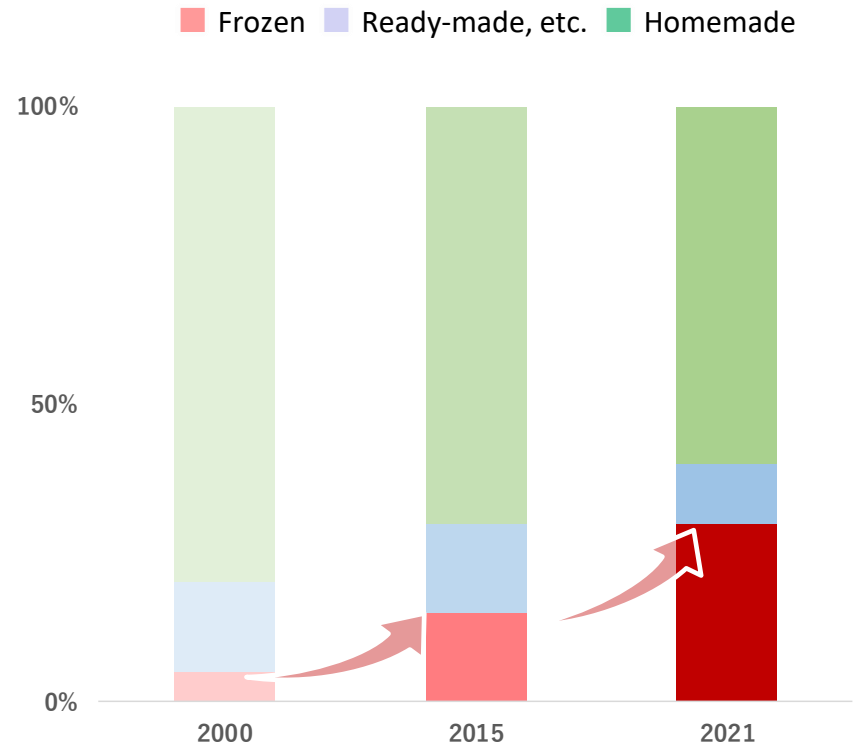
Room for Growth in the Frozen Fried Rice Market

Market Scale for Household-Use
Frozen Fried Rice



Source: Nichirei, based on data from INTAGE Inc. Figures for 2022-2025 are Nichirei's forecasts.

Ratio of Fried Rice Served
at Home by Cooking Type



Source: Data from Lifescape Marketing Co., Ltd.

Nichirei will continue to drive market expansion by proactively capturing the continued robust demand.

New Frozen Rice Production Center

Nichirei is building a new plant for frozen rice in Fukuoka Prefecture, enhancing its production capacity to ensure a stable supply to meet robust demand.

Kyurei Inc.

Overview of the New Facility

- Items to be produced : Household-use and commercial-use rice products, mainly fried rice
- Scheduled start of operations: April 2023




Funabashi Plant



- **Together with the Funabashi Plant, production capacity for rice products to increase 1.2 times**
- **Dual production centers in east and west Japan also benefit business continuity planning (BCP)**

Rice Procurement Structure

- Nichirei is strengthening business with suppliers to ensure the stable procurement of rice
- Efforts contribute to an improved self-sufficiency ratio in the rice category overall

A map of Japan is shown in the background, with a red circle highlighting the Kanto region. The text 'Strengthened cooperative framework' is written in white inside the red circle.

Strengthened cooperative framework

- Maintain the solid cooperative framework established with suppliers over many years, and build a structure to allow procurement of rice from other prefectures.

- 
- A photograph of a long, covered walkway in a rice test field. The walkway is made of concrete and is flanked by rows of rice plants. The cover is made of a translucent material, possibly plastic or glass, supported by a metal frame. The sky is visible through the cover.
- Selection for efficient harvesting and varieties best suited to frozen rice products.

Test field

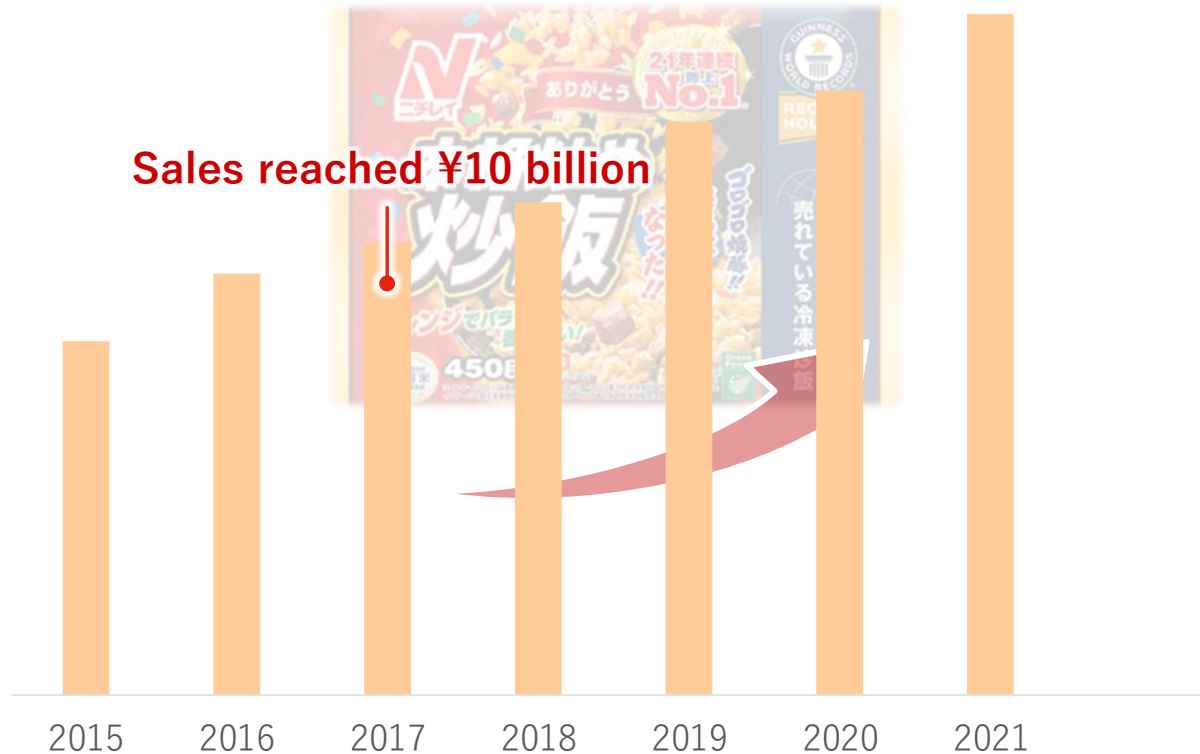
A red circle containing the text 'Getting involved in rice varieties' in white.

Getting involved in rice varieties

Sales Strategy for Rice Products

Lift the market for processed rice products overall by further expanding sales of rice products, focusing on our mainstay product *Honkaku-Itame Cha-Han*® (Authentic Fried Rice).

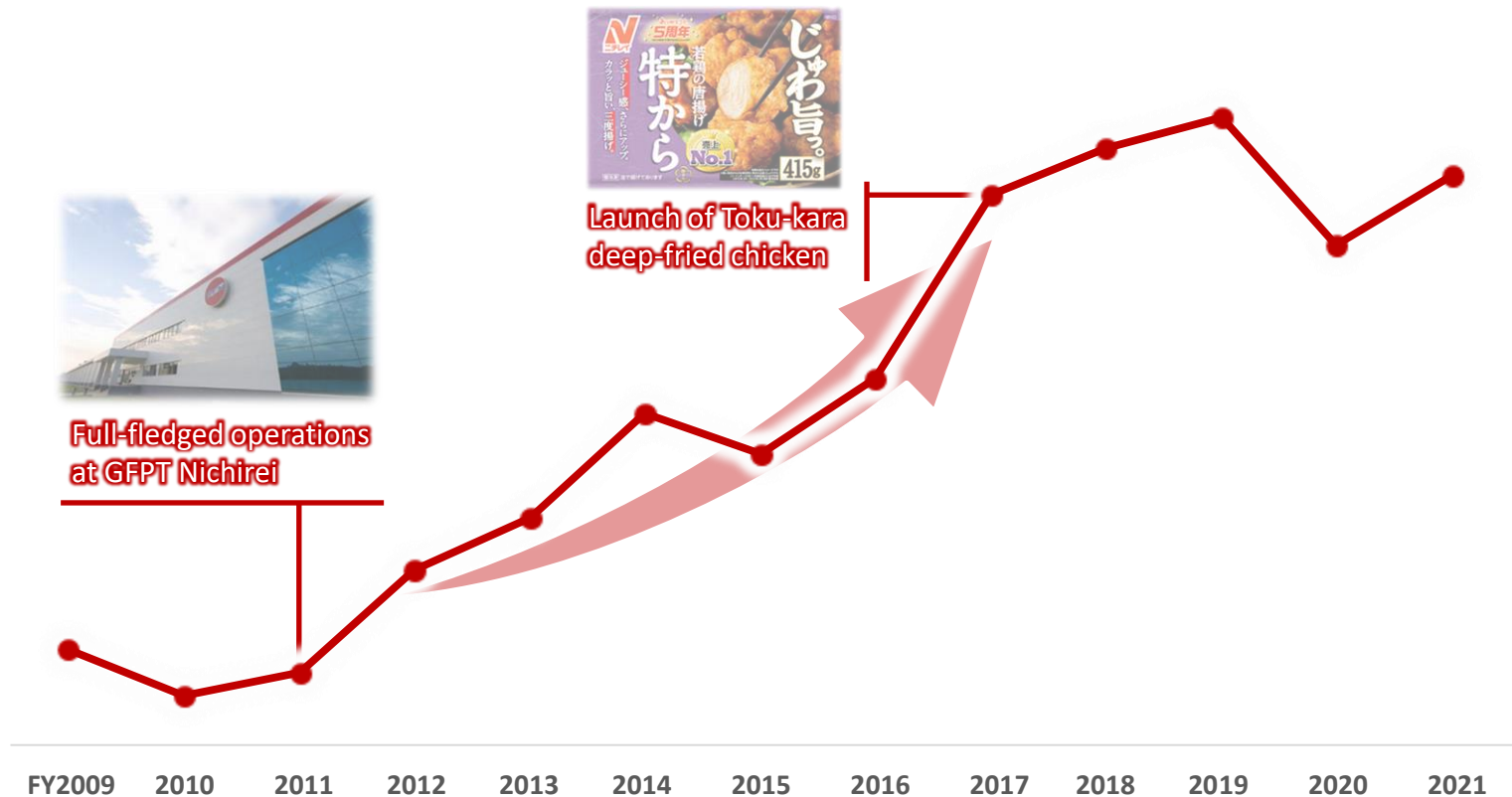
Sales of *Honkaku-Itame Cha-Han*®



Sales Strategy for Processed Chicken Products

- Sales temporarily declined with a slowdown in operations at the production plant in Thailand due to the COVID-19 crisis, but have now begun to recover
- Nichirei will expand sales of processed chicken products by refining techniques for product differentiation and strengthening high value-added products

Sales of Nichirei's Processed Chicken Products (Japan sales only)



Supply Structure for Processed Chicken Products

Stable production of products utilizing the characteristics of facilities in Thailand, Japan, and China.

Thailand

Production of differentiated products based on good quality food material

GFPT Nichirei



Main products
Commercial-use (*Chicken Steak*)
Household-use (*Mune-kara*)



Japan

Production of high-value-added products based on superior processing capabilities

Nichirei



Main products
Commercial-use
Household-use (*Good for Bento® Fried Chicken*)



Surapon Nichirei



Main products
Household-use (*Toku-kara, Deep-fried chicken with dipping sauce*)



China

OEM production of mainly reasonably priced items



Measures to Enhance Earnings (GFPT Nichirei, Thailand)

- Take advantage of full integration to effectively utilize the entire bird, with sales in Japan and overseas
- Pursue higher earnings and stability by expanding production of processed foods, and added value for by-products

Business Model

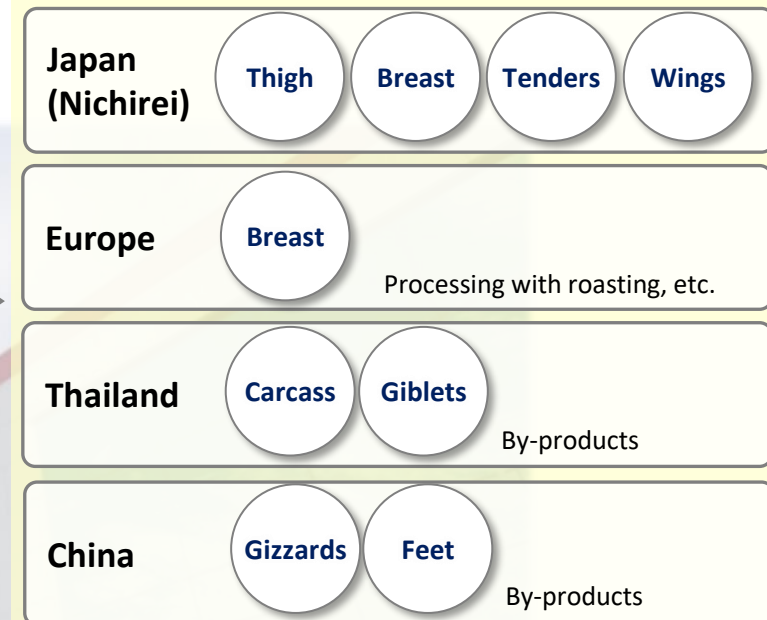
Full Integration



Increased Earnings and Stability

Measures for Personnel Reductions

Introduction of automated bone removal and cutting machines at the food material processing stage to enhance production efficiency.



Measures for Adding Value to By-products (Examples)



Greater Engagement

**Housing facilities
for local workers**

**Mini markets with
food and clothing**

Animal Welfare

**Stress reduction
at poultry farms
(GFPT)**

**Handling from
the standpoint
of animal welfare
(GFPT Nichirei/GFPT)**

**Sustainable
procurement**

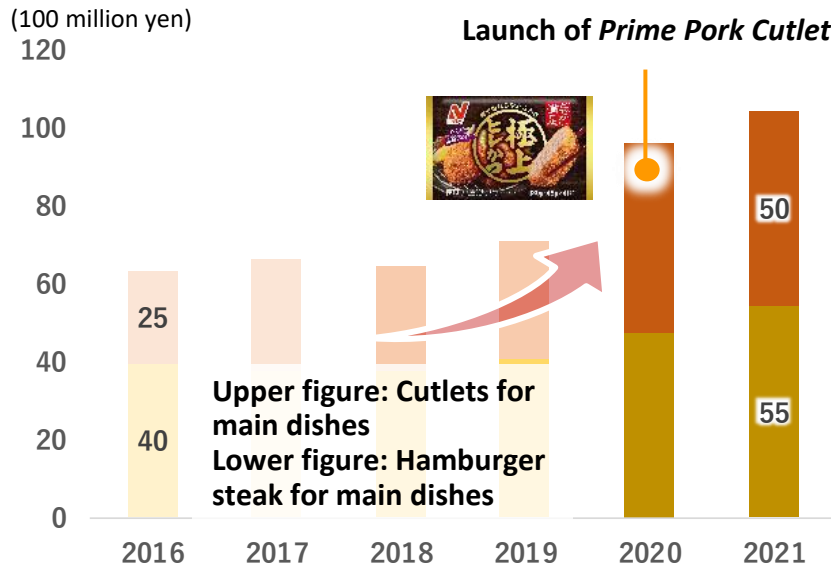


2. Strengthen the Next Mainstay Categories

Strengthen and Expand the Processed Meats Category

Strengthen the growing categories of hamburger steak and cutlets, and develop them as new earnings pillars alongside rice, chicken, and frozen vegetables.

Market Scale for Household-use Processed Frozen Meat Products



Source: Nichirei, based on data from INTAGE Inc. Figures for 2022-2025 are Nichirei's forecasts.

Nichirei will maximize its strength in techniques for reproducing delicious taste, and generate further demand by providing quality value.

New products launched in fall 2022



Household-use: Prime Hamburger Steak



Commercial-use: Cheese-Stuffed Grilled Hamburger Steak 110

Measures for Health and Sustainability

Use of meat substitutes

Household-use products made with soybean material jointly developed with DAIZ Inc.



Establishment of technologies for meat substitutes with the same delicious flavor of beef

Aim for R&D Division to establish technology quickly

Flavor

Mouthfeel

Appearance

3. Create New Value

Create New Value that Solves Societal Issues

Nichirei aims to expand sales of high-value-added products that meet the needs of society, positioned as a growth driver alongside our mainstay categories.

Increase in Single-Person Households

Single-Serving Meals (Personal-Use Products)

- Develop single-serving, ready-to-eat meals with good taste and appearance, and market them to a variety of business categories

Household-use

Hiyashi Chuka (chilled Chinese noodles),
Thick Dipping Noodles



Commercial-use

Main dishes for institutional meals, etc.



Aging Society

Delicious and Healthful

- Utilize our unique technologies to develop products with both good taste and nutritional supplement
- Begin development of health-focused technologies uniquely applying to frozen foods

Household-use (for e-commerce channels)

Kikubari Gozen® (Care Meals) series, etc.



Commercial-use

Fried chicken thighs (low salt), etc.



Serious Labor Shortage

Prepared Meal Ingredients

- Strengthen development of assemblable meal ingredients to meet needs for labor savings and streamlining in kitchens and backyards

Assemblable meal ingredients

Vege-delica® series, etc.



Frozen fried
chicken

Frozen
vegetables

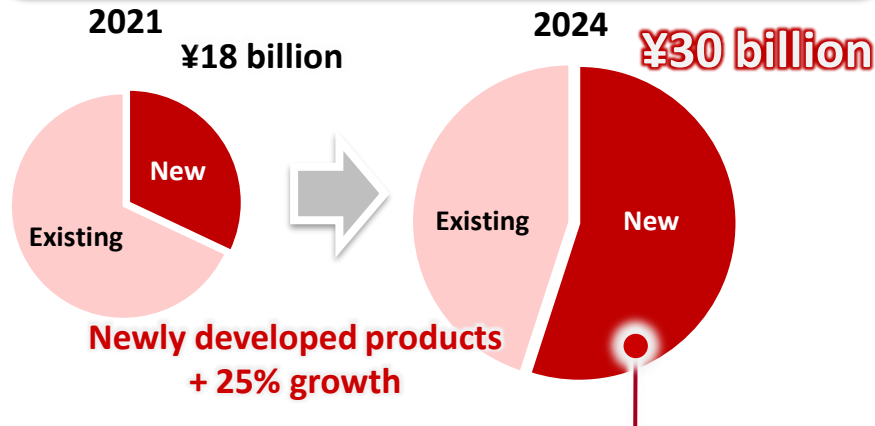
Sauce



Measures to Create New Value (Single-Serving Meals)

Nichirei will create demand for new single-serving meals (personal-use products) characteristic of Nichirei, and further expand the frozen foods market.

Business Scale Target for Single-serving Meal Products



Existing Single-Serving Meal Products

Expand the lineup, and maintain high profitability.
E.g. *Imagawayaki* (frozen snack cakes)



Newly Developed Single-Serving Meal Products

Household-use
Develop products with firm demand in categories new to Nichirei.
(E.g. Noodles)

Commercial-use
Develop single plate products to cope with labor shortages and small lot production.
(E.g. Main dish sets)

Provide New Value Characteristic of Nichirei

Three-in-one value

A range of ingredients available to allow combinations of main and side dish.

Good taste

With selected good aroma and appearance as well

Nutritional balance

Instant meal

Convenience of a tray

Technical Value



Hiyashi Chuka (Chilled Chinese noodles), which are time-consuming to prepare at home, can be enjoyed cool and delicious by heating in a microwave.

Provide unexpected and high quality new technical value.

Measures to Create New Value (Healthful Foods)

With priority on delicious taste, adopt an approach of everyday healthy eating that also makes use of freezing.

Health Business Opportunities Created by Nichirei

Enhance the foundations for Nichirei's strength of capability to reproduce both delicious and healthy food.

Invest resources in environmentally sustainable growth.



Refine products from the consumer's perspective, and increase awareness.

Gain economic value from greater consumer and customer satisfaction.

Value Conveyed by Products (Example)

This fall Nichirei will launch the exclusive e-commerce product *Pearl Barley One Dish Plus*, a nutritional fortified food that provides more than half the necessary daily amounts of four essential nutrients commonly deficient in women.

Pearl Barley One Dish Plus



Chicken and Spinach Gratin



Demiglace Hamburger Steak Rice Gratin

Measures to Create New Value (Meal Ingredients)

Nichirei will maximize the effectiveness of its functionality to help resolve the issues faced in the HMR and restaurant businesses, made worse by the serious labor shortage.

Assemblable Products

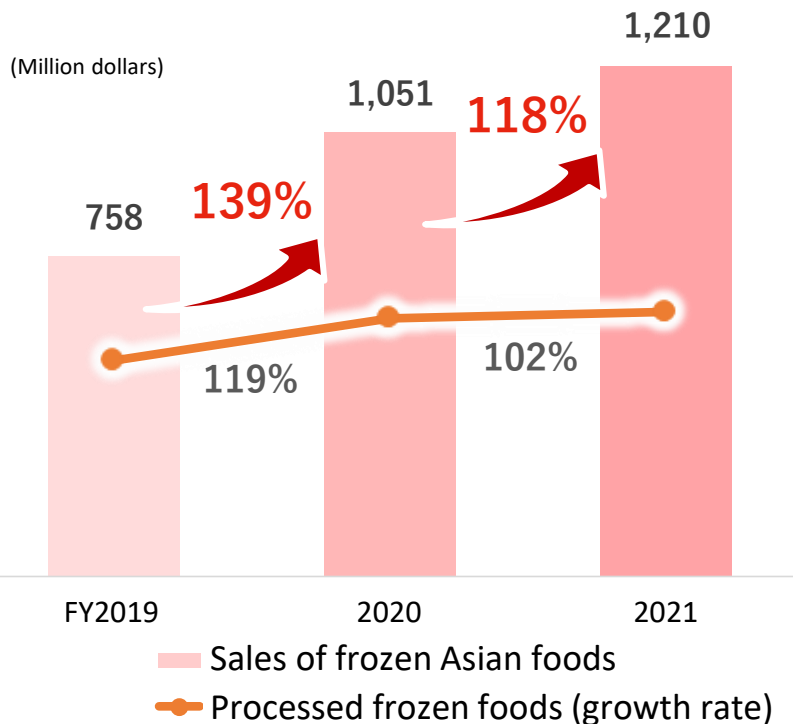


4. Expand Overseas Business

North American Business (Market Environment)

The frozen foods market in North American is growing steadily, with particularly strong growth in Asian foods due to the increase in the Asian and Hispanic populations.

North American Market for Frozen Asian Foods



Source: Calculated for household-use national brand products based on Nielsen data.

Asian Foods as an Established Part of Food Culture

What are Asian foods?

Asian foods are a category that includes mainly Chinese (American Chinese) menu items, such as fried rice, *jiaozi* (dumplings), spring rolls, and deep-fried chicken.



North American Business (Present Situation for Nichirei)

InnovAsian Cuisine continues to grow by building on its strengths, including development of products tailored to local tastes, and sales to major retail chains.

Overview of InnovAsian Cuisine

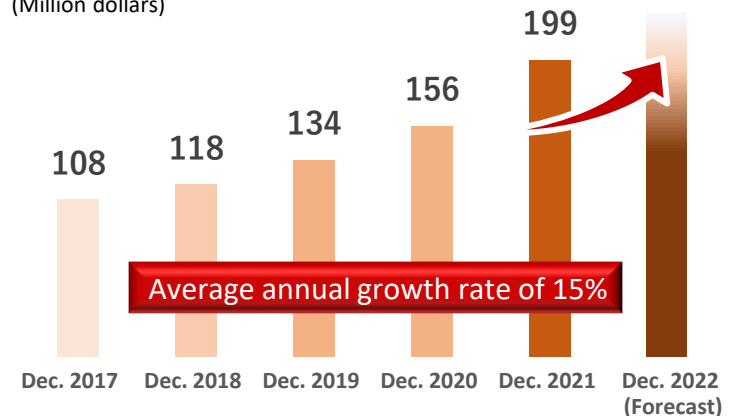


Business Category	Household-use (Approx. 70%)	Commercial-use (Approx. 30%)
Distinctive Characteristics	<ul style="list-style-type: none"> Capacity for product development that reflects market trends from an American perspective Ability to sell to major retail chains Marketing-based promotions 	
Principal Sales Channels	Frozen foods section of major volume retailers	Delicatessen section of major volume retailers, restaurant chains
Product Lineup	Mainly chicken and rice products	Providing Asian food solutions suited to menus and serving methods

InnovAsian Cuisine Net Sales

Aiming for growth of 10% or more in fiscal 2022

(Million dollars)



Market Share among National Brand Household-use Asian Foods

21%
Second Highest

(As of March, 2022)

Aiming to gain top market share as quickly as possible

Source: Calculated for household-use national brand products based on Nielsen data.

- Acquire company-owned production facilities to support expanded sales of rice products
- Accelerate growth by strengthening sales of mainstay products, and entering new business categories

Overview of the New Production Company

Nichirei Sacramento Foods Corporation



Background

- Dec. 2019: Investment as joint venture, positioned as a facility to produce rice products for InnovAsian Cuisine.
- Jul. 2022: Company made subsidiary of Nichirei Foods.

Distinctive Characteristics

- Certified as a manufacturer of cooked rice with meat as required by the U.S. Department of Agriculture (USDA).

Production and Sales Strategy

- Expand lineup of mainstay chicken and rice products
- Going forward, focus on household-use appetizers, a sector in which demand is expected to increase.
- Strengthen sales to major small retailers, and conduct promotions linked to online sales through retailers.

Rice Products

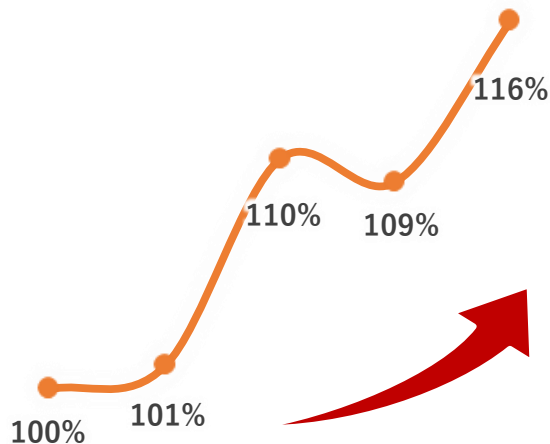


Acerola Business (Market Environment and Measures)

Nichirei is aiming for further growth by strengthening sales of acerola powder, a clean label* ingredient for which demand is growing in the European and U.S. markets.

* Clean label is a recent trend in food labeling, established mainly in Europe and U.S., of labeling foods as made with simple ingredients, and presented in an easily understood manner. Typical examples include such claims as additive-free, natural, organic, or non-GMO.

Clean Label Products in the Worldwide Market

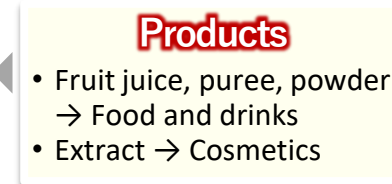
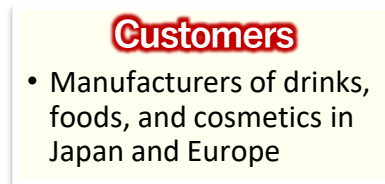


2017 2018 2019 2020 2021

—●— Rate of increase for Clean labels (%)

Source of rate of increase: Innova Market Insights, annual indices, with 2017 as 100.

Overview of Nichirei do Brasil Agricola (Niagro)



- Nichirei handles the entire process, from procurement of raw ingredients from contracted farms to sales
- Sold as a clean label ingredient with secure traceability

New Powder Production Plant

- Capital expenditures of approximately ¥900 million
- The new acerola powder production line is expected to increase sales volume (fruit basis) by more than 35% in 2023 compared with 2021 levels



Acerola Business (Sustainability)

Nichirei practices sustainable procurement in order to ensure economic stability for farmers, and enhance the quality of acerola for Niagro.

NIAGRO

Around 300 contracted farms



Stable supply of high-quality acerola

EcoVadis Sustainability Rating of "Gold" for two consecutive years



Niagro has received a Gold rating from EcoVadis, a global rating agency for sustainability and supply chains, for two consecutive years, placing it among the top 5% of more than 90,000 companies and organizations worldwide.

- Silver rating for five consecutive years from 2016
- Gold rating for two consecutive year from 2021



Four criteria for business evaluation

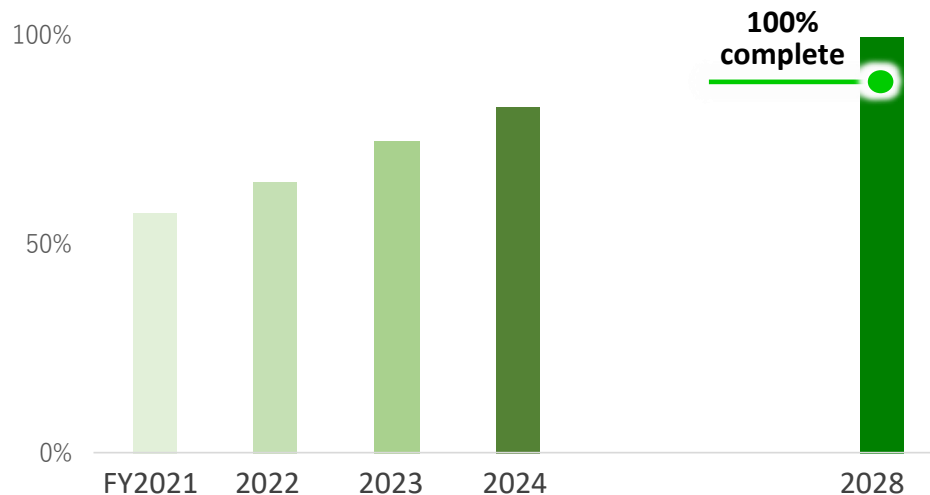


Reference Material: Measures to Address Climate Change

Measures to Address Climate Change

Nichirei is installing solar panels and clean energy systems, as well as converting facilities to natural refrigerants, as part of its environmental investments under the medium-term business plan.

Renovation of Facilities to Use Natural Refrigerants



- Currently, around 60% of facilities have been converted to natural refrigerants.
- Going forward, Nichirei plans to renovate around 10% of its facilities annually, and completely eliminate CFCs by 2028.

Initiatives at the Yamagata Plant

New production lines for single-serving meals were introduced at the Yamagata Plant in 2021, and zero CO₂ emissions from the energy used at the plant achieved through:

- Installation of a solar power system
- Utilization of renewable energy generated at hydroelectric power stations in Yamagata Prefecture

Hydroelectric power stations in Yamagata Prefecture

Tohoku Electric Power

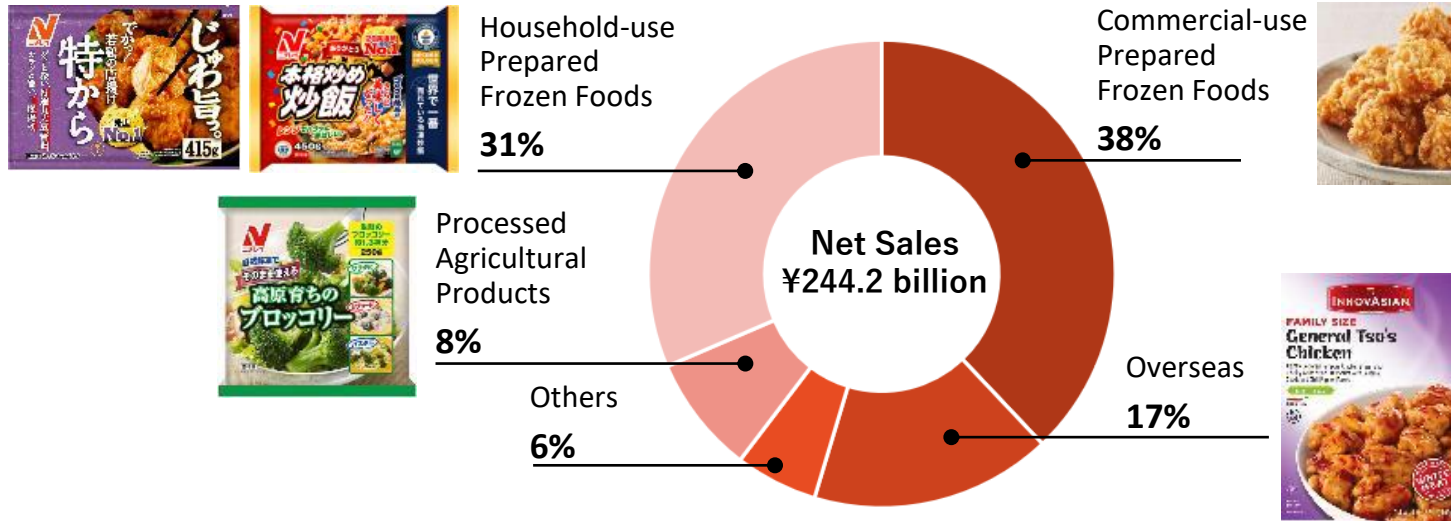
Nichirei Foods Yamagata Plant



Appendix

Processed Foods Business – Sales Mix and Products

Composition of Sales (FY22/3) and Main Products



Highest Proportion of Sales: Sales Channels for Commercial-use Prepared Foods

Supermarkets, GMS	HMR	Delicatessen sections
Convenience stores	HMR	Hot items section near registers, ingredients in <i>bentos</i> and stuffed bread
Restaurants (fast food, restaurants, bars, etc.)	Restaurants	Used for menu items and meal ingredients
Food Services (schools, offices, hospitals, welfare facilities, etc.)	Meal Services	

Aside from historical facts, Nichirei's present plans, forecasts and strategies as outlined in this publication consist of forward-looking statements about future business performance. These forecasts of future business performance and explanations of future business activities may or may not include words such as "believe," "expect," "plan," "strategy," "estimate," "anticipate" or other similar expressions. These statements are based on the information available to Nichirei management at the time of publication. Actual results may differ significantly from these forecasts for a variety of reasons, and readers are therefore advised to refrain from making investment decisions based solely on these forward-looking statements. Nichirei will not necessarily revise its forward-looking statements in accordance with new information, future events, and other results. Risks and uncertainties that could affect Nichirei's actual business results include, but are not limited to:

- (1) Changes in the economic conditions and business environment that may affect the Nichirei Group's business activities.
- (2) Foreign exchange rate risks, especially as regards the US dollar and the euro.

- (3) Risks associated with the practicability of maintaining quality controls throughout the process from product development, procurement of raw materials, production, and sale.
- (4) Risks associated with the practicability of development of new products and services.
- (5) Risks associated with the practicability of growth strategies and implementation of low-cost systems.
- (6) Risks associated with the practicability of achieving benefits through alliances with outside companies.
- (7) Contingency risks.

However, factors that may affect the performance of the Nichirei Group are not limited to those listed above. Further, risks and uncertainties include the possibility of future events that may have a serious and unpredictable impact on the Group.

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