

## **FY24/3 H1 President's Investor Meeting –Q&A Session**

Date & Time, Target Audience: June 7, 2023 (Wednesday) 13:30-14:30, Buy Side  
June 12, 2023 (Monday) 13:00-14:00, Sell Side

Venue: Online format

Presenters: Kenya Okushi, Representative Director, President & Chief Executive Officer  
Kenji Suzuki, Director, Senior Executive Officer, Chief Financial Officer  
Yasushi Miyakoshi, General Manager, Public Relations & Investor Relations

### **General**

#### **(Capital investment)**

##### **Q. What is your thinking regarding capital investment from the standpoint of the next medium-term business plan?**

A. Capital expenditure under the current medium-term plan is unchanged at a total of 120 billion yen, peaking during the current plan and tapering off from the next medium-term plan.

For Processed Foods, the level of investment in the previous and current management plans is higher than before. In Japan, we have made large-scale investments such as the Yamagata Plant and the rice product facility in Fukuoka, so our priority is to reach full operating capacity as soon as possible to reap a return on these investments. Accordingly, at present we have no plans to increase the number of factories in Japan, but will make a certain amount of investment for infrastructure development and renewal of existing facilities from a long-term perspective, such as environmental measures and digital transformation (DX). Overseas, we plan to allocate resources to plant construction and M&A.

For Logistics, under the current plan we are building refrigerated warehouses in the Tokyo, Nagoya, and Osaka metropolitan areas, so we do not anticipate any large-scale investment in Japan during the next plan period. Nevertheless, even though the service life of refrigerated warehouses is 21 years, as a result of regular maintenance, some facilities have in fact been operating for more than 40 years. There will eventually come a time when these facilities are no longer usable, but from the standpoint of ROIC, we are also considering utilizing other companies' assets. Overseas, in addition to Europe, we will expand investment in the rapidly growing ASEAN region.

#### **(Operating profit level)**

##### **Q. Since capital investment will slow down in the next medium-term business plan and the company will enter a payback period, how should we think about the operating margin level?**

A. In the next medium-term business plan, we aim to increase the operating margin by at least one percentage point over the current plan.

**(Digital transformation)**

**Q. I have the impression that DX (digital transformation) is progressing in the Logistics business. Have you been able to implement this process horizontally across the corporate group?**

A. Horizontal expansion is yet to come. We are working with a target of about three years to enhance digital literacy, and apply digital technologies to analysis, planning, and operations. In the Logistics business, we created model centers such as the Nagoya Minato DC, allocated digital human resources, and implemented DX in a single swift action, replicating successful examples at other centers throughout the logistics group. We plan to implement DX in a similar way for the entire corporate group.

**(Future challenges)**

**Q. You seem to have taken steps to deal with past issues such as price revisions, dividends, and marketing. What are the challenges for the future?**

A. In the short term, we act on a case-by-case basis, but we think that issues such as a sustainable supply chain, for example, are particularly important from the standpoint of responding to ESG demands from the stock market. Especially in the Processed Foods business, this presents supply chain-related risks in terms of food material procurement, but viewed from the opposite side, we believe that establishing a sustainable supply chain will lead to opportunities. Nichirei has stipulated “Realizing sustainable food procurement and resources recycling” as one of its materiality matters, and since we recognize that procurement is an important management theme, we plan to prioritize these issues.

**Q. Nichirei’s overseas sales ratio is increasing. How do you view the challenges related to human capital from a global perspective?**

A. It will be even more important to ensure effective governance at overseas Group companies in such areas as accounting, finance, legal affairs, and sustainability. For example, in the European logistics business, since the acquisition of a Dutch refrigerated warehouse company in 1988, Japanese staff at Nichirei Holding Holland B.V., an intermediate holding company in Europe, have managed the overall business. In other regions as well, as in Europe, a holding company is involved in the personnel affairs of the top management of each subsidiary, and develops programs to cultivate executive candidates.

Going forward, however, we feel that unless we assign human resources who understand the national character and culture of a country, differences in understanding could arise between Japan and the local subsidiaries. For the future, we envision establishing companies like that in Europe to oversee and manage each region. In that case, since we could not fully manage the entire operation with personnel from Japan, we plan to hire and train non-Japanese employees at the controlling companies. Nothing specific has been decided at this point, but we are holding discussions internally as to the future direction.

## **Processed Foods**

**Q. In Thailand, with sales channels being expanded outside Japan, what is the current sales status by sales channel, and the operating status of GFPT Nichirei's production lines?**

A. GFPT Nichirei was established as a production plant for the Japanese market, so sales volume is greatest to Japan, followed by the domestic Thai market, Europe, and China, and there is demand from ASEAN and South Korea as well. Going forward, it will be important to understand how to approach sales in areas where there is demand.

Currently, six of the seven production lines are in operation. We are working to get the remaining line fully operational, and generate earnings.

**Q. With the startup of Nichirei Sacramento Foods (NISA), what sort of synergies will you be able to generate with InnovAsian Cuisine (ICE)? Also, how does Nichirei differentiate itself from the competition?**

A. The first point is gaining earnings from manufacturing, and the second is speed.

In the U.S. frozen food market, we believe that appeal from the standpoint of good taste is an effective strategy. ICE has been committed to providing delicious tastes not readily available in the North American market. Going forward, we will assess market needs and develop differentiated products. We are also considering establishing our own production facility for appetizers, instead of relying on OEM, from the standpoint of speed.

**Q. Some observers have suggested that the spread of frozen foods will contribute to improving social value, such as an overall reduction in CO2 emissions. What are your thoughts on this?**

A. Up to now, companies have made their own estimates of the environmental impact of frozen foods, and the degree of social contribution such as food loss, but going forward, we think it will be necessary to determine these values and communicate them as an industry.

We want to communicate the value of frozen foods in cooperation with various organizations and associations. We also think that a similar approach is needed in the temperature-controlled logistics business.

**Q. What is the progress of marketing and innovation measures to improve profit margins?**

A. We have established a marketing department to provide a cross-functional view of the business, including household-use and commercial-use items, and we are strengthening human resources. We are also incorporating digital marketing using our website and SNS. For example, we compiled information from the "*Hohoemi Gohan*" section of our website on how to freeze and store food items, and published it in book form. \* We are also conducting digital marketing campaigns that accentuate the value of frozen foods, such as highlighting the versatility of frozen foods and eliminating anxiety about additives. In addition, in the e-commerce business, which is centered on the "*Kikubari Gozen*" ("Considerate Meals") series originally launched for diabetic diets, we are conducting health-based marketing, which has led to sales expansion.

In terms of innovation, we have consolidated the R&D functions of holding and

business companies, which had previously conducted their own research, into a single business company (establishing the Food Research Institute), and implementing a cycle for testing ideas in the market. Basic research is outsourced to universities and research institutes, while applied research is conducted in-house, providing a process for timely market verification of newly developed products. As a result, we feel that a higher percentage of newly launched products are being accepted by end consumers.

\* Title: *The Correct Way to Freeze Foods Taught by Nichirei Foods PR!*

### **Temperature-controlled Logistics**

#### **Q. How are you establishing a competitive advantage overseas?**

A. In Japan, Nichirei provides logistics services based on a model of integrated storage and transport services, which is one of our competitive advantages. For customers seeking services that combine storage and transportation like that in Japan, we are able to draw on know-how cultivated over many years in our home market to meet their needs with efficient operations that combine these functions. A similar situation exists in ASEAN. However, since human resources with such expertise is limited, we will enhance the pace of incorporating knowledge into new business bases through lateral expansion of local knowledge and personnel development.

END

Note: This document is not a complete record of the Q&A session, and has been edited