

Kyurei Plant Tour – Abridged Q&A

Date and time: September 18, 2024, First: 09:00–12:00, Second: 14:00–17:00

Venue: Head office plant of Kyurei Inc, Munakata City, Fukuoka Prefecture

Presenters: “Overview of the Frozen Food and Rice Categories” and “Marketing-related Issues” presented by Gohi Okumura, General Manager, Public Relations and Marketing Strategy, Nichirei Foods Inc.

“About Kyurei Inc.” presented by Shingo Wakamatsu, Representative Director, President, Kyurei Inc.

Overview of the frozen food and rice categories, marketing-related issues

Q. Do you have a strategy for encouraging people to use frozen prepared foods instead of homemade meals?

A. Frozen foods have been consumed more regularly at home in recent years, and it has become clear that the number of users of frozen food will increase over a relatively long time span. Accordingly, we plan to pursue strategies that encourage people to gradually switch to frozen foods over a period of 5 to 10 years. For example, since other companies also make products in the same category of fried rice, along with good taste, one of the strategic themes we need to pursue is to focus on simplicity and shorter cooking times. Another theme is to classify users of our products by type based on such factors as purchase frequency, lifestyle, and family attributes, and by analyzing our product design, including the quality demanded by each type of user, utilize this data in our marketing and product development.

Q. What measures are you taking to increase brand awareness?

A. We don’t necessarily emphasize the product brand and the corporate brand at the same time, so we need to think strategically about which aspect to focus on. For products that are closely associated with our brand, such as *Nichirei’s Honkaku-Itame-Chahan*® [fried rice], we will link the product and company brands, while in other cases we will develop promotions that emphasize the deliciousness of the product, without awkwardly adding the name of Nichirei.

At the same time, we are also conscious of activities that will allow us to attain the label of representative of frozen foods, which will lead to greater awareness. When creating TV commercials and other promotional content, we make sure to include the message that Nichirei is the company for frozen foods. We also regularly conduct awareness surveys, and incorporate enticing phrases in our product promotions that express the originality of our products. For example, in the case of *Honkaku-Itame-Chahan*, we use embellishments that reflect current trends and circumstances, such as Guinness World Records Certified or the world's best-selling frozen fried rice.

Q. From a marketing perspective, what is your view on your company's pricing strategy?

- A. Our premise is that the manufacturer cannot set the retailer's selling price. When setting the delivery price, we review the price lines that serve as a reference value for the purchase decision by the end consumer. We also examine the circumstances around price increases for other food products when determining the delivery price, formulate a hypothesis about the upper price range that consumers will accept, and set the delivery price accordingly. Not all our hypotheses are correct, and there have been cases where the decline in sales volume after a price revision is greater than expected, but there are also cases where end consumers have become accustomed to the price over time. We believe that it's necessary to determine the price by repeatedly formulating hypotheses.

Our pricing strategies also vary depending on the product. Products that have been on the market for a long time should not deviate from the price range that is viewed favorably by the current end users, while newly developed or special products can be priced at a new price range. Ultimately, our aim is to focus on analyzing markets and consumers, and strengthening our PR activities, so that even if our product is 50 or 100 yen more than that of our competitor, people will choose Nichirei.

About Kyurei Inc.

Q. What are the differences compared to the Funabashi Plant (the rice product plant in Chiba)?

- A. In terms of fried rice production, the Funabashi Plant has a dedicated line for *Honkaku-Itame-Chahan*, while Kyurei does not, and instead makes a variety of fried rice products on the same line. The Funabashi Plant can be used to mass-produce a single product, while Kyurei can make different varieties. Since the start of operations in April 2023, the operating rate for Kyurei's rice products plant has steadily increased, and is now at around 90%.

From a productivity standpoint, the Funabashi Plant is higher because the lines continue to operate for long periods, but at this point Kyurei is the only facility with cutting-edge equipment that causes less damage to ingredients, and Kyurei has the advantage in terms of DX and the newest equipment. One of Kyurei's goals is to further utilize DX and its equipment to enhance efficiency, and achieve the same level of productivity per hour as Funabashi.

Q. What are your thoughts on securing a workforce, and the leeway for labor savings in the future?

- A. In addition to the machines that have already been introduced, such as AI-based robots for removing charred matter, and palletizing robots to stack finished products on pallets for transport, we are pursuing mechanization in the food material and processing areas. Considering Japan's declining population, we feel that mechanization is an important consideration.

Q. Does Nichirei Foods provide main direction for the design of the manufacturing equipment for Kyurei?

- A. The design of our equipment is done basically by Nichirei Foods. The procedure varies by plant and production line, but at Kyurei, the main theme is how to mechanize work that is being done manually, and incorporate it into the production line. Nichirei Foods considers ideas, and works with the machine manufacturer to create an original line. At other Nichirei Foods plants, in-house R&D staff spend two to three years designing and developing machines on their own. For example, it took about five years to design and manufacture the machine for the three-step production process used for *Honkaku-Itame-Chahan*.

I've heard that it is unusual for a food business to have a mechanical

engineering department, but to make delicious products, we are particular about designing and creating our own original equipment. This is a major difference from other companies, and one of our strengths.

General

Q. From the standpoint of marketing and production sites, how can these contribute to ROIC management?

- A. From a marketing perspective, we believe that enhancing the efficiency of the development process, and conducting marketing that generates many strong-selling products, will control inventory levels, contributing to improvement in ROIC. However, while some issues can be addressed by introducing DX, there are also areas where analog is superior, for example, areas that benefit from chance inspiration, or that cannot be reached without taking the time to get there. Further, we need to maintain a certain level of inventory in preparation for sudden shipments during emergencies. For this reason, we are moving forward with both the ideal of ROIC improvement, and the aspects that are difficult to reconcile.

From a production site standpoint, we focus on being able to stably make products every day. We believe that this will be reflected in ROIC and other management indicators, so the most important thing for us is stable operation on a daily basis.

End

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