

Nichirei Corporation

Key Q&A from FY2025 Small Meeting

Date, time and targeted participants: Friday, May 23, 2025

13:30-14:30 For buy-side participants

15:30-16:30 For sell-side participants

Format: On-site meeting at the Company's Higashi-Ginza Building

Presenters: Kenya Okushi, Representative Director, President & Chief Executive Officer

Kenji Suzuki, Director, Senior Executive Officer, Chief Financial Officer

Satoshi Ichikawa, General Manager, Public Relations & Investor Relations

**<<New Medium-term Business Plan (hereinafter referred to as the “current plan”; the Medium-term Business Plan for the Previous Period is referred to as the “previous plan”)**

**[Overall Numerical Targets]**

**Q. What are your thoughts on the ROE target, which seems low?**

A. While we disclosed a figure of over 10%, we expect the actual level to be in the range of approximately 11% to 12%.

**[Capital Investment and M&A]**

**Q. I had expected the current plan to enter the payback phase. While rising construction costs may be part of the reason, the disclosed M&A figures give the impression that investment is actually accelerating. What has changed in the current plan?**

A. By region, both the food business and temperature-controlled logistics business have a higher proportion of domestic operations. However, looking ahead, we believe it will be difficult to significantly increase earnings by investing in domestic operations. We are planning M&A activities targeting overseas markets to accelerate the pace of overseas earnings growth.

**Q. In the processed foods business, domestic investment in the current plan will probably be large. Could you explain your plans to improve profitability and achieve a return on investment?**

A. We believe that the key to improving profitability is to increase the proportion of processed chicken products and rice products, which are in the strategic category. We intend to scale down products with poor profitability and no growth prospects.

Under the current plan, the largest investment in the processed foods business will be the construction of a new production plant in the final fiscal year in preparation for the next medium-

term plan. Other growth investments include expanding production lines for processed chicken products and rice products.

**Q. Is Asia the main region being considered for M&A activities under the current plan?**

A. We are primarily considering M&A activities in Europe, followed by Asia.

**Q. Could you explain the synergies achieved through the Company's most recent acquisition in Europe?**

A. By acquiring a forwarding company in the UK, we have established connections with key continental hubs, including the Rotterdam base. As a result, we are now able to provide end-to-end services from the UK across a wide area of Europe. Our aim is to build a network in Europe similar to the one we have in Japan.

**Q. You mentioned that the Company considers acquiring a chicken production plant in North America. However, looking at similar cases with other companies, this may not be easy. Is there any risk?**

A. Taking NISA's rice plant as an example, we initially felt that the risks were high. In the first year, we invested significantly, assigned employees from Japan, and implemented various changes, so things started to go well. However, it was challenging to streamline operations after the acquisition. We are considering buying land and building our own production base in the future instead of engaging in M&A.

#### **[Integration of Foods Business]**

**Q. Could you explain the key challenges and how you intend to resolve them?**

A. The Company split in 2005 led to the end of personnel exchanges, and furthermore, it also led to inefficient and less effective sales activities because separate sales activities were carried out for the same customer base. We believe that these issues can be resolved through integration.

At monthly performance review meetings held at each operating company, we provided explanations to ensure employees understand that the integration will be a merger of equals, with neither company in a superior or subordinate position.

#### **[Processed Foods Business (Domestic)]**

**Q. At the financial results briefing, you mentioned that the domestic frozen foods market is expected to reach its peak around 2040. What are your thoughts on the optimal location of domestic factories in preparation for that?**

A. We intend to concentrate the production facilities for processed chicken products and rice

products near major transportation routes to secure them as assets that we can manage more flexibly. On the other hand, production plants located in rural areas will decide to either withdraw from their product category or make use of assets from other companies where available.

**Q. What is your strategy for increasing domestic profitability?**

A. We have identified processed chicken products and rice products as strategic categories and invested in them selectively and intensively. Chicken can be sourced globally, while rice can be sourced domestically. We have concentrated our investments in these categories, despite the risks associated with their high profitability. Our aim is to further improve profitability by increasing the production and sales volume of products that accurately meet market needs.

**[Processed Foods Business (Overseas)]**

**Q. What approach will you take to achieve top-line and profit growth in your operations in North America?**

A. We have both a sales company and a rice product production company within our operations in North America. The main customers of ICE (InnovAsian Cuisine Enterprises Inc.), the sales company, are major grocery stores, and we want to expand our distribution into the club store channel. This represents a significant volume. However, they are reluctant to accept OEM products that involve intermediary margins.

We currently outsource production of processed chicken products. However, to drive the next phase of profit growth, we are currently planning to have in-house manufacturing capabilities in the future and introduce them to customers in the club store channel. We believe that our profitability will improve by ensuring the strong sales and profitability in production.

**Q. As seen with other companies' struggles, increasing profitability through the production plant in North America is probably challenging. What are your thoughts on this?**

A. We understand the risks of having the production plant in North America. It took more than a year to streamline operations at the rice plant we acquired from NISA. During that time, we assigned a significant number of employees from Japan, both short-term and long-term, to boost operational efficiency while managing production and quality. Therefore, we believe that, when it comes to overseas production, it is quite difficult to utilize the plant in its existing state.

While keeping in mind that the support from Japan is essential and reviewing our internal resources, we will move forward with a comprehensive and long-term perspective.

**Q. Is the current organizational structure in North America optimized? We would like to know**

**if you are considering any initiatives, such as strengthening performance monitoring from Japan or applying European governance know-how.**

A. A subsidiary of Nichirei Foods that sold agricultural and processed food products and a subsidiary of Nichirei Fresh that sold seafood products in North America were integrated this year. We also have a rice product production company, and now we are planning to have a chicken production plant, so there will be various companies from a functional perspective.

We believe it is necessary to take full control of operations on-site as Tokyo is far away and in a different time zone, and we are trying to set up organizations to oversee not only North America but also each area overseas. First, we will assign human resources with a broad perspective from Japan to carry out monitoring. Then, after that, we will transfer all authority to the local entity to create a structure similar to what we currently have in Europe.

**Q. Could you share your thoughts on the future direction of the chicken business in Thailand?**

A. We have two production plants in Thailand, but GFPT Nichirei is large in scale and exposed to volatility. It is exposed to USD/JPY exchange rate risk and USD/THB exchange rate risk. Since we cannot control exchange rates, we intend to continue to increase production and increase sales volume.

Only 30 to 40 percent of chicken parts carry added value, and we sell the remaining surplus chicken parts in countries such as Thailand, the EU, and China. However, we will consider ways to add value to these parts in the future.

The majority of GFPT Nichirei's business is with Japan. However, to expand sales beyond Japan, we will leverage integration synergies by sending chicken experts from Nichirei Fresh to the local site and expanding sales channels outside of Japan, and we will enhance the value of surplus parts and drive their sales.

**Q. You mentioned that improving the utilization rate of the plant in Thailand has been an issue since its establishment. Is this still addressed as an issue in the current plan?**

A. While improving the utilization rate remains an ongoing issue, adding value to our products is now a new focus.

#### **[Temperature-controlled Logistics Business]**

**Q. The logistics platform for frozen foods would probably not be feasible unless your company has a certain level of assets and bargaining power. We would like to know the reasons why you considered it feasible, and what risks might be associated with it.**

A. The temperature-controlled logistics business was initially launched as a public-sector initiative under a national policy. From the time Nippon Reizo took over the business, there were around 100

assets located in prime locations, such as port areas, throughout Japan from the north to the south. I think this has been one of the physical barriers to market entry up to now. With rapid changes expected in the external environment, such as labor shortages, to reduce the risk of being unable to transport products, we took early steps and built the logistics platform for frozen foods that enables us to deliver food over a wide area by connecting both our own assets and other companies' assets through the SULS.

Since this is an asset-based business, the business involves a risk that updates will be necessary at some point. Many cold storage warehouses are aging, and especially in rural areas, they will be due for renewal in the next twenty to thirty years. Therefore, we will also consider utilizing the assets of other companies as we move forward.

**[Synergies between Food Business and Temperature-controlled Logistics Business]**

**Q. The synergy achieved through the base cargo is possible precisely because it is in Japan. However, it would likely be difficult to realize the same synergy overseas. What are your thoughts on this?**

A. In Japan, we have assets nationwide, and our temperature-controlled logistics business and processed foods business facilities are located close to each other, allowing us to generate synergy. However, it would probably be difficult to achieve this overseas.

We believe that, in ASEAN, we may be able to generate synergies, and in Europe, there are some countries where this is possible, but it would be difficult to achieve this across the entire region.

In the ASEAN region, there is strong demand, and as the countries are undergoing economic growth, their cold logistics chains are currently insufficient. Therefore, we intend to build a system that enables cross-border movement of cargo from Thailand, Malaysia, and Vietnam within the ASEAN region. Since there are companies like GFPT Nichirei in Thailand, we believe that the potential to generate synergies is high.

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