

Nichirei Group Announces Its New Medium-term Business Plan (Fiscal 2019-2021)

Nichirei Corporation announces that it has formulated a new medium-term business plan for the Nichirei Group covering the period from fiscal 2019 through fiscal 2021. This plan aims to further strengthen core businesses, and ensure steady growth even under difficult business conditions.

I. Review of the Previous Medium-term Business Plan (Fiscal 2016–2018)

In the previous medium-term business plan, we achieved results exceeding the consolidated financial targets for fiscal 2018 (revised targets announced in November 2016). This owed to increased revenue from mainstay products in the processed foods business, storage demand captured mainly in major urban areas in the logistics business, and higher margins in the meat and poultry business by shifting managerial resources to differentiated products. Meanwhile, issues remained in expanding the scale of overseas operations.

Consolidated Results for the Final Fiscal Year (Fiscal 2018) of the Previous Plan

(Billions of yen)

	Results Fiscal 2018	Variance	
		Compared to fiscal 2015	Compared to plan
Net sales	580.1	44.7	13.1
Overseas sales	79.1	3.6	-2.7
Operating profit	29.5	7.9	0.9
Ordinary profit	29.8	8.4	1.5
Profit	19.9	6.4	1.7

II. Summary of the New Medium-term Business Plan (Fiscal 2019-2021)

1. General Strategy

Considering the mounting instability in the global economy, we expect fluctuations in exchange rates, raw material prices, and energy costs to continue. In Japan, we anticipate the diversification of consumption patterns brought about by changes in family composition and lifestyles, while various costs continue to rise amid labor shortages.

Under the new business plan, while accurately gauging the changes in the operating environment, we aim to realize sustainable profit growth and the creation of new value that supports a good dietary life and health, underpinned by capital expenditures to drive growth and strengthen the business foundation especially in the processed foods and logistics businesses.

- (1) Raise profitability in Japan by strengthening the management foundation and transforming the business structure.

- (2) Accelerate the expansion of scale in overseas operations.
- (3) Reinforce efforts to develop new businesses, conduct R&D, and reform businesses in order to ensure longer-term growth.
- (4) Help communities deal with issues they face and make communities more sustainable through our businesses.
- (5) Focus more intently on work style reform and utilization of diverse personnel.

Nichirei Group's Consolidated Target Figures

(Billions of yen)

	Target Fiscal 2021	Variance Compared to fiscal 2018
Net sales	657.0	76.8
Overseas sales	102.2	23.0
Operating profit	35.0	5.4
Profit	22.0	2.0
EBITDA*	57.6	10.6
Capital expenditures (3-year cumulative)	100.8	37.9

* EBITDA = Operating profit + Depreciation expense (including lease, excluding goodwill)

2. Financial Strategy

Capital from operating cash flow and asset liquidation will be used for investments to maintain and enhance enterprise value, and for shareholder returns through dividends and stock buy-backs.

The basic policy for shareholder returns is to maintain a stable dividend based on the consolidated dividend on equity (DOE) ratio, and to conduct flexible stock buy-backs in consideration of capital efficiency and the market environment.

- Maintain a return on equity (ROE) ratio of 10% or higher.
- Provide a dividend with a target DOE of 3.0%.

3. Strategies for Operating Companies

(1) Processed Foods (Nichirei Foods Group)

- Raise profitability by focusing resources on the mainstay categories of chicken and rice products.
- Create new mainstay categories and differentiate from competitors by bolstering efforts in R&D and technological development.
- Expand business operations overseas, concentrating mainly on North America.

(2) Marine Products, Meat and Poultry Products (Nichirei Fresh Group)

- Build an earnings structure that is more resilient to market price fluctuations by increasing the number of processed products handled (marine products business).
- Increase profits by enhancing in-house production functions and strengthening sales of differentiated products (meat and poultry products business).

(3) Logistics (Nichirei Logistics Group)

- Increase profits by maximizing the utilization of principal storage facilities in major urban areas, and of transport functions in regional areas.
- Absorb various cost increases by promoting the digitalization of warehouse operations and initiatives to save energy and labor, and through the receipt of proper prices.
- Expand the scale of overseas operations especially in Europe.

(4) Biosciences (Nichirei Biosciences)

- Develop next-generation diagnostic drugs and devices and build the foundation of overseas operations.

Fiscal 2021 Sales and Operating Profit by Segment

(Billions of yen)

	Net sales	Operating profit
Processed Foods	263.0	18.7
Marine Products	75.0	0.8
Meat and Poultry Products	103.0	1.8
Logistics	227.0	12.7
Real Estate	4.5	1.8
Other	8.0	0.6
Adjustments	-23.5	-1.4
Total	657.0	35.0

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Note: 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.