



Nichirei Group  
Integrated Report  
**2021**

INTEGRATED REPORT 2021

# Nichirei Management Principles

## Nichirei Management Principles

### Focus on Lifestyles, and Provide True Satisfaction

**Vision**  
Revised April 2019

We will continue to support good eating habits and health by leveraging our state-of-the-art manufacturing practices that optimize nature's bounty, along with our leading-edge logistics services.

**Guiding Principles**

1. Prioritize customers, safety, and quality
2. Ethical operations
3. Transparent management
4. Sustainable communities
5. Value creation

**Brand Slogan**

## Creating Savory Moments

**Basic CSR Policy**

### The Nichirei Pledge

—Working to Make Our Communities More Sustainable—

As a group of companies that provide value in the fields of food and health, the Nichirei Group strives to help communities solve the issues they face while creating new value for customers through its business activities. The Group gives full consideration to the economic, social, and environmental impact of its endeavors, and publicly discloses the details of its businesses to its stakeholders, in order to gain their understanding and promote further dialogue.

#### Create new value for customers

We strive to create new products and services, while helping customers and communities solve various issues through our business activities.

<b>Provide safe products and services</b> We ensure that everything we offer our customers is characterized by high quality and safety.	<b>Maintain a sustainable supply chain</b> We work to ensure that our supply chain is sustainable.	<b>Reduce environmental impact</b> We strive to reduce the environmental impact of our operations, while giving full consideration to their potential effects on the global environment.	<b>Foster cooperative relations with communities</b> As a responsible corporate citizen, we foster close cooperation with local communities in the interests of the public good.
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#### Continually enhance our workplaces

While promoting respect for the diversity of our employees, we continuously improve the workplace environment to enable every employee to make the most of his or her abilities and work with enthusiasm.

#### Support good corporate governance

We employ highly transparent, fair management practices, while ensuring that resources are properly allocated and management decisions are made in a timely manner.

#### Ensure strict compliance

We maintain high ethical standards, while complying with the laws and social norms of each country in which the Nichirei Group operates.

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## Editorial Policy

The Nichirei Group considers the *Nichirei Group Integrated Report 2021* to be an important tool for communicating with shareholders, investors and all other stakeholders. We aim to communicate financial information, non-financial information and business strategies in an easily understandable way in order to facilitate a clear understanding of Nichirei's corporate value and vision.

We would also like readers to know about our efforts toward achieving sustainable growth, enhancing corporate value and resolving social issues through our business activities.

- Notes: 1. Amounts and percentages are rounded to the nearest whole unit.
2. For Nichirei's registered trademarks, the © mark has been omitted and italics are used, as a general rule.
3. Fiscal years begin on April 1 of the previous year, and end on March 31.

## Note on Forward-looking Statements

Statements in this report pertaining to the future, such as forecasts of business performance, are rational judgments based on currently available information and contain a degree of uncertainty. Actual business performance may differ due to a variety of factors.

## Reporting Companies

Nichirei Corporation and its consolidated subsidiaries in Japan and overseas  
(As of March 31, 2021)

## Reporting Period

April 1, 2020 to March 31, 2021  
(Some information from before and after this period is included.)

## Referenced Guidelines

- GRI Standards
- International Integrated Reporting Council (IIRC)
- Task Force on Climate-related Financial Disclosures (TCFD)

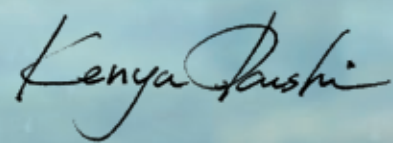
## Issue Date

November 2021

# Message from the President



**We help resolve social issues  
through our business as we  
aim for sustainable growth.**



**Kenya Okushi**  
Representative Director, President  
Nichirei Corporation

# A Year of Unprecedented Changes

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In the fiscal year ended March 31, 2021 (FY2021), which was the second year of our Medium-term Business Plan WeWill 2021, the global COVID-19 pandemic created unprecedented challenges. Although we made progress in line with the plan in terms of earnings, we had to deal with substantial changes in our operating environment.

Due to the impact of the pandemic, sales of commercial-use products were weak, and consolidated net sales decreased compared with the previous fiscal year. On the other hand, operating profit increased due to strong sales of household-use prepared foods in the processed foods business and growth in the temperature-controlled logistics business, among other factors.

We expect a certain degree of recovery in demand once the pandemic subsides. However, as values change along with significantly altered lifestyles in the post-COVID market, Nichirei will not be accepted unless it offers products and services adapted to the new normal. This will require changes in resource allocation and strategy. Moreover, the growth of ESG investment has led to greater interest among investors and greater sensitivity on the part of our suppliers and customers, particularly regarding the environment, and discussion of measures to address such issues has increased.

## Medium-term Business Plan WeWill 2021: Achieving Our Goals for the Group in the Final Year

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Regarding initiatives in FY2022, although the logistics business has increased facility capacity in Japan through the establishment of new refrigerated warehouses in Nagoya and the Honmoku district of Yokohama, and has enhanced its business foundation with innovations utilizing artificial intelligence (AI) and robotic process automation (RPA), progress has fallen behind the plan overseas, where changes in the operating environment have necessitated readjustments to growth investments. In FY2022, the business will add refrigerated warehouses in the Netherlands and France to enhance its logistics service functions and broaden its business base.

The processed foods business has established three policies. First, it is crucial to increase sales, which are the source of profits, and seek new markets to recoup the decline in sales. The second is to adopt new approaches that differ from those we have been using, including making changes to our product development and our sales organization. Third, now that the barriers are disappearing between household-use and commercial-use products, which we have been producing at separate facilities, we plan to introduce production facilities that can handle both types of products.

When customers prepare meals, they are increasingly likely to require a variety of products as ingredients rather than serving a single household-use product. Product needs are also

diversifying for commercial-use prepared products for sale. As a FY2022 initiative to meet these changing needs, we have devised an investment plan that includes revisions to planned capital expenditures to address new markets.

I have always been proud of the part we play in food infrastructure, and I felt that pride particularly keenly in FY2021. As I mentioned, the COVID-19 pandemic has spurred changes in consumer purchasing behavior and the spread of home delivery and e-commerce. As these and other factors significantly transform the entire supply chain at an unprecedented speed, I believe they have also led to greater recognition of the value of frozen foods and logistics. In an era of change, the Nichirei Group's role as part of food infrastructure is to seek out and identify diversifying needs for food with the goal of developing businesses in those areas, while helping consumers develop better eating habits. It is both our mission and a constant responsibility.

 Medium-term Business Plan WeWill 2021, pages 42-43

## Material Matters for Sustainable Growth

The environment and climate change are important issues for corporate management. Economic activities decrease the Earth's limited resources, and once the world population reaches 8 or 9 billion, we clearly will not be able to maintain our current food procurement methods and infrastructure. For the environment as well, Nichirei used to take a reactive approach, basing its initiatives on prevailing situations, but those days are over. Now, we must think for ourselves about how our business activities affect the environment. The material matters we identified in FY2021 factor in our impact on climate change and food infrastructure. In June 2021, with the aim achieving our long-term vision regarding business goals for 2030 (see pages 12-13) we also formulated Group goals, consisting of measures and key performance indicators (KPIs) for each of our five material matters. We have begun considering more concrete growth strategies for the entire Nichirei Group, looking to the next medium-term business plan and further ahead to 2027 and 2030. The Group Strategy Committee, scheduled to meet in November 2021, will bring together the Group's senior management to consider how each business will generate results and contribute to achieving the Group goals, and then incorporate its conclusions into strategy. The committee will bring into sharper focus what we will do as a Group and what each business will do to achieve our goals.

As Group goals (measures and KPIs) for the material issues we have identified, we will work to create new value by designating new products and services for each business as well as the projected scale of their sales. We will also set quantitative targets for progress in creating new businesses. We will also use the advantages of our existing businesses—their technologies and know-how—as the basis for generating cash, and promote the use of information technology (IT) and digital transformation (DX) in helping to resolve issues in food procurement and the environment while raising our competitive advantage in the global market.

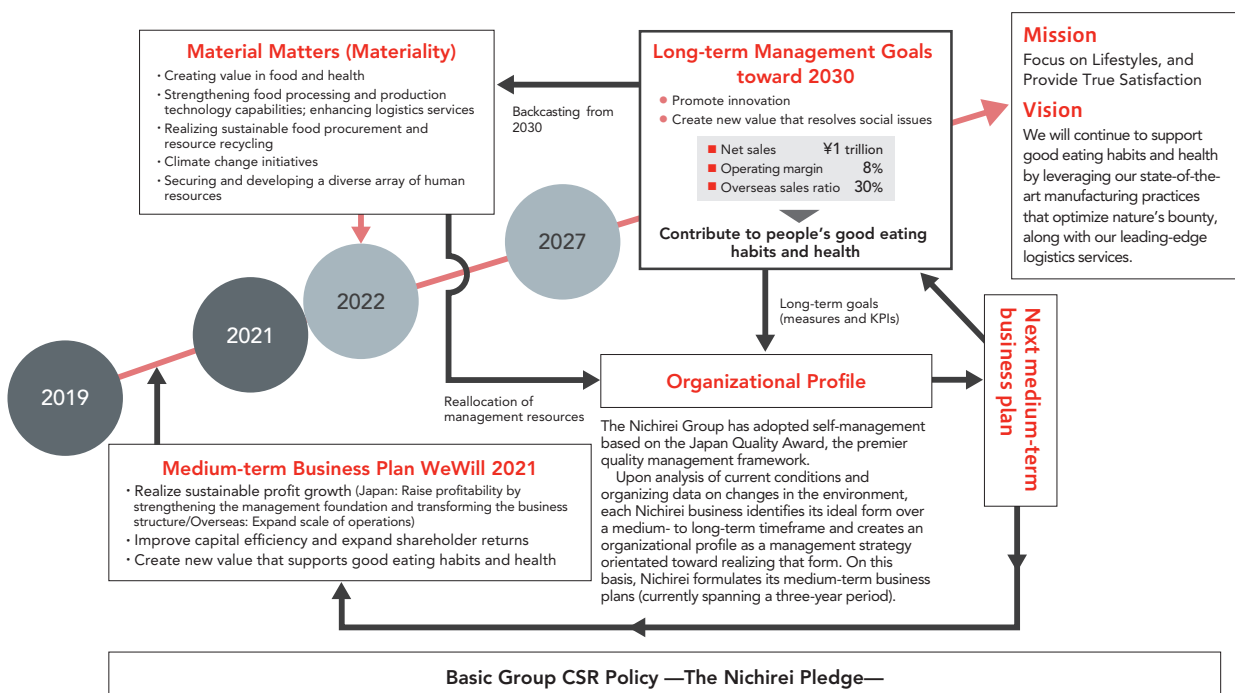
## Message from the President

Looking at the market in Japan, in addition to environmental issues, I sense impending crisis from market shrinkage due to the declining birthrate and aging population, as well as a growing budget deficit. By 2050, one in four people will be over 75 years old, and social security costs are expected to balloon further. There should be more vigorous discussion of the role of people's eating habits in extending healthy lifespans and leading fulfilling lives. Based on its core theme of food and health, the Nichirei Group must show how it can help to resolve these social issues and take a variety of approaches to create new products and services.

On the other hand, there is still substantial growth potential in many countries and regions around the world, making our business rollout into overseas markets crucial. Deflationary conditions have persisted for a long time in Japan, but prices have risen overseas, and there are even some regions where Japanese products sell for higher prices than in Japan. Particularly given factors such as the growing purchasing power of Asia's middle class, I think we should continue to pursue the rollout of our businesses in markets outside Japan with an emphasis on balancing forecasting and backcasting, which entails working backward from targeted future outcomes to identify policies to achieve them. However, there are limits to relying solely on our own power in such markets, so M&A and alliances should be included as realistic methods of expanding overseas sales. Our current overseas sales are about ¥80 billion, and we are aiming for ¥300 billion in 2030.

In addition, risks in the supply chain these days are directly tied to management issues. The Nichirei Group procures products and raw materials from suppliers in various regions around the world as well as Japan. We will therefore establish a system for sustainable procurement in line with our policies, with a focus on the environment and human rights.

In our climate change initiatives, we aim to become carbon neutral by 2050, and have raised our FY2031 target for Group CO<sub>2</sub> emissions reduction (Scope 1 and 2 in Japan) to 50%. I think we need to change our approach from simply carrying out a series of measures to one of setting





goals and devising strategies to achieve those goals through backcasting.

Here and there, some in the capital markets still argue that addressing sustainability in areas such as food procurement and the environment will increase investments and costs, pressuring profits. As a manager, I consider sustainability essential for steady business performance and ongoing growth. I believe that by proactively communicating this approach, companies will spread the idea of sustainability initiatives as something to be conducted as a matter of course. That is why I will stress communication on behalf of the Nichirei Group, including through media such as this integrated report.

The most important management resource in accomplishing our goals for these material matters is our human resources. One current KPI is to double our investment in human resource development, and we have also set a target ratio for female officers and line managers to ensure diversity among core human resources. We will promote these measures as drivers of sustainable growth.

 Material Matters for the Nichirei Group, pages 12-13

## Becoming an Innovative Corporate Group

A core topic for us is the kind of value we should provide to our stakeholders. As ESG investment increases, shareholders—including institutional investors—are changing their views on corporations. Many say that, more than just returns on their investment, they want to see evidence of sustainability management. They are asking about the company's purpose and nature, what it intends to accomplish, and how it will help to resolve social issues going forward. Securing innovative human resources is also important for conducting sustainability management. No longer does a high profit margin alone make a company attractive. Nichirei has numerous research and product development staff, but the volume of innovations they produce has tapered off lately. This situation has led me to feel a strong sense of crisis. Therefore, about two years ago, we carried out a Group-wide survey on innovation. We conducted a detailed investigation, asking what proposals respondents had made in the past, what processes had ensued, and the outcome. We then asked them how they felt about their efforts and the outcome. Our findings indicated that throughout the entire Group, many projects had been launched but most had ended partway through, even though there had been initial output. This was due to the movement of individuals within the Company, such as personnel transfers and changes in the heads of organizations. In its ongoing efforts throughout its history to improve efficiency, Nichirei has achieved a certain level of results from working to standardize its operations. However, I think we lacked a perspective on whether the employees who conducted those operations enjoyed their work. In my visits to front-line workplaces, employees have directly shared their thoughts about the work they would prefer to do and their concerns that Nichirei's approach is out of sync with current realities. As a manager, I realized that this issue must be taken seriously. Therefore, as part of our efforts to build a framework that enables the

## Message from the President

Group's diverse human resources to play more active roles, I introduced an innovation management system (IMS) based on ISO 56002. I intend to use this system to establish a cycle for generating meaningful innovation throughout the Group.

However, innovation is not so simple that results can be immediately generated merely by establishing a mechanism for supporting creation and an environment that facilitates it. I went further, incorporating a program into IMS that enabled people with the mindset to become in-house entrepreneurs to start their own businesses. Based on the lean startup concept of starting out on a small scale to test a person's idea, then returning to the drawing board if it does not go well, the program creates a budget based on a three-step judgment and evaluation axis that leads to business expansion. By equipping the Company with an environment and mechanism that enables each employee to explore what they really want to do and then enabling them to do it, and by continuing to develop the human resources that will make the mechanism function, we intend to accelerate our transformation into a corporate group that practices sustainability management.

 Creating New Value, pages 34-37

## New Value Creation: Exploiting and Exploring—A Dual Approach That Suits the Nichirei Group

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Nichirei has adopted two approaches to new value creation. One is to create value by exploiting existing businesses—looking more deeply into them and asking whether consumers seek or need a certain item. I think that this approach can still produce results under our current system and allocation of resources.

The other approach is to explore—to look outward—for new value. I intend to allocate more management resources to this approach going forward. This dual approach is called “ambidextrous management,” but even with a theoretical understanding of this concept, there have been cases where investing management resources this way has been difficult. I want to create a mechanism for ongoing investment with a long-term perspective. As a manager, creating new value under this approach requires a different mindset from that used for exploiting existing businesses. But it also has the potential to generate new Nichirei Group businesses. At the same time, it is a regular topic of debate within the Company, because it will also necessitate taking on challenges as an outlier, working in areas without restrictions. I would like to think about how we can help to resolve social issues—what we should do and what we want to do—leveraging new ways of thinking as opportunities to create value, unconstrained by the conventions of our existing business domains. Ultimately, however, our foremost priority should not be to enter domains completely unrelated to our established operations; rather, I intend to emphasize management decisions that consider how to utilize the advantages of our existing businesses.

In these changing times, my role as a manager is to make the best use of ambidextrous management to generate synergies among existing and new initiatives.



## The Nichirei Group's Intended Impact on Society

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A company's management is expected to have a sense of purpose and an impact on society. I set a high value on doing business that consistently adheres to an approach befitting the Nichirei Group: the idea that food brings people together. As an integral part of our lives at every stage, food provides the settings for all kinds of occasions where people reaffirm their bonds with each other, whether in joy or in sorrow. By going beyond food's intrinsic function as the basis of nutrition and health to continue creating products and services that play a role in bringing people together, the Nichirei Group provides broad value to society, a vital element in increasing its own corporate value. My ambition is to be able to provide our products and services for any occasion where they are needed so that our stakeholders can lead fuller lives.

Food sustainability has recently come to the fore as a priority global issue, and new initiatives such as meat analogues have appeared in the food supply chain. Non-food companies have also been entering these areas. Of course, meat is unlikely to be completely replaced by substitutes, and I realize that the technologies behind these new nutritional sources are only just beginning to emerge. Nevertheless, I view these new entrants as a threat, so I will keep a close watch on when these technologies become popular enough and such products versatile enough to incorporate them into our operations. In this way, I intend to expand the scope of the Group's impact on society and make it long-term.

Based on its Mission to provide true satisfaction, the Nichirei Group will continue supporting the supply of food with the aims of helping to resolve social issues through its business and achieving further business growth. Dialogue and engagement with our stakeholders are invaluable to us in the evolution of our management. We therefore request your ongoing support.

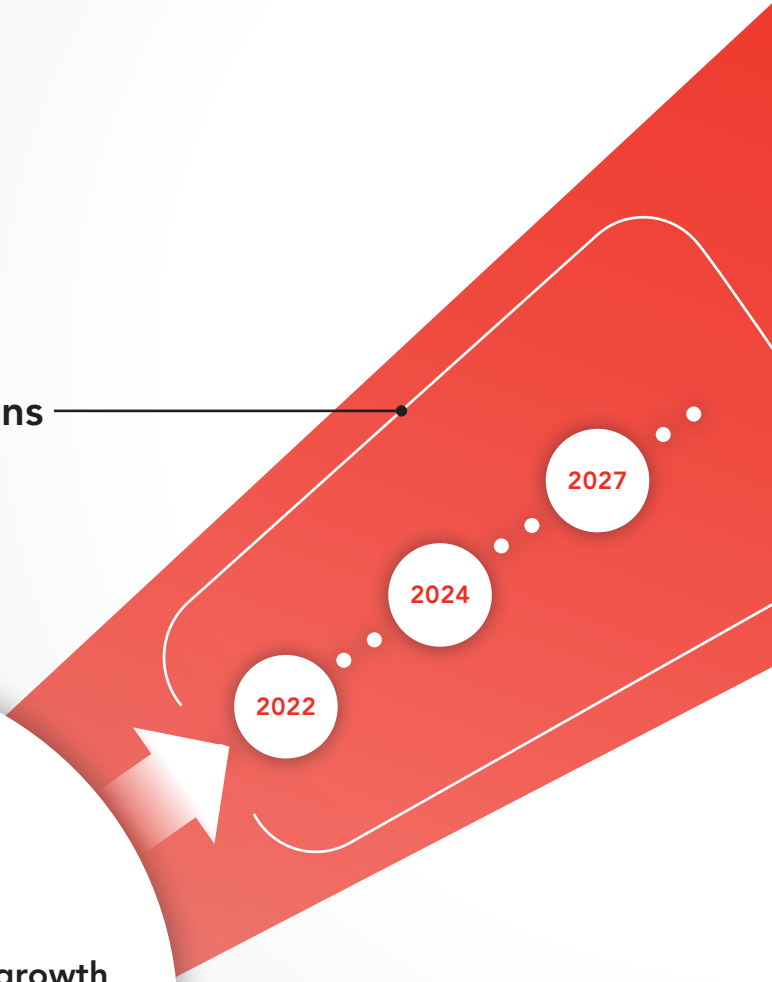
# Vision for 2030

The Nichirei Group is conducting management to achieve its long-term management goals toward 2030. In our rapidly changing society, we view expectations for a sustainable society as a business opportunity, and aim to our increase corporate value by working with our stakeholders to resolve social issues.

Future medium-term business plans

FY2020-2022  
**Medium-term  
Business Plan  
WeWill 2021**

- Realize sustainable profit growth  
(Japan: strengthen earnings base, transform business structure/Overseas: expand scale)
- Improve capital efficiency and expand shareholder returns
- Create new value that supports good eating habits and health



Mission

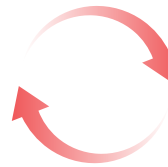
Focus on Lifestyles, and Provide True Satisfaction

Vision

We will continue to support good eating habits and health by leveraging our state-of-the-art manufacturing practices that optimize nature’s bounty, along with our leading-edge logistics services.

Achieving Our Long-term Management Goals toward 2030  
Contribute to people’s good eating habits and health

Realize a sustainable society



Sustainable development of the Company

New value creation and innovation

Nichirei Group material matters

Creating value in food and health

Strengthening food processing and production technology capabilities; enhancing logistics services

Realizing sustainable food procurement and resource recycling

Climate change initiatives

Securing and developing a diverse array of human resources

Net sales **¥1 trillion**

Operating profit/ Net sales **8%**

Overseas sales ratio **30%**











The Nichirei Group is intimately connected to society through its business of providing food. We recognize that our responsibility is substantial, owing to the impact of our business activities on the lives of our stakeholders and on the general public.

In 2021, we identified Group goals (measures and KPIs) to accelerate our initiatives for five material matters toward the realization of a sustainable society.

Nichirei Group Materiality ▶ Pages 12-13

# Nichirei Group Materiality

	Material Matters	Vision for 2030
<p><b>Creating value in food and health</b></p>	<p>Create new markets and customer value by taking on challenges outside existing business areas in both food and health</p>	<p>Continuing to create new products and services and to attract new customers in existing businesses, while developing and rolling out new businesses in new areas related to food and health</p>
<p><b>Strengthening food processing and production technology capabilities; enhancing logistics services</b></p>	<p>Further refine core competencies in food processing, production and logistics to resolve social issues and improve profitability through competitive advantages in global markets</p>	<p>Ability to generate cash improved by concentrating management resources on core businesses</p>
		<p>Overseas business has become a new pillar of earnings</p>
<p><b>Realizing sustainable food procurement and resources recycling</b></p>	<p>Resolving various social issues related to the supply chain, which is the foundation of our business, and contribute to sustainable food procurement and the realization of a recycling-based society</p>	<p>All raw materials and ingredients are procured from suppliers and partner companies that comply with the Group CSR Procurement Guidelines.</p>
		<p>Promoting a circular economy by creating new business models</p>
		<p>Improved resilience of water resources through an understanding of water-related risks</p>
<p><b>Climate change initiatives</b></p>	<p>As a food and logistics company that is greatly affected by climate change, we will work with stakeholders to counter global warming and reduce energy consumption throughout the supply chain</p>	<p>Efforts underway to reduce CO<sub>2</sub> emissions both inside and outside the Group toward the goal of becoming carbon neutral by 2050</p>
		<p>Elimination of CFCs progressing at production and logistics facilities as a global warming countermeasure</p>
<p><b>Securing and developing a diverse array of human resources</b></p>	<p>Secure and develop a diverse human resources and foster an inclusive corporate culture to achieve sustainable growth</p>	<p>Diverse human resources with various characteristics and skills, maximizing their potential to improve their job satisfaction and support the sustainable growth of the Group</p>

Group Measures	Group KPIs	Applicable SDGs
<p>Create new high-value-added products and services by prioritizing allocation of resources to marketing (consumer understanding), digital transformation (DX) and R&amp;D</p> <p>Create businesses in new areas by promoting Group-wide innovation through the innovation management system (IMS) and other means</p>	<ul style="list-style-type: none"> <li>Set targets and scope for creating new products and services in each business</li> <li>Set quantitative targets for creation of and milestones for the progress of new businesses</li> </ul>	
<p>Promote capacity expansion, work process innovation, reduction of environmental impact and development of business foundations through proactive capital expenditures in the processed foods and logistics businesses</p>	<ul style="list-style-type: none"> <li>EBITDA margin: 12%</li> <li>EBITDA CAGR: 7%</li> </ul>	
<p>Accelerate overseas expansion by securing and training global human resources, cultivating partner companies, conducting M&amp;A and other means</p>	<ul style="list-style-type: none"> <li>Overseas sales ratio: 30%</li> </ul>	
<p>Establish a supply chain with consideration for human rights and the environment and conduct due diligence</p>	<ul style="list-style-type: none"> <li>Rate of procurement from suppliers and OEMs that comply with the Group CSR Procurement Guidelines: 100%</li> <li>Rate of implementation of ESG due diligence for main raw materials and major suppliers: 100%</li> </ul>	
<p>Work to conduct sustainable resource procurement and help to realize a circular economy</p>	<ul style="list-style-type: none"> <li>Rate of attendance for the SDGs educational program aimed at realizing a circular economy: 100%</li> <li>Rate of waste recycling at all sites: 99%</li> </ul>	
<p>Identify water-related risks through risk assessments at all sites and conserve water</p>	<ul style="list-style-type: none"> <li>Conduct regular water-related risk assessments at all sites, as well as in conservation activities and BCP</li> </ul>	
<p>Reduce CO<sub>2</sub> emissions per unit of production and utilize renewable energy at food factories and logistics centers, and disclose information based on the TCFD recommendations</p>	<ul style="list-style-type: none"> <li>Reduction in CO<sub>2</sub> emissions: 50% (Compared with FY2016; Scope 1 and 2 in Japan)</li> </ul>	
<ul style="list-style-type: none"> <li>Replace all refrigerants used in freezing and refrigerating equipment in Japan with natural refrigerants</li> <li>Switch to natural refrigerants overseas as necessary, based on on-site confirmation</li> </ul>	<ul style="list-style-type: none"> <li>Rate of conversion to natural refrigerants Production equipment (Japan): 100% Logistics (Global): 75%</li> </ul>	
<ul style="list-style-type: none"> <li>Introduce a Group-wide engagement survey* to monitor the effects of measures</li> <li>Establish a personnel system that enables Group employees to choose work styles according to their career outlook and contributes to productivity improvement</li> <li>Establish and provide support for application of rules</li> </ul> <p>* Engagement survey: A survey that shows degree of understanding of and resonance with the management philosophy and independent involvement in the organization (job satisfaction)</p>	<ul style="list-style-type: none"> <li>Ratio of female directors and female Audit &amp; Supervisory Board members (HD*): 30%</li> <li>Ratio of female line managers (HD*): 30%</li> </ul> <p>* HD: Nichirei Corporation (Holding Company)</p>	
<ul style="list-style-type: none"> <li>Promote communication activities and impartially provide learning opportunities in order to create a work environment and corporate culture in which employees are healthy, lively and satisfied with their jobs</li> </ul>	<ul style="list-style-type: none"> <li>Double investment in human resources by 2030</li> </ul>	

# History of the Nichirei Group

## Creating Value to Provide True Satisfaction

We have provided true satisfaction by identifying the needs of individuals and society, enabling us to create the products and services required in each era. The Nichirei Group will continue to support people's eating habits through business activities covering a wide range of foods.

### 1940s to 1950s

Launch of the Nichirei Group to rebuild the postwar food supply system and respond to rising consumption



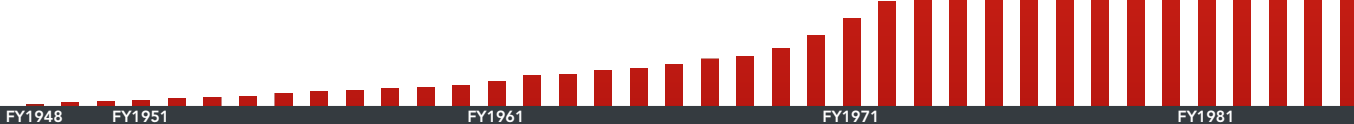
Nippon Reizo was established to take over the marine products, refrigeration and ice-making businesses. With a mission to provide a stable food supply after World War II, we diversified our businesses as consumption rose rapidly in the 1950s.

- 1942 Established Teikoku Marine Products Control Company
- 1945 Established Nippon Reizo Inc. as a private company
- 1955 Started export of marine products
- 1956 Launched meat and poultry products business  
Provided frozen food to Antarctic expedition team
- 1959 Developed Hayabusa, a long-distance frozen cargo vehicle (a reefer)

**[Main sellers]**

- 1952 Frozen tempura set
- 1954 Chawan-mushi (savory egg custard)  
(A pioneering prepared frozen food product)

▶ **Nichirei Group Net Sales**



Note: Consolidated net sales from FY2005

### 1960s to 1970s

Providing household-use frozen foods as the spread of electric refrigerators changes eating habits



With strong economic growth, electric refrigerators became common household appliances and household-use frozen foods began to be accepted. We contributed to the government-led creation of a cold chain logistics network to maintain food freshness during transport from producing areas to stores.

- 1960 Established Kamagaya Laboratory (establishment of a rotating poultry house)
- 1964 Provided frozen foods to the athletes' village at the Tokyo Olympics
- 1970 Opened a cafeteria at the Japan World Exposition (Osaka)

**[Main sellers]**

- 1969 Miniburg (currently Obento ni Good! Mini-hamburg)
- 1974 Rolled out the Green Belt brand of household-use frozen foods
- 1979 Rolled out the White Pack brand of premium household-use frozen foods

### 1980s to 1990s

Actively developing new businesses amid increasing interest in frozen foods as more women began working outside the home



A management crisis led to Tomorrow's Nichirei, a bottom-up in-house campaign soliciting employee proposals for innovation and improvement, which led to a series of new businesses. We also worked to improve frozen food performance as well as taste as rising numbers of women working outside the home spurred growth in demand for highly convenient frozen foods.

- 1980 Started Tomorrow's Nichirei
- 1982 Expanded into the biotechnology field
- 1985 Changed company name to Nichirei Corporation
- 1988 Started European logistics business in the Netherlands
- 1993 Full-scale launch of cross-docking operations (XD)
- 1997 Established the Nichirei Technology Development Center

**[Main sellers]**

- 1986 Acerola Drink
- 1991 Yaki-Onigiri (frozen grilled rice balls)
- 1994 Launched a series of microwavable products; achieved the taste of freshly fried croquettes without using oil



## 2000s

Addressing diversifying eating habits and consumer concerns about food safety; accelerating business operations by converting to a holding company structure



We fundamentally revised the structure of our traceability system to enhance quality assurance so we can provide safer, more reliable products. We also converted to a holding company structure and started new initiatives in each business.

- 2004 Started a logistics business in China (Shanghai)
- 2005 Converted to a holding company structure
- 2006 Started the *Inochi-no-Mori* Project in Indonesia (sustainable shrimp procurement using extensive aquaculture and mangrove tree planting)
- 2007 Started *Junwakei* chicken business
- 2008 Established GFPT Nichirei (Thailand) Company Limited, a Thai subsidiary with a fully integrated plant for stable supply of processed poultry products

[Main sellers]

- 2001 *Honkaku-Itame* Cha-Han (fried rice)
- 2003 Launched *Obento ni Good!* series of products that do not use coloring, preservatives or chemical seasonings
- 2004 Launched *Kikubari Gozen* series of calorie-controlled wellness foods

## 2010s

Conducting management with a medium- to long-term perspective that addresses simplifying food preparation, increasing health consciousness, Japan's labor shortage and globalization



By strengthening our earnings base and improving asset efficiency, we promoted profit growth and expansion of the scale of our overseas business. We also stepped up our ESG initiatives to increase corporate value.

- 2011 Established Higashi-ogishima DC (Kawasaki City) and added a second building in 2013 to meet strong demand for logistics
- 2012 Started sales of Asian food in the United States
- 2013 Launched Southeast Asian logistics business starting in Thailand
- 2013 Established Nichirei Foods Funabashi No. 2 Plant
- 2017 CSR Basic Policy revised as The Nichirei Pledge
- 2019
  - Established the Global Innovation Center as a bioscience business base for research, development and production
  - Established the Nichirei Group Human Rights Policy

[Main sellers]

- 2014 *Honkaku Yaki-Onigiri* (grilled rice balls)
- 2017 *Tokukara* (fried chicken)

## 2020 onward

Becoming a company that creates new customer value and helps resolve social issues to achieve a sustainable society

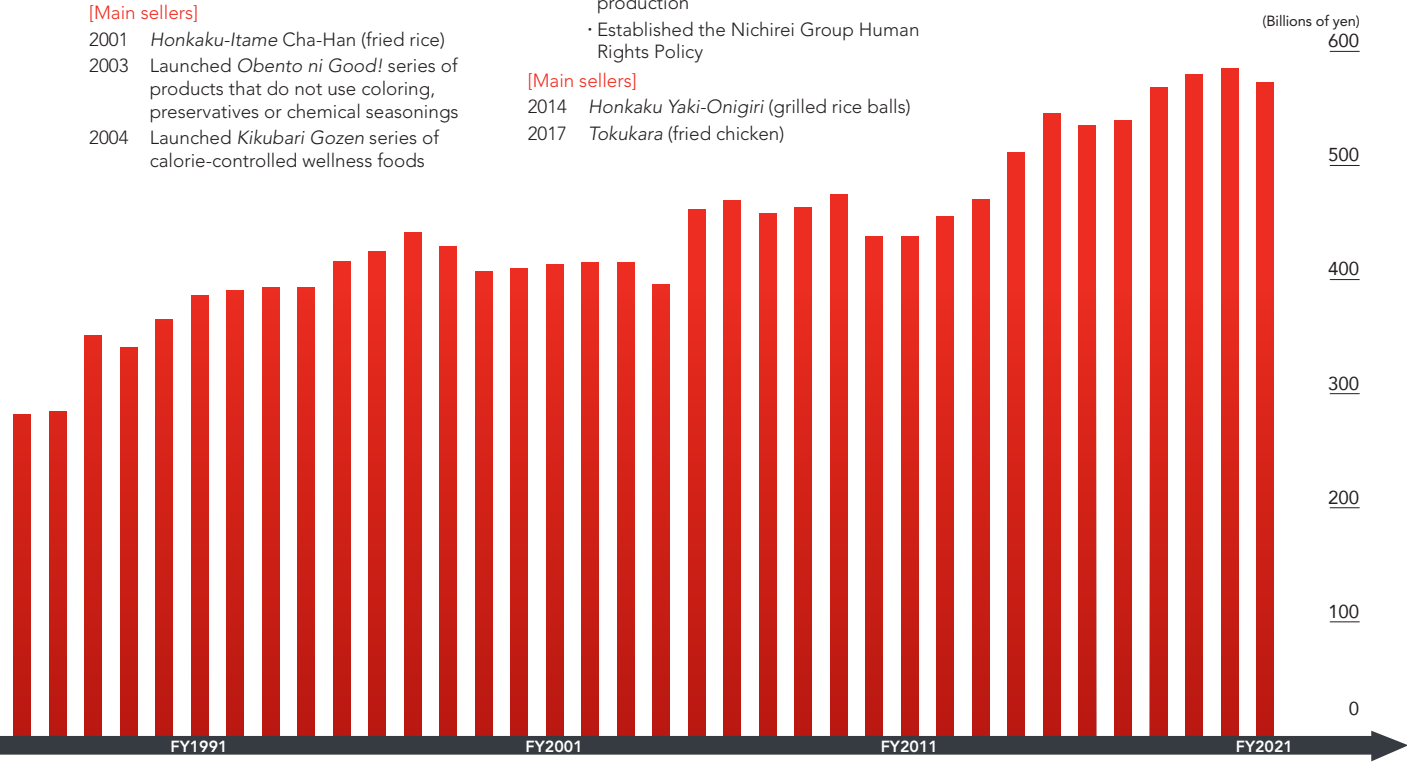


We will forge a strong link between sustainable corporate growth and the achievement of a sustainable society, dealing openly with the public as we continue to support people's eating habits.

- 2020
  - Selected as a brand of the Health and Productivity Stock Selection production
  - Established Nagoya Minato DC, a model center for business innovation
  - Identified five material matters for the realization of the long-term management goals toward 2030
  - *Junwakei* chicken became the first poultry product in Japan to acquire Specific Japanese Agricultural Standards (JAS) certification for sustainability for eggs and chicken meat

[Main sellers]

- 2020 *Gokujo Hirekatsu* (pork fillet cutlets)
- 2021
  - *Daizu Meat Hamburg* (soy meat hamburger steak)
  - *Daizu Meat Karaage* (soy meat fried chicken)



# A History of Creating Value: Establishing a Temperature-controlled Logistics Network

The Nichirei Group has resolved various issues in each era of its existence. These issues have included the challenge of meeting increased food demand in Japan's period of high economic growth through its ice-making, refrigeration and freezing businesses, and contributing to the improvement of health standards in the 1960s through the development of a cold chain logistics network. In recent years, globalization and social changes have made food logistics increasingly complex and sophisticated, and demands are growing for eco-friendliness, labor saving and efficient use of food resources. We will continue to provide value to society through the leading high-performance facility capacity we have established in Japan and a global rollout of our high-quality, detailed services.

## 1954 Established a Frozen Food Sales Company

In the early days of frozen foods, there were no vendors equipped to handle them. We therefore decided to establish a sales company specializing in frozen foods and start distribution.

1950s

## 1959

### Developed Long-distance Frozen Cargo Vehicle

Nichirei's long-distance frozen cargo vehicle (reefer) Hayabusa, which was developed in-house, contributed to the creation of a cold chain logistics network that keeps food at low temperatures.



1960s

## Social Issues

- Reduction of food loss and waste
- CO<sub>2</sub> emission reduction
- Response to the labor shortage

More Sophisticated  
Efficient

## 1964

### Provided a Wide Range of Frozen Foods to the Athletes' Village at the Tokyo Olympics



We provided a wide range of frozen foods to the athletes' village at the Tokyo Olympics for a stable supply of safe and delicious meals to more than 5,000 athletes from around the world.

## 1965

### Cold Chain Recommendation Issued by Japan Science and Technology Agency (merged in 2001 with the Ministry of Education, Science, Sports and Culture, the predecessor to the current Ministry of Education, Culture, Sports, Science and Technology)

Nichirei played a central role in establishing a cold chain logistics network, which included the introduction of forklifts, the construction of large-scale refrigerated warehouses and the establishment of an industry group. The cold chain network, which keeps food at a low temperature during distribution to maintain freshness from the production area to the table, also helps to reduce food loss.

1970s



## 2021

### Started Operation of Japan's First Trucks That Couple Room-Temperature and Low-Temperature Trailers

These 25-meter double-trailer trucks enable simultaneous bulk transportation of frozen and room temperature products. Since simultaneous transport is enabled by simply coupling and decoupling the second trailer, the trucks are expected to significantly lessen the burden on drivers and reduce environmental impact through an improved percentage of truckload capacity utilization and other transportation efficiency improvements.

## 2020s

## 2000s

### 2000

#### Entered the 3PL Business

We started a third-party logistics (3PL) business, which offers logistics strategy planning and logistics systems on behalf of customer companies. By providing them with comprehensive outsourcing services, we optimize the efficiency of their logistics.

### 1993

#### Full-scale Launch of Cross-Docking (XD) Business

Setting up a dedicated XD center between vendors and stores significantly improved delivery efficiency. It also contributed to more efficient store operations and reduction of CO<sub>2</sub> emissions.



## 1990s

## 1980s

sticated and Logistics

- Joint shipping
- Modal shift
- Inspection by tablet device
- Truck reservation system
- Driverless forklifts etc.



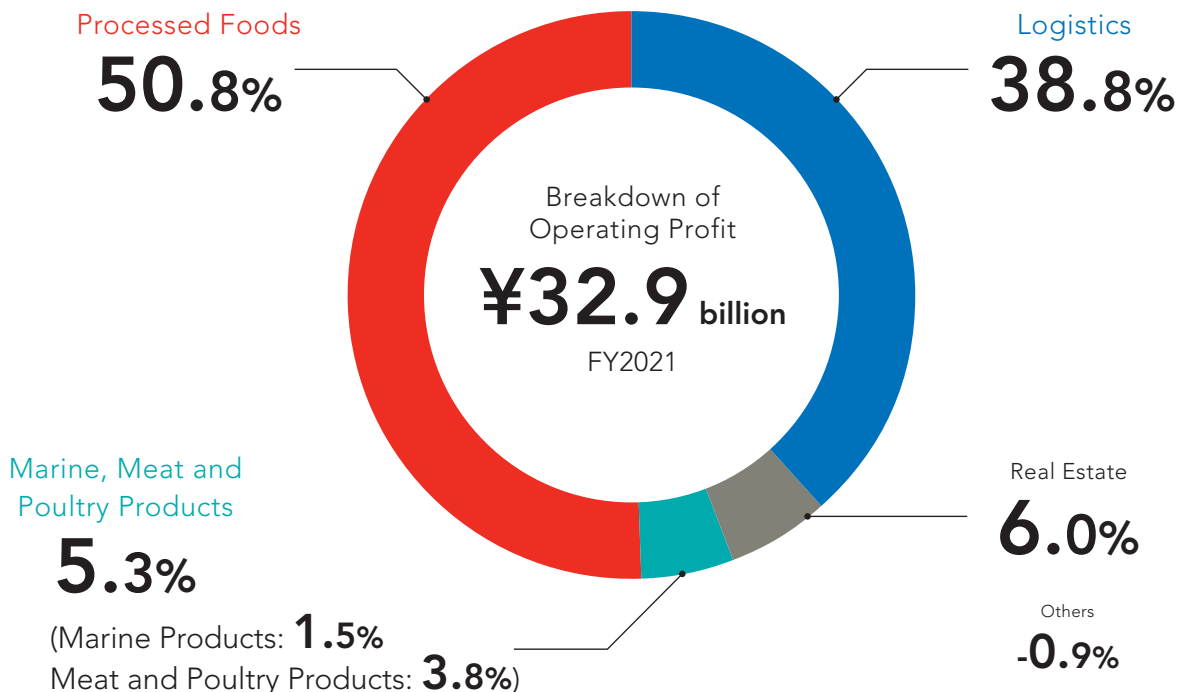
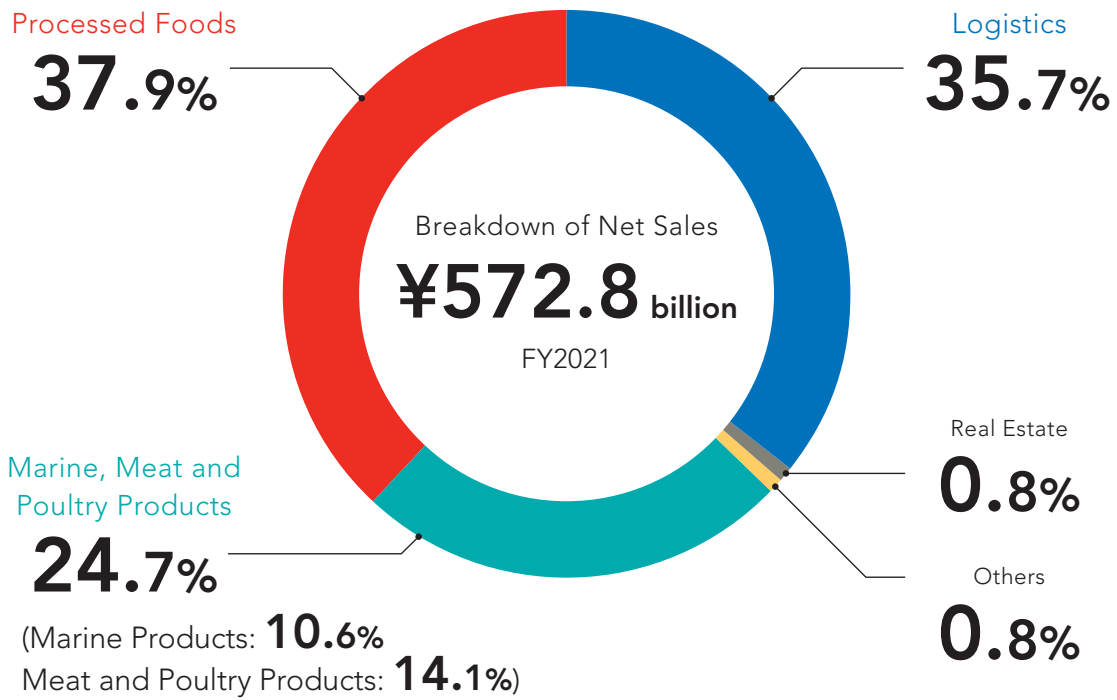
### 1988

#### Launched Logistics Business in Europe

The rollout of our logistics business in Europe started with the acquisition of a cold storage company in the Netherlands. Based on the know-how we have cultivated in Japan, we have rolled out our logistics business in China, Thailand and Malaysia as we spread the quality of Japanese logistics around the world.

# Business Overview

The Nichirei Group conducts business in areas including marine, meat and poultry products; bioscience; and real estate. Its main focus, however, is on processed foods and temperature-controlled logistics. Under a holding company responsible for overall Group strategy, each operating company aims to create new value for customers through flexible business operations in order to raise corporate value over the medium to long term.



Note: Amounts are rounded to the nearest hundred million yen, and percentages are rounded to the first decimal place.



Processed Foods

**Nichirei Foods Inc.**

By intimately following the way people live, we contribute to the realization of a healthy and abundant society through food that is characterized by seven basic values: delicious; healthy; enjoyable to eat; safe; simple and convenient to prepare; readily available; and reasonably priced. We will continue to refine our distinctive abilities and create superb value through frozen foods, retort pouch foods and wellness foods, in order to become the most trusted food company in the world.



Marine, Meat and Poultry Products

**Nichirei Fresh Inc.**

In promoting the development of premium marine, meat and poultry products we utilize our global procurement abilities and emphasize freshness, deliciousness, safety, security, health and eco-friendliness. We also keep sustainability in mind, paying attention to resources and the environment while aiming to create better value for consumers.

**Real Estate  
Nichirei Corporation  
(Holding Company)**

As the holding company for the Nichirei Group, Nichirei Corporation aims to maximize corporate value by promoting organizational management. It carries out the functions of management planning, monitoring and fund procurement for the entire Group, as well as management support for each operating company. It also operates a real estate business to make effective use of Group-owned land and other assets.



Temperature-controlled Logistics

**Nichirei Logistics Group Inc.**

We are the largest domestic logistics group. Our business comprises a logistics network, focused on third-party logistics, transportation and delivery; regional storage businesses providing storage and delivery services that are deeply rooted in their local areas; an overseas business that handles operations in Europe, China, Thailand and Malaysia; and engineering services, which handle matters from logistics facility planning and design to maintenance management. Throughout our supply chain we provide high-quality service.



Bioscience

**Nichirei Biosciences Inc.**

By making best use of biotechnologies to conduct business in the three fields of molecular diagnostics, rapid diagnostics and biomedical materials, we are able to contribute to the physical and mental health of a large number of people. We provide high-quality products and services with the aim of becoming a technology-oriented company with outstanding expertise.

# Nichirei by the Numbers

Our core business is built on cooling power: the ability to ensure the long-term storage of food and, at the same time, preserve the original quality of the raw ingredients used.

This has enabled us to make Japan's eating habits even better, and to meet the expectations and earn the trust of society as we seek further growth.

## Processed Foods

### Sales of Household-use and Commercial-use Frozen Foods

**No.1**  
in Japan

Sales Ranking of Frozen Food Manufacturers (FY2021)

Ranking	Company	Net Sales (Billions of yen)
1	Nichirei	220.2
2	Company A	198.2
3	Company B	193.9
4	Company C	174.5
5	Company D	99.1

Source: From an August 3, 2021 article in *Reishoku Nippo*, which is published by Shokuhin Sangyo Shimbunsha Co., Ltd.



### Long-selling Household-use Frozen Foods

**Obento-ni Good!**  
**Mini Hamburg**  
(hamburger steak)

**52** years



**Obento-ni Good!**  
**Karaage Chicken**  
(fried chicken)

**33** years



**Honkaku-Itame**  
**Cha-Han**  
(fried rice)

**20** years



## Temperature-controlled Logistics

### Refrigerated Warehouse Storage Capacity

**No.1**  
Industry Share in Japan

Japan: Top Five Refrigerated Warehouse Companies' Share of Total Facility Capacity

Ranking	Company/Group Name	Capacity (Thousands of tons)	Share of Total Capacity (%)
1	Nichirei Logistics Group	1,494	9%
2	Yokohama Reito	884	5%
3	Maruha-Nichiro Logistics	627	4%
4	Toyo Suisan Kaisha	571	4%
5	Chilled & Frozen Logistics Holdings	501	3%

Source: Compiled by Nichirei based on Japan Association of Refrigerated Warehouses materials (As of April 2020)



### Refrigerated Warehouse Capacity

**1,494**  
thousand tons

Global: Top Ten Refrigerated Warehouse Companies' Share of Total Facility Capacity

Ranking	Company Name	Capacity (Thousands of tons)	Main Country of Business
1	Lineage Logistics	20,265	USA
2	Americold Logistics	12,571	USA
3	United States Cold Storage	4,236	USA
4	AGRO Merchants Group, LLC	2,746	USA
5	NewCold Advanced Cold Logistics	2,204	USA
6	Nichirei Logistics Group Inc.	2,074	Japan
7	Kloosterboer	1,939	USA
8	VersaCold Logistics Services	1,393	Canada
9	Interstate Warehousing, Inc.	1,311	USA
10	Frialsa Frigorificos	1,158	Mexico

Source: Compiled by Nichirei based on the International Association of Refrigerated Warehouses' Global Top 25 List (As of July 2020)

### Domestic and Overseas Vehicles in Operation

**Approximately**  
**8,000**

## Marine, Meat and Poultry Products

### Number of Countries and Regions for Food Procurement

More than **30**



# Value Creation Process

## INPUT

Note: Data as of March 31, 2021



### Financial Capital

- Total assets.....  
**¥405.7** billion
- Equity ratio.....  
**50.1%**
- Free cash flow (before dividends).....  
**¥13.2** billion



### Manufactured Capital

- Production facilities.....  
**24** domestic factories,  
**6** overseas factories
- Refrigerated warehouse storage capacity.....  
**1,515** thousand tons domestically,  
**554** thousand tons overseas



### Intellectual Capital

- Production expertise
- Technological strengths in cooking and processing
- Logistics expertise
- Brand strength



### Human Capital

- Number of employees (consolidated).....**15,383**
- Expert human resources
- Average length of service.....  
(males) **17.3** years /  
(females) **15.4** years



### Social and Relationship Capital

- Sales network
- Logistics network
- Donations to social causes (FY2021).....  
**¥340** million



### Natural Capital

- Global procurement network for agricultural, meat, poultry and marine products.....  
More than  
**30** countries



## Business Activities ▶ Pages 44-57

## Business Model and Advantages from Comprehensive Group Strength

▶ Pages.24-25

Processed Foods Business

Temperature-controlled Logistics Business

Medium-term Business Plan WeWill 2021

Marine, Meat and Poultry Products Business

Bioscience Business

## External Environment

- Climate change
  - Food loss and waste
  - Health consciousness
  - Decrease in Japan's population
- etc.

Manufacturing that uses the Earth's bounty, and superior logistics services

Procurement

Processing/  
Production

Sales

Storage/Distribution

The Nichirei Group utilizes the capital it has accumulated since its founding to provide frozen foods for household and commercial use and raw materials from fisheries and livestock, as well as to conduct businesses that support eating habits, such as temperature-controlled logistics for food storage and delivery.

We use the comprehensive strengths of the Group to link our business activities and resolve social issues. This generates profit, which we then invest in strengthening our business foundation, which in turn creates new value.



—OUTPUT—

Creation of new markets and customer value

Help resolve social issues and improve profitability through competitive advantages

Sustainable food procurement

—OUTCOME—

Vision for 2030

Contribute to people's good eating habits and health

Realization of a recycling-oriented society

Climate change countermeasures and energy reduction

Securing and developing diverse human resources (diversity and inclusion)

Creating value in food and health

Strengthening food processing and production technology capabilities; enhancing logistics services

Material Matters ▶Pages 12-13

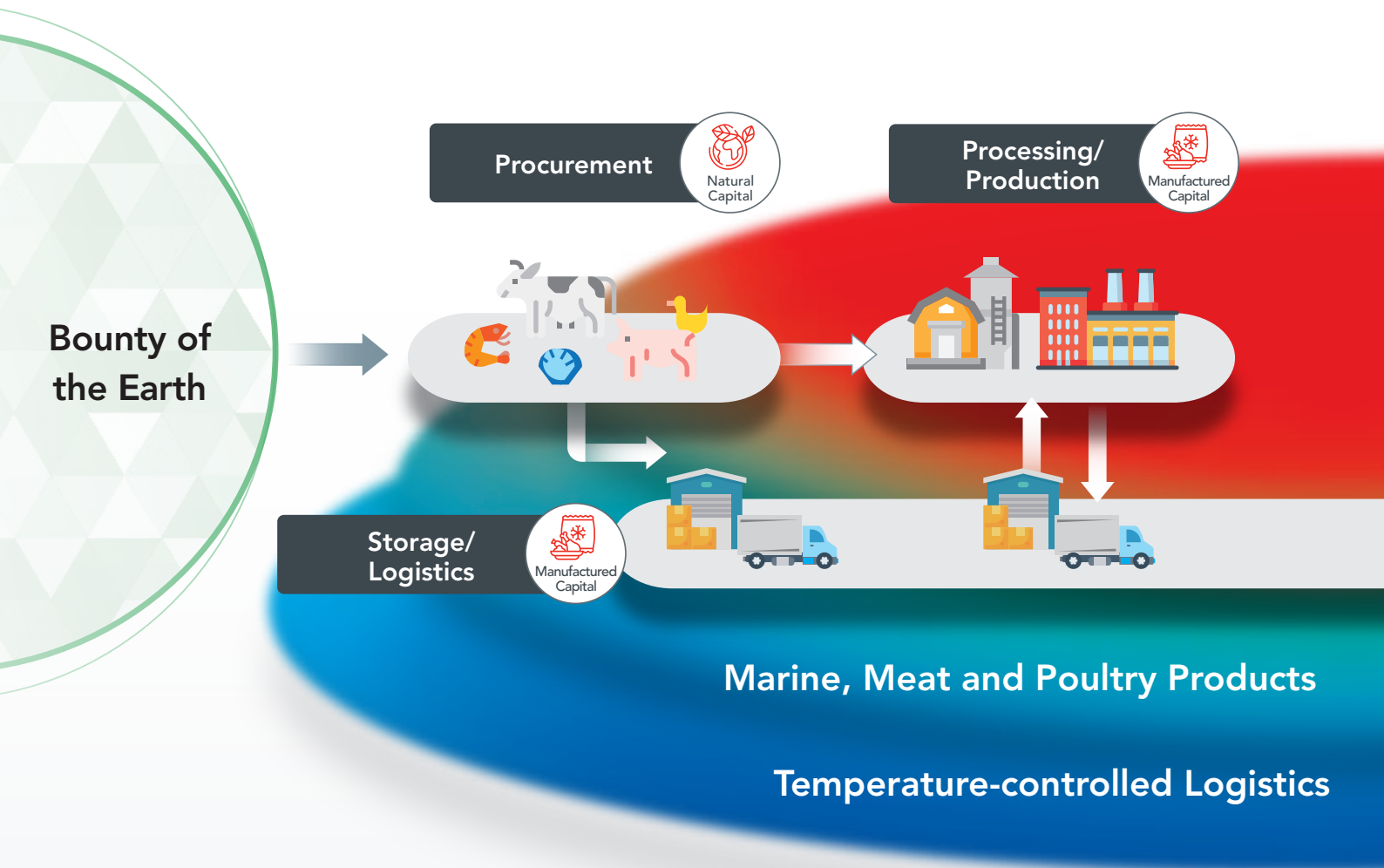
Value Created

Realizing sustainable food procurement and a recycling-oriented society

Climate change initiatives

Securing and developing a diverse array of human resources

# Nichirei's Business Model and Advantages



## Advantages from Comprehensive

### Unique ingredients procurement network

Global sourcing of high-quality ingredients that meet Nichirei's standards

Long-standing relationships of trust with suppliers

Livestock feeding/crop cultivation management under long-term contracts

Traceability that makes the procurement process clear

### Japan's leading advanced temperature-controlled logistics

Maximizing storage and transportation capabilities to provide optimal logistics services tailored to customer needs

Largest refrigerated warehouse storage capacity in Japan

Optimal location of bases to connect logistics hubs, production areas and consumption areas

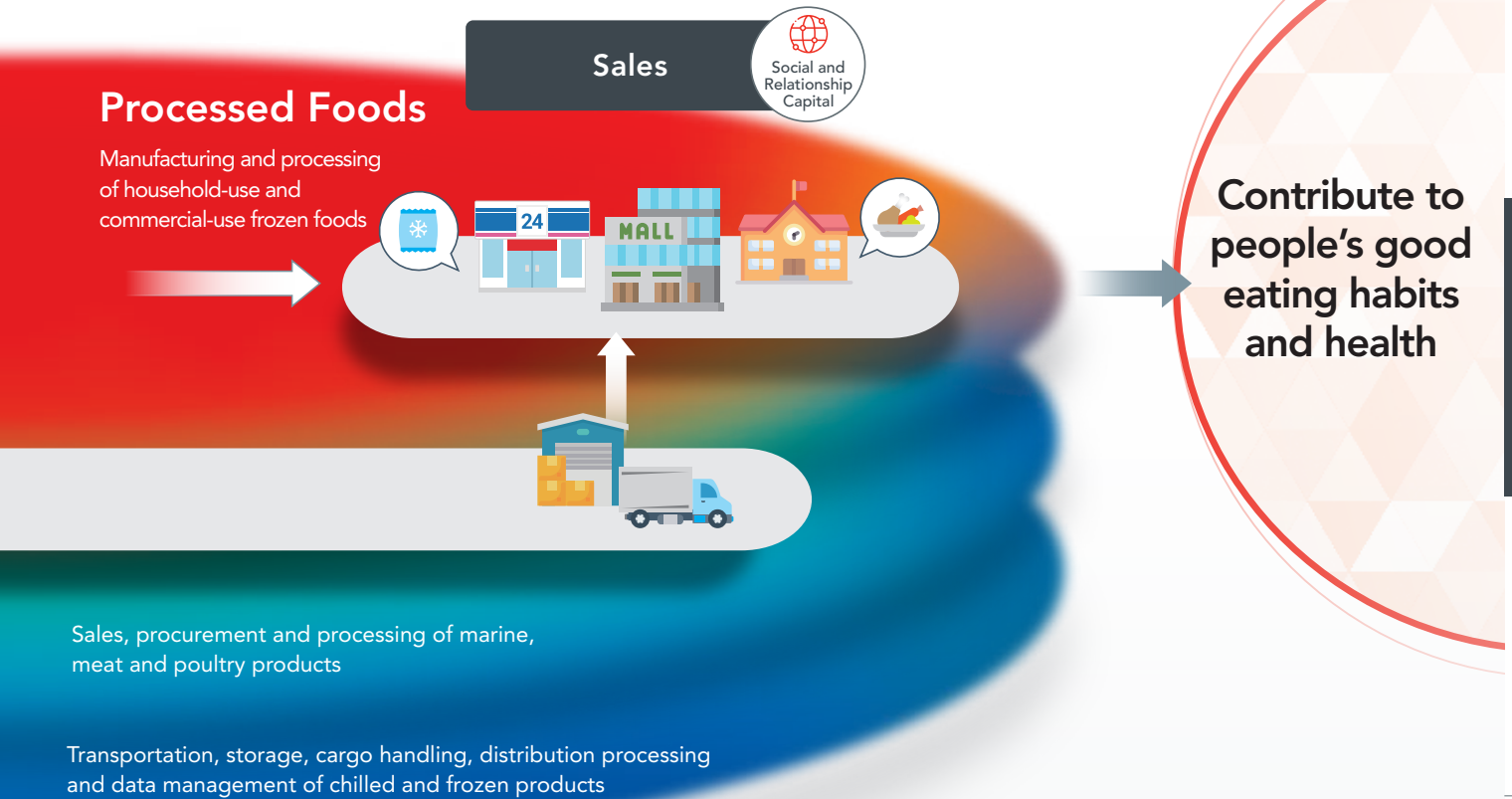
Operating capacity of 8,000 trucks per day

Total logistics that proposes and operates optimal systems

**Human resources with high-level**

The Nichirei Group meets the needs of its diverse customers through operations spanning a wide range of fields from food procurement to processing, logistics and sales.

Since our establishment, we have utilized the comprehensive strengths of the functions we possess as a Group to develop businesses in new areas and achieve sustainable growth while adapting to changes in society, the environment and economic conditions.



Management Strategy

Value Creation Story

Financial Strategy

Business Strategy

Initiatives for Achieving a Sustainable Society

Data

# Group Strengths

## Know-how to provide optimal processing

Meeting customer needs by combining high-quality ingredients and optimum processing

Providing products that have been optimally processed based on a thorough knowledge of ingredients

Development capabilities for reproducing the flavor and deliciousness of meals made by professional chefs

Quality assurance that enhances safety and reliability

## Ability to handle a wide range of customers and business types

Meeting customer needs and providing convenience through services and responses tailored to diverse customer bases and business types

- Fresh seafood shops/ Butcher shops
- Hotels
- Highway service areas
- Convenience stores
- Hospitals
- *Kaiten-zushi* (conveyor-belt sushi) shops
- *Izakayas* (Japanese style pubs)
- Fast food restaurants
- School lunches
- Nursing facilities
- Family-style restaurants
- *Bento* (boxed lunch) shops
- Drug stores
- Supermarkets (seafood, meat and poultry, delicatessen, frozen food, retort pouch and dry foods sections)
- Employee cafeterias
- Online sales
- Food co-operatives etc.

expertise and experience





Helping to Resolve Social Issues through Our Business 1

# Providing New Value in Frozen Food Reproducing the Flavor of Meals *Honkaku-Itame Cha-Han*

## Social Issues

- ▶ Demand for authenticity as eating habits diversify
- ▶ Increase in elderly and single-person households

In the 1990s, food options increased in Japan with the expansion of the convenience store, delicatessen, family-style restaurant and other outlet markets.

As eating habits diversified, demand for products with a more authentic taste began to appear in the early 2000s. In addition, the increasing number of elderly and single-person households spurred needs for meals that were convenient and easy to prepare.

*Honkaku-Itame Cha-Han* (fried rice) was launched in spring 2001 to address this demand. It was a runaway hit, offering the deliciousness and texture of fried rice from a Chinese restaurant at home just by heating it in a microwave. Since then, we have made ongoing improvements to keep customers smiling.

## Advantages

### Advantage 1

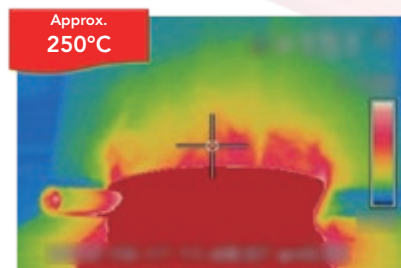
#### In-house Development of a Cooking Line That Reproduces the Processes of Professional Chefs

Before the launch of *Honkaku-Itame Cha-Han* in spring 2001, frozen fried rice was closer to boiled rice with flavoring mixed in than to actual fried rice. To provide authentic taste, Nichirei Foods observed how fried rice was cooked at well-known restaurants, learning about the temperature and time required for heating the oil, when to add eggs, and other considerations. At a time when it was considered impossible to fry rice in large volumes, we perfected a unique frying process that incorporated the skills of professional chefs into a mass production line.

### Advantage 2

#### Major Renewal for a Three-stage Stir-fry Manufacturing Method in 2015

To further refine the deliciousness of *Honkaku-Itame Cha-Han*, which had been extremely popular since its launch, in 2015 Nichirei Foods invested about ¥3 billion to establish a three-stage stir-fry manufacturing method. In the first stage, the rice is coated with eggs. In the second stage, excess moisture is removed with a blast of hot air at 250°C or higher, the same temperature as a professional chef's wok when stir-frying, and in the third stage, the final frying is completed. This new process enhanced the deliciousness of *Honkaku-Itame Cha-Han*.



# ods through Development Capabilities for Made by Professional Chefs

## Advantage 3

### Commitment to Raw Material Quality

We use 100% first-class rice from Hokkaido for the main ingredient of *Honkaku-Itame Cha-Han*.

First-class rice has fewer cracked hulls, is less sticky when cooked, and has a non-sticky texture even when prepared in a microwave. It also features uniform-sized grains that enable more even application of seasonings.



Select first-class rice grown in Hokkaido

## Value Provided

Supporting good eating habits in Japan with frozen food that applies the skills of professional chefs





# Helping to Reduce Traffic Congestion Innovative Logistics System Cross-Docking Business

## Social Issues

- ▶ **Diversification of logistics needs due to structural changes in the retail industry**
- ▶ **Strong public demand for reducing traffic congestion and CO<sub>2</sub> emissions**
- ▶ **Need to reduce logistics costs and workloads at stores**

In the 1980s, a drastic structural transformation occurred in Japan's retail industry, including the rapid rise of supermarkets and other retail chains, as the population became more concentrated in cities and car ownership increased. This brought about major changes in logistics needs, such as requirements for sorting for just-in-time delivery and stronger management of cargo freshness.

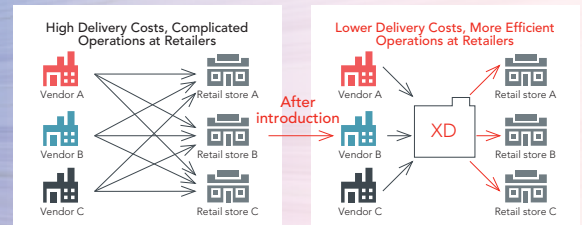
In addition, spurred by the first environmental summit held in France in 1989, noise, CO<sub>2</sub> emissions and traffic congestion due to trucks came to be recognized as major issues, with strong calls to the logistics industry for greater efficiency.

## Initiatives

### Initiative 1

#### Establishing Cross-Docking (XD) Centers in Line with the Structural Transformation of the Retail Industry

The greater prevalence of retail and restaurant chains from the 1980s rapidly increased the frequency of warehouse loading, unloading, transportation and delivery. Therefore, Nichirei Logistics Group established a new logistics system using cross-docking centers for rapid sorting and delivery of products without storage. In 1993, we began full-scale commercialization of the XD business tailored to a variety of business types including general merchandise stores, supermarkets, convenience stores and restaurant chains.



### Initiative 2

#### Reducing Both Costs and CO<sub>2</sub> Emissions through Optimized Logistics

Nichirei Logistics Group's XD business delivers products to various retail stores and restaurants, mainly the three perishables—produce, meat and seafood—and chilled foods. XD centers function as relay points to enable small lot deliveries with substantially fewer routes than conventional deliveries from manufacturers and wholesalers to each store. Because fewer trucks are used, this method not only reduces logistics costs, but also contributes significantly to reducing CO<sub>2</sub> emissions and traffic congestion.

# tion and CO<sub>2</sub> Emissions by Introducing an

## Initiative 3

### Supporting Deliveries to Food Retailers in Train Stations and Department Store Food Floors

Today, our approximately 40 XD centers provide optimized logistics services customized to each customer 24 hours a day, 365 days a year. We also handle outsourced deliveries to commercial spaces inside train stations and food floors in department stores.

In addition, delivery by category and inventory item using the minimum number of trucks has the benefit of making it easy for stores to manage personnel for tasks such as checking and stocking shelves with incoming merchandise. This enables stores to use the staff hours saved for customer service.

## Initiative 4

### Helping to Reduce Store Workloads with Our Process Center Function

Nichirei Logistics Group's XD business also operates a processing and packaging service called Process Centers. Process Centers provide rigorously temperature-controlled, one-stop services within a single XD Center ranging from processing meat, poultry and marine products to weighing, packing, packaging, labeling and delivery.

In addition to reducing workloads at stores, centralizing the processing work reduces the storage space required for inventory, thus enabling larger sales spaces.



## Value Provided

Helping to improve customer operating efficiency and reduce CO<sub>2</sub> emissions through total services that include sorting, delivery and distribution processing





Helping to Resolve Social Issues through Our Business **3**

# Procuring Food through a Sustain Cycle Project

## Junwakei Chicken

### Social Issues

- ▶ Improving Japan's self-sufficiency for animal proteins
- ▶ Improving Japan's self-sufficiency for animal feed
- ▶ Harmonious coexistence with local communities
- ▶ Biodiversity (sustainability of breeds)
- ▶ Sustainable food production

According to a 2018 survey, Japan's self-sufficiency rate for broilers (chickens used for meat) is relatively high at 64%. However, the self-sufficiency rate for pure Japanese broiler breeders (the parents) that have been selectively bred domestically from the grandparents is only about 1-2%, based on the number of chickens shipped. Avian flu, which has spread repeatedly in Japan and abroad in recent years, has the potential to halt the import of grandparent stock. If this happens, it could devastate the domestic chicken farming industry and cause chicken dishes to disappear from Japanese dining tables.

### Initiatives

#### Initiative 1

#### Born and Raised in Japan

In cooperation with an independent administrative agency in Hyogo Prefecture, we succeeded in breeding *Junwakei* chickens by crossing the *Koyuki* and *Benizakura* pure Japanese chicken breeds. Bred in Japan from grandparent stock, the *Junwakei* chicken brand was created for the domestic market for sustainable food self-sufficiency.



#### Initiative 2

#### A Method of Raising Chickens That Minimizes Their Stress

Using an up-to-date computer-based poultry management system, we strive to create a comfortable environment for our chickens. Since their brooding period is about 60 days, which is longer than other breeds, we take the time to raise them with care. That is why *Junwakei* chicken meat has the quality and deliciousness Japanese consumers demand, with tender, richly flavorful thigh meat and finely textured, soft and juicy breast meat.

Junwakei chicken Nichirei Fresh <https://www.nichireifresh.co.jp/news/detail/?id=1333> (Japanese only)

Reference : Specific Japanese Agricultural Standards (JAS) certification for sustainability for chicken meat and eggs

[https://www.maff.go.jp/j/jas/jas\\_kikaku/prdouga.html](https://www.maff.go.jp/j/jas/jas_kikaku/prdouga.html) (Japanese only)



# Sustainable Regional Agricultural and Livestock

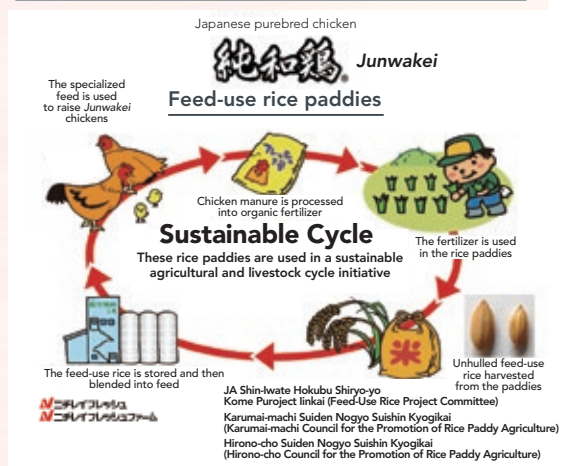
## Initiative 3

### Sustainable Production Cycle Project

Using a state-of-the-art high-speed biomass processing plant, we can produce organic fertilizer in about eight hours, rather than the three months or more required by our former fermentation-based composting method. Manure from *Junwakei* chickens is processed into organic fertilizer for use in cultivating the feed-use rice that is then used in their feed.

Most of the paddies we use to produce this feed-use rice are lying fallow due to rice production adjustments. The sustainable production cycle originating from *Junwakei* chicken is also helping to revitalize regional agriculture.

Sustainable Regional Agricultural and Livestock Cycle through *Junwakei* Chicken ▶ Page 71



## Initiative 4

### Traceability for Safety and Reliability

To deliver safe and reliable chicken to consumers, every aspect from receipt of chicks to poultry farming records and management of vaccines and other drugs is conducted under a strict program. This enables traceability by lot back through the genealogy to foundation stock.

## Value Provided

Providing chicken meat with consideration for resource recycling, food sustainability and animal welfare



First Specific Japanese Agricultural Standards (JAS) certification given to a poultry product for sustainability

Introductory video on Specific JAS sustainable chickens and eggs (Japanese only)





Helping to Resolve Social Issues through Our Business **4**

# Sustainable Procurement That Contributes to the Growth of the Acerola Business

## Social Issues

- ▶ **Poverty**
- ▶ **Educational issues**
- ▶ **Agriculture that takes the local environment into consideration**
- ▶ **Nutrition and health of local residents**

Acerola, which has a strong antioxidant effect, is attracting renewed attention as a superfood rich in vitamin C. With the spread of the “clean label” movement to keep foods as additive-free as possible, acerola is being used as an alternative to synthetic vitamin C, which is an antioxidant. However, acerola fruit is very delicate and after being harvested can only be kept fresh for two to three days at room temperature. Nichirei Foods therefore utilizes the freezing technology it has cultivated to provide acerola without loss of the fruit or its vitamin C.

Poverty and educational issues are notable in Brazil, which is our main production area. Nichirei Foods’ acerola business helps create jobs for local residents.

## Initiatives

### Initiative 1

#### A Pioneer in the Acerola Business

Nichirei was one of the first companies to introduce acerola to Japan, with the launch of an acerola drink in 1986. In 1990, we made a full-scale start into this business of using acerola as a raw material, and in 1991 we established a subsidiary in Brazil, Nichirei do Brasil Agrícola Ltda. (“Niagro”), to conduct this business.

### Initiative 2

#### Building Relationships of Trust with Contract Farmers

Niagro distributes free seedlings to contract farmers, and its employees personally provide guidance for stable cultivation and harvesting of high-quality fruit. Moreover, Niagro purchases the entire crop, generating stable income for contract farmers and improving their cultivation skills. Through this initiative, Nichirei Foods provides a stable supply of high-quality products to customers worldwide.



# tributes to Local Community Development

### Initiative 3

#### Contributing to the Region

Niagro provides acerola puree and juice to local residents. Measures to support school operations include providing acerola juice once per week to schools attended by children from poor households and repairing school equipment. Niagro also creates employment through student internships.



### Initiative 4

#### Consideration for the Environment

We also conduct eco-friendly initiatives, which we consider the duty of a company that operates a business based on acerola, part of nature's bounty. We utilize the pomace (the pulpy residue left over from the processing stage) as feed for livestock, and we are collaborating with Kindai University on the development of Acerolaburi for use as feed for farmed yellowtail (*buri*). In addition, water used to wash the fruit and water extracted from the fruit when making concentrated juice is returned to rivers after microbial treatment.

### Value Provided

Creating “clean label” products by providing vitamin C derived from acerola fruit and contributing to the economy of the production area



In the 2021 sustainability assessment by EcoVadis of France, Niagro received a gold rating, placing in the top 5% of all companies assessed.

Nichirei do Brasil Agricola Ltda. ("Niagro")  
Receives Gold Rating in EcoVadis Sustainability Assessment (2021) ▶ Page 47

# Creating New Value



**We are establishing a mechanism in Nichirei for instilling a mindset of value creation. By promoting this mechanism, we will work to create new markets and customer value.**

## **Junji Kawasaki**

Director, Executive Officer  
Supervising Quality Assurance and  
Business Innovation  
General Manager of Technology Management

## **The New Value Creation the Nichirei Group Is Working Toward**

I would like to begin by looking back over Nichirei's history of innovation. Nippon Reizo, which is Nichirei's former name, was established at the end of World War II, in 1945. Its predecessor was Teikoku Marine Products Control Company, which the Japanese government created in 1942. We made a new start as a private company with the aim of delivering a stable supply of fresh foods and ingredients to people who were suffering from the postwar food shortage. Our next major turning point was around 1960, when we began selling frozen foods that had been pre-processed to a limited degree. Thus, we began helping to eliminate the various inadequacies of at-home food preparation: the inconveniences, impossibilities, insufficiencies and dissatisfactions. Even before the establishment of a cold chain logistics network encompassing food freezing methods and distribution, Nichirei has consistently taken on new challenges aimed at helping eliminate society's challenges and inadequacies using its own technologies.

Now that today's society has secured the amount of food and water necessary for life and there are no obvious inadequacies, it has become harder to discern peoples' desires, and what they consider "inadequacy" to be. Nevertheless, it is possible to innovate even in an era of diversifying values. To make a croquette that offers the taste and texture of freshly fried food without using oil, we prepared a seemingly countless series of prototypes using multiple microwave ovens with different specifications made by various manufacturers. The result was a blockbuster product. Later products such as *Honkaku-Itame Cha-Han* (fried rice) were also the result of our employees' persistence in resolving the issues customers face. These products were the outcome of Nichirei employees' steady and ceaseless pursuit of their goals, over and over again. I believe that is what innovation is.

The word "innovation" means different things to different people. Some think it entails developing new technologies to do something unprecedented. However, given the various regulations and restrictions on food products in the Nichirei Group's main business areas, and numerous customers with conservative views, employees sometimes show little interest and are

### Conceptual Diagram of Innovation Management System (IMS)



#### Diagram Explanation

Innovation activities (identifying opportunities, creating and verifying concepts, developing and implementing solutions) are shown in the central red frame; uncertainty is reduced through hypothesis testing by rapid trial and error, back and forth, within the frame, leading to the creation of value. In addition, we aim to more smoothly promote these activities through organizational support. Human resource development, which we are focusing on at present, is an initiative related to the competence of the support system.

Source: ISO 56002 Innovation Management—Innovation Management System Guide  
 Note: The numbers in parentheses in the diagram indicate ISO 56002 chapter numbers.

disinclined to get involved when I mention the word. Therefore, at Nichirei, innovation refers not just to breakthroughs, but also to combining existing knowledge and resources to generate new economic and social value, either through changes in our core businesses (business models) or the creation of new businesses (new opportunities). In other words, we define innovation as delivering the value of new experiences to our customers, a concept we call “new value creation.”

### Progress of Initiatives

We believe that innovation, or new value creation, at Nichirei is not accomplished by specific individuals with superior skills, but rather generated by all Group employees. By establishing a foundation for everyone in the Group to take part in new value creation, we intend to add examples of new value created as an organization by increasing not only the number of employees who

come up with ideas and take on challenges as leaders, but also employees who support their efforts in various ways. This will require creating a corporate culture that fosters a spirit of taking on challenges throughout the Group. Therefore, the Nichirei Group is tackling new value creation as an organization. We will engage in ongoing communication, including messages from senior management, so that our employees understand and think about what we mean by new value creation. President Okushi and I communicate with employees on the Company intranet via streaming videos, some of which have had 1,000 or more views depending on the content. It is crucial that we present this new approach to Group employees and ensure that they understand it, and to provide specific examples so that they realize what their colleagues have accomplished. This process may not fit the definition of innovation as others understand it, but we intend to be steadfast in our efforts to create new value befitting Nichirei.

## Creating New Value

In FY2022, we also established two organizations in Nichirei Corporation, the Nichirei Group's holding company: one to set up the mechanism for our activities, and the other with an incubation function for full-scale commercialization of ideas with business potential. Our main reason for establishing these organizations in the holding company is that because the holding company is not in charge of business operations, it creates an environment where we can promptly and flexibly go through a trial-and-error process to test ideas free of the constraints of our existing businesses.

In setting up the mechanism for our activities, we referred to the ISO 56002 international standards for an innovation management system (IMS), which were issued in July 2019. ISO 56002 contains guidelines for encouraging organizations to innovate, but simply following those guidelines will not result in new value creation. I therefore want to ascertain the true nature of the Nichirei Group in order to create an IMS that is suitable for Nichirei and to see the mechanism through to fruition. In practical terms, we are now implementing two programs: an educational program and a commercialization program for putting that education into practice.

The educational program provides the skills necessary for engaging in innovation activities. Program participants learn about business model construction and design thinking,\* which is important for coming up with ideas from the customer's perspective. Participants also learn how to use a tool called Business Model Canvas (BMC) for business model construction, and because BMC can also be used to review and improve existing businesses, we encourage all employees to learn how to use it. When all employees can analyze and plan their businesses using the same tool, BMC becomes a shared Group language. New ideas are difficult to understand, but expressing them through BMC enables both those who propose ideas and those who support them to work together in studying the ideas, and then to identify and correct each other's misconceptions, which leads to the next idea. Even so, BMC is just a tool. The key point is deciding the themes to focus on in coming up with ideas. That is why the design thinking portion of the program teaches how to propose goods and services from the customer's point of view, and provides opportunities to come up with ideas while keeping in mind the inadequacies I mentioned earlier in talking about the commercialization program.

\* Essentially another way of describing our IMS, design thinking is a non-linear, iterative process that teams use to understand users, challenge assumptions, redefine problems and create innovative solutions to prototype and test. Design thinking involves five phases—empathize, define, ideate, prototype and test. It is most useful in tackling problems that are latent or ill-defined.



## Educational Program Results in FY2021 (Excerpt)

	Content	Frequency	Total Attendees
<b>Business Model Construction (Basic)</b>	Acquire basic knowledge of Business Model Canvas	12 sessions/year	177
<b>Business Model Construction (Applied)</b>	<ul style="list-style-type: none"> <li>• Study the business model patterns of successful companies</li> <li>• Foster thinking about business model innovation by applying it to one's own company</li> </ul>	4 sessions/year	66

We launched our educational program at the beginning of 2020 and it is now in its second year. With a total of just under 400 employees having taken the course to date, we have not yet reached our goal of having all employees take part. As we collect data on the impressions and proficiency levels of the employees who have already participated in the program, I would like to further enhance the content and recommend it to other employees. Going forward, we intend to make it a Group-wide human resources development program.

Our second program (launched in FY2021), the commercialization program, solicits ideas for creating new value in food and health from all Nichirei Group employees. FY2022 is the second year of implementation, but already, many ideas have been proposed by a wide range of employees, from young and mid-career to veteran staff. Themes taken up with the aim of commercialization go through two stages of verification, and employees remain in their current departments during the first stage. We plan to establish a personnel evaluation mechanism that includes consideration of participation in this program. The FY2021 program is now advancing into final verification toward commercialization. Assessments at milestones in each stage are being conducted using our unique KPIs.

Previously, there were no such opportunities for employees to propose their own ideas and engage in innovation activities without being restricted by existing businesses or their day-to-day work. Since starting this program in FY2021, I can say from first-hand experience that it has become a forum for employees wanting to take on new challenges to talk about their ideas and then put them into action. If successes emerge, I am confident that our corporate culture will change further.

Many Nichirei employees are passionate about food. My role is to provide them with opportunities to develop their enormous potential for the future of Nichirei.

## Future Developments

The Nichirei Group has made frequent attempts to create value in the past, but many projects have ended unsuccessfully. Before starting these programs, over a period of roughly three months in FY2020, we interviewed about 50 employees who had been involved in some 40 past projects in which they took on new challenges. For successful projects, we asked participants why they went well, and for projects that were discontinued partway, we asked why they did not. In this way, we identified the strong and weak points of innovation activities at Nichirei, enabling us to start with an understanding of Nichirei's true nature. Based on this, by considering the likely pitfalls, we are creating a mechanism that will increase the success rate.

The Nichirei Group's long-term management goals toward 2030 state that "the Company will promote innovation to create new value that solves the problems of customers and society." Creating new value through innovation will also play a large part in achieving our target of ¥1 trillion in net sales in 2030. I want our Group to make united efforts in support of the enthusiasm of employees who have chosen to take on challenges to create new value toward 2030. By cultivating a Group corporate culture in which enthusiastic employees do not hesitate to take on such challenges, we will address social change to offer value that society and consumers demand in a way that only Nichirei can.

# Strategy and Resource Allocation



**We will conduct effective strategies to enhance our corporate value.**

## **Takumi Taguchi**

Director, Executive Officer  
Supervising Corporate Internal Audit, Business Management, Strategic Planning, IT Planning, Legal Affairs, Human Resources Strategy & General Affairs, Finance, Accounting & Tax and Group Communication

## **Performance in FY2021**

My responsibility in increasing Nichirei's economic and social value is to objectively analyze the Group's competitiveness, formulate a management strategy from business strategies based on that analysis, and reflect that management strategy in our budget and other quantitative plans. Aside from creating plans, I am also aware of the need to consider the kind of corporate organization we should create to enable us to successfully implement those plans.

In FY2021, Group sales decreased compared with the previous fiscal year due to the impact of the COVID-19 pandemic. However, even though we incurred depreciation expenses from capital expenditures for future growth and for bolstering our business foundation, consolidated profit increased year on year, exceeding our initial plan. Factors contributing to this result were the enhancements to our customer base we have been making, cutbacks in expenses, and our promotion of greater operating efficiency. In the processed foods business, although demand has fallen for commercial-use frozen foods for food service and other sectors due to the pandemic, sales of household-use frozen foods were strong as we accurately captured growing demand and diversifying needs. Overall, the business was able to maintain a balance even when the state of emergency restricted people's movements and contacts.

In the temperature-controlled logistics business, as rising electricity charges, higher personnel expenses due to a labor shortage and other factors drive costs up, the integration of our storage and transportation operations has improved profitability and enables us to provide high-quality services to customers. Logistics is not simply transporting cargo; providing a variety of incidental services is crucial. For example, our cross-docking (XD) business collects goods from each manufacturer in a batch, then sorts and transports them to individual stores, so manufacturers do not have to ship to each store as they used to. Such steady efforts to maintain businesses that are useful to all have improved the Nichirei Group's ability to generate cash.



## FY2021 Consolidated Results

Capital Efficiency		Growth	
ROE	<b>10.9%</b>	Net sales	<b>¥572,757 million</b>
REP <sup>1</sup>	<b>¥10,167 million</b>	EBITDA	<b>¥52,618 million</b>
Financial Soundness		Shareholder Returns	
D/E ratio	<b>0.5 times</b>	DOE <sup>2</sup>	<b>3.4%</b> Annual dividends per share <b>¥50 per share</b>

Notes: 1. Retained Economic Profit. Our original indicator showing profit after deduction of capital costs.

2. Dividend on equity ratio

## Planned Capital Expenditures in the Final Year of our Medium-term Business Plan WeWill 2021

Our current medium-term business plan forecasts around ¥40 billion per year in cash from operating activities for approximately ¥120 billion over the three-year period. Approximately ¥100 billion of this amount is to be allocated to capital expenditures (50% for growth investments; 30% for infrastructure enhancement, business innovation and new development; and 20% for rationalization and maintenance), and approximately ¥20 billion for investments and loans, including shareholder returns and funding. As of the end of the plan's second year, capital expenditures totaled ¥65 billion.

We may appear to have fallen slightly behind our initial plan in FY2021 due to revisions to our investments in response to the conditions caused by the COVID-19 pandemic. However, we have changed the details and reordered the priorities of the aforementioned capital expenditure categories, enabling us to incorporate items

that had been slated for the next medium-term business plan into our FY2022 plans. With planned capital expenditures for FY2022 exceeding our record high of ¥40 billion for a single year, the total amount for the three-year period from FY2020 to FY2022 is set to be generally in line with our initial plan.

Capital expenditures in FY2022 include projects with the "new normal" and overseas expansion in mind, centered as before on the processed food and logistics businesses. Capital expenditures in the processed food business will total ¥18.9 billion, consisting mainly of construction of a new production facility for innovative products, expansion of production lines for main categories, upgrades to make equipment eco-friendly and upgrades of aging equipment. Capital expenditures in the logistics business will total ¥19.8 billion, primarily for the addition of refrigerated warehouses in Europe and bolstering of the business foundation, including digitalization of warehouse operations.

## Strategy and Resource Allocation

### Shareholder Returns and Capital Efficiency

Dividends are our foremost priority in providing returns to shareholders. We use the consolidated dividend on equity ratio (DOE) as our yardstick for stable annual dividend increases as we accumulate profits in shareholders' equity. Stock buybacks are another measure for providing returns to shareholders, but we have not conducted one since FY2018, because we have been prioritizing the allocation of cash to investments for growth and infrastructure enhancement.

The consolidated balance sheet as of March 31, 2021 shows a debt-to-equity ratio (D/E ratio) below 0.5, which would normally indicate our capacity to take on a bit more leverage. However, as mentioned previously, planned capital expenditures for FY2022 will exceed ¥40 billion. We also expect to use M&A and alliances to expand overseas operations and create new businesses. To maintain a financial position that allows us to raise funds flexibly for such purposes, we intend to maintain a single A flat credit rating for long-term debt.

Regarding capital costs, we are aware that cost of equity capital is 6-7% for the market overall. We use Retained Economic Profit (REP), an original indicator obtained by subtracting capital costs from net operating profit after tax (NOPAT), as one of our key performance

indicators. We calculate REP for the Group and for each business. Moreover, we have been able to maintain the current medium-term business plan target for ROE of 10% or higher. In the next plan we intend to introduce KPIs that contribute to capital efficiency, such as return on invested capital (ROIC), to enhance management of our business portfolio.

### Current Initiatives and Future Issues in Overseas Operations

Each of our businesses has leveraged its strengths to expand overseas independently, and overseas sales are currently approximately ¥80 billion, based on frozen food sales in North America and storage, transportation and delivery in Europe. We are aiming for ¥300 billion in FY2031, but I think that will be quite difficult to achieve through organic growth alone. M&A and alliances are effective means to achieve this target, but they are limited by the absence of intra-Group synergy at each location.

We have a processing base in Vietnam for marine products, which are shipped to Japan for sale. Since demand for marine products is growing worldwide, we should also be able to expand sales in other countries and regions. In Europe, many frozen foods are more like ingredients than finished products, and there are companies there that make a business of finding



ingredient sources and selling those ingredients under different brand names by country or region.

There are countries and regions where there is still room for growth in the field of food and health. We consider it a management task to integrate the core competencies we have cultivated in food processing and production and logistics to create a business model that helps to resolve social issues from a global perspective. If we can do that, our overseas businesses should continue to roll out profitably.

## Financial and Non-financial KPIs for Management

For financial KPIs, the current medium-term business plan emphasizes EBITDA for profit growth and ROE for capital efficiency. We have set EBITDA as an indicator to monitor whether increasing the allocation of resources to investments for growth and other capital expenditures is leading to the generation of cash. Evaluation of directors and executive officers for performance-linked compensation consists of three indicators: net sales, EBITDA and REP. We disclose targets (performance forecasts) and results by segment for each of these items, with degree of achievement of the EBITDA target given the highest weighting.

As for non-financial KPIs, in 2020 we identified five material matters for achieving our long-term management goals toward 2030, and in 2021 we set Group targets (measures and KPIs) for each material matter. Going forward, we will work together with our businesses to formulate and monitor specific action plans to achieve the Group targets. For instance, we will establish action plans for each three-year medium-term business plan period as a way of setting objectives.

Among these material matters, I believe that “Creating value in food and health” and “Strengthening food processing and production technology capabilities; enhancing logistics services” will drive growth for the Group. Various non-financial assets are linked to food and logistics, which are the two cornerstones of our business, and one such asset is human resources. For the material matter “Securing and developing diverse human resources,” we have set Group KPIs that reflect the commitment of top management to double our investment in human resource development, increase

the targeted ratio of female officers and managers, and achieve diversity among our core talent.

Nichirei Group employees have gained a reputation outside the Group for being truly earnest and straightforward. I am very happy about that, but I feel that they have not yet been able to fully display their outstanding qualities at an individual level. To bring those qualities to the fore, we have established an innovation management system and have started initiatives to provide wide-ranging employee training that promotes thinking about creating new economic and social value.

## Enhancing Corporate Value Going Forward

I stated earlier that dividends are our foremost priority in providing shareholder returns. We will continue to pay stable dividends with DOE as our yardstick and expect to buy back Company shares while considering the balance between our debt rating and capital efficiency. Shareholders also expect an increase in corporate value in terms of stock price. Until now, the focus has been on financial indicators such as profit growth, but attention to ESG has recently picked up, with particular emphasis on initiatives for the environment (E) and society (S). The issues for Nichirei are what the effects will be of incorporating these elements into our business model and how we can develop them into businesses.

Moreover, I believe that such initiatives will positively impact capital costs. Stock prices will reflect not only the elements specified in corporate finance theory such as leverage, but also sustainability and ESG, and the results will be linked to the cost of capital. Increasing our reputation for ESG will also raise public awareness of the Nichirei brand, positively affecting the engagement of Nichirei Group employees.

In conclusion, enhancing corporate value will require the creation of a corporate culture in which each of our four operating companies can create value by sharing the extensive know-how they have generated through their diversity. I intend to continue working to deploy Group synergy as we increase the value of our four operating companies.

# Medium-term Business Plan WeWill 2021

In an increasingly unstable global economy, continuing volatility is expected in exchange rates, raw material prices and energy costs. In Japan, as a labor shortage drives up various costs, greater diversification of consumer behavior is expected due to changes in household composition and lifestyles.

Under this medium-term business plan, we are making capital expenditures for growth and infrastructure enhancement, mainly in the processed foods and temperature-controlled logistics businesses, while maintaining an accurate understanding of the changing business environment. By doing so, we aim to realize sustainable profit growth and create new value that supports good eating habits and health.

### General Strategy

1. Realize sustainable profit growth
2. Improve capital efficiency and expand shareholder returns
3. Create new value that supports eating habits and health

### Investment strategy

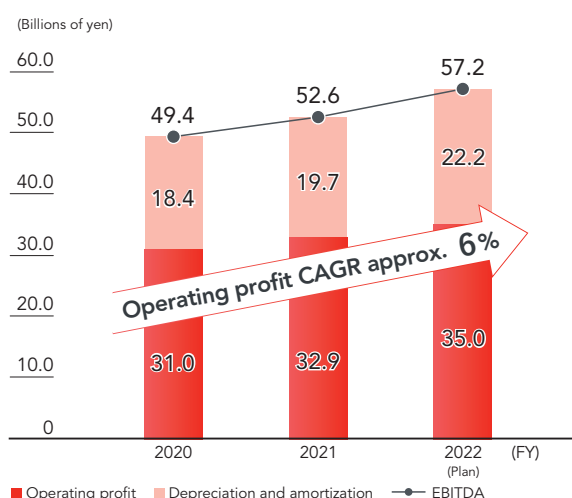
1. Proactive capital investment to enhance competitiveness
2. Strengthen initiatives from a long-term perspective

### Financial strategy

1. Improve financial soundness
2. Enhance shareholder returns

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Operating profit/Depreciation and amortization/EBITDA



Note: Fiscal years (FY) indicate years ended March 31.

## Consolidated Targets

Billions of Yen	FY2020 Result	FY2021 Result	FY2022 Plan	Year-on-Year Change	Growth Rate
Net sales	584.9	572.8	600.0	27.2	4.8%
Overseas sales incl. in above	79.7	76.9	77.3	0.4	0.5%
Operating profit	31.0	32.9	35.0	2.1	6.2%
Operating profit/Net sales	5.3%	5.8%	5.8%	0.0%	—
Profit	19.6	21.2	23.0	1.8	8.4%
EBITDA	49.4	52.6	57.2	4.6	8.7%
ROE	10.9%	10.9%	10% or higher	—	—
EPS	¥146.16	¥159.19	¥172.59	¥13.40	8.4%

## Progress of Main Measures

Main Measures	Progress over Two Years and Outlook
Increase profitability by strengthening the management base and reforming the business structure	<ul style="list-style-type: none"> <li>Continued earnings growth in mainstay processed food and logistics businesses amid a rapidly changing business environment</li> <li>Adapted to “new normal” and achieved expanded sales, leading to sustainable growth</li> <li>Improving earnings in marine products and bioscience remains an issue</li> </ul>
Accelerate expansion of overseas business	<ul style="list-style-type: none"> <li>Despite impact from COVID-19, results in the United States and Europe remain firm</li> <li>Expansion in overseas sales expected to fall short of plan</li> </ul>
Allocate resources for sustainable growth	<ul style="list-style-type: none"> <li>Investments made to expand production capacity and for large-scale refrigerated warehouses</li> <li>Content of investments revised in response to changes in the business environment, but three-year total for capital expenditures projected to be in line with plan</li> </ul>
Strengthen measures for longer-term growth	<ul style="list-style-type: none"> <li>Built Innovation Management System (IMS) and launched new business development</li> <li>Operations reforms in the logistics business proceeding according to plan, while pursuing more efficient and advanced operations, focusing on digital transformation (DX) for the corporate group as a whole</li> </ul>
Contribute to the realization of a sustainable society by resolving social issues through our businesses	<ul style="list-style-type: none"> <li>Material matters for the corporate group identified, with Group targets and KPIs set for the current fiscal year and incorporated into the business plan</li> <li>Further strengthen response to ESG related issues to meet growing social pressure</li> </ul>
Improve capital efficiency and expand shareholder returns	<ul style="list-style-type: none"> <li>Dividend level raised and stable dividend maintained</li> <li>ROE projected to remain at 10% or higher during the business plan period</li> </ul>

## Main Measures for FY2022

1

### Respond to changes in the business environment due to COVID-19, focusing on expanding sales and cost management

#### Sales expansion using new approach

- Strengthening existing mainstay products and services
- Focus on measures for growing business categories and new market development

#### Strict cost management

- Utilize IT to enhance efficiency, and spend funds effectively
- Invest as planned in R&D and human resource development for the foundations of growth

#### Capital expenditures for sustainable growth

- Steadily make growth investments in Japan and overseas, and invest to strengthen business foundations

2

### New business creation/Strengthen ESG response

#### New business creation

- Provide business development acceleration support (acceleration program) based on IMS, and promote commercialization of new ideas

#### Strengthen ESG response

- For climate change measures, implement low-carbon policies and pursue a response based on the TCFD declaration
- Focus on further measures for “sustainable food procurement” with consideration for the environment and human rights