



Wataru Tanabe
Director, Executive Officer, Nichirei Corporation
President, Nichirei Fresh Inc.


Review of Medium-term Business Plan WeWill 2021

Operating profit for FY2022 in the marine, meat and poultry products business increased compared with the previous fiscal year.

In the marine products business, although our operations for restaurants faced difficulties due to the COVID-19 pandemic, profit increased as we responded flexibly to a wide range of business formats and channels. Sales that captured new needs in e-commerce and other business formats, and sales of ingredients such as crab in North America and China were particularly strong.

In the meat and poultry products business, changing social conditions and other factors led to a downturn in sales of perishables produced in Japan for home cooking. Pandemic-related delays in overseas production and shipping of processed chicken for import to Japan and increased global market prices of imported pork and beef also had a significant impact on business performance. On the other hand, we made steady progress in developing new markets for meat products with health value.

Business Scale

Total assets	Marine products: ¥28,029 million Meat and poultry products: ¥19,793 million
Group companies	Marine products: 2 companies in Japan, 6 companies overseas Meat and poultry products: 5 companies in Japan
Employees (consolidated)	Marine products: 771 Meat and poultry products: 457
Food production factories	8 (7 in Japan, 1 overseas)
Main production facilities	Marine products: Fresh Maruichi Corporation, Trans Pacific Seafood Co., Ltd. Meat and poultry products: Fresh Chicken Karumai Inc., Nichirei Fresh Process Inc.
Main businesses	

Advantages

Procurement of premium ingredients from around the world

- Premium ingredient development capabilities that consider health and sustainability
- Capabilities for getting products to customers through optimal processing that combine our trading company and manufacturer functions
- Quality assurance and a thorough production management system that support safety and security
- Procurement network based on long-term relationships of trust with suppliers

Policies of Medium-term Business Plan Compass Rose 2024

Under Compass Rose 2024, with a focus on maintaining healthy lifestyles we will work for stable procurement of food by promoting selection and concentration based on capital efficiency and by ramping up our efforts for sustainability.

The business environment will require flexible responses to the post-COVID resumption of economic activity, supply chain disruptions due to changes in the international situation, and rising costs for grain, energy and other commodities.

While keeping in mind environmental and social issues in our production areas and logistics, we will build a sustainable cycle of production, procurement and sales, and increase profitability by using premium ingredients and optimal processing to improve added value.

Marine Products Business

Under Compass Rose 2024, we will promote selection and concentration of the product categories we handle. To improve capital efficiency, we will concentrate management resources on products such as fish roe, for which we have advantages in procurement, and shrimp, for which we have long-standing good business relationships with producers. As an initiative for sustainable procurement in light of the global depletion of marine resources, we will also work to expand sales of our own eco-friendly products (*Inochi-no-Mori-Project* and others) and MSC¹ and ASC² certified products.

In addition, we will build a system at our own factories that continuously generates added value, establishing processing capabilities to meet consumer needs and improving production efficiency.

1. Marine Stewardship Council (MSC) certification requires that wild seafood used has been caught using methods that do not deplete the natural supply.
2. Aquaculture Stewardship Council (ASC) certification requires that marine products used have been cultivated in a sustainable manner.

Meat and Poultry Products Business

Under Compass Rose 2024, we will work to strengthen the domestic fresh product supply chain that links production areas and customers. We will strengthen our own factories to build a system for end-to-end handling of everything from the development of premium ingredients from the consumer’s viewpoint to production and sales, and work to increase logistics efficiency. We will also work to expand sales of premium ingredients produced with sustainability in mind, such as *Junwakei* chicken, and aim to become a leader in the new market for

meat products with health value such as the *Amani-no-Megumi* series.

From the perspective of capital efficiency, we aim to improve profit margins by optimizing our portfolio of product categories, including strengthening the lineup of processed meat and poultry products, and by increasing added value through optimal processing.

Overseas Sales

We will work to expand overseas sales of marine products, which we have set as a growth area. We intend to increase sales of shrimp, crab, processed foods and other products in the booming North American market, and products such as scallops and frozen fish in the Chinese market. The market for Japanese food is growing globally, and Japanese *kaiten-zushi* (conveyor-belt sushi) shop chains and other stores selling Japanese food are opening in rapid succession overseas. We will also utilize the functions of Trans Pacific Seafood Co., Ltd., our processing base in Vietnam, to expand sales through procurement that leverages our advantages.

Although overseas sales of our meat and poultry products are still small, we will expand them by exporting domestic products such as *Junwakei* chicken and Japanese beef in coordination with our overseas bases.

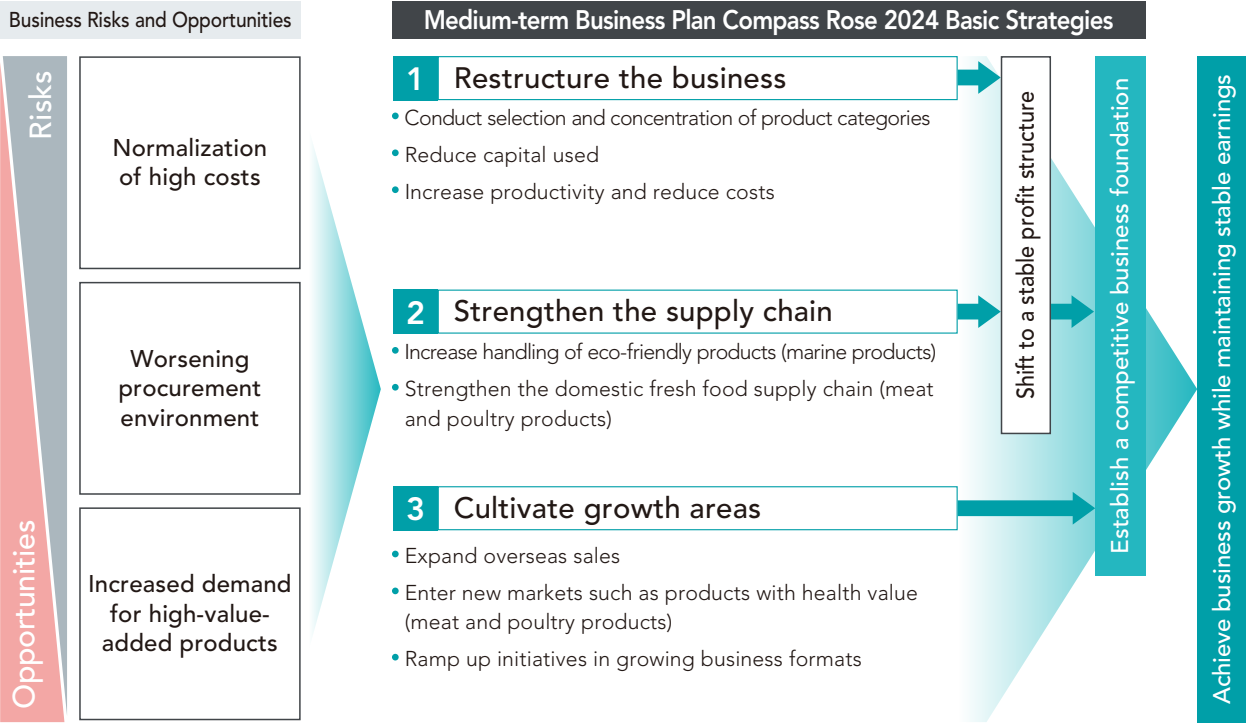
Material Matters for the Group

For creating new value in food and health, we will work to expand sales of the *Amani-no-Megumi* series and other meat products with health value. For realizing sustainable food procurement and resource recycling, we will promote harmonious coexistence with the environment through the *Inochi-no-Mori-Project* and *Inochi-no-Umi-Project* in the marine products business, and take measures to counter global warming by reducing methane emissions from cattle belches. We will also work to address human rights and environmental issues in the supply chain and to expand regional recycling models.



Basic Strategies

Shift to a stable profit structure and establish a competitive business foundation to proceed to the next stage



- 1 Restructure the business**
- Conduct selection and concentration of product categories
 - Increase handling of high-profit products and review low-profit products: Concentrate management resources on products with advantages in procurement, processing and sales, and use less capital
 - Reduce capital used
 - Reduce inventories by reviewing procurement methods
 - Increase productivity and reduce costs
 - Utilize Trans Pacific Seafood (Vietnam) and improve its productivity (marine products)
 - Increase logistics efficiency (meat and poultry products)
- 2 Strengthen the supply chain**
- Increase handling of eco-friendly products (marine products)
 - Achieve harmonious coexistence with the environment by promoting the *Inochi-no-Mori-Project* and *Inochi-no-Umi-Project*
 - Increase the proportion of MSC/ASC-certified products handled and ramp up sustainable procurement initiatives
 - Strengthen the domestic fresh food supply chain (meat and poultry products)
 - Strengthen in-house factories
 - Build a system for end-to-end handling of everything from the development of premium ingredients from the consumer's viewpoint to production and sales
- 3 Cultivate growth areas**
- Expand overseas sales
 - Expand overseas sales in North America and China based on increased demand in the global Japanese food market (shrimp, crab, scallops, frozen fish, sushi ingredients, etc.) (marine products)
 - Coordinate with overseas bases to expand sales locally by exporting products from Japan (meat and poultry products)
 - Enter new markets such as meat products with health value (meat and poultry products)
 - Expand sales of *Amani-no-Megumi* series products with health value and *Junwakei* chicken, which is produced using a sustainable regional agricultural and livestock cycle (meat and poultry products)
 - Create meat products that offer new health value from various aspects including functionality, sustainability and animal welfare (meat and poultry products)
 - Ramp up initiatives in growing business formats
 - Ramp up initiatives in the growing business formats of e-commerce, mail order, home delivery and gift markets

Marine, Meat and Poultry Products Business Financial Targets

(Billions of yen)

	FY2022 Results	FY2025 Plan	Increase (Decrease)	CAGR
Net sales (total)	148.0	139.0	(9.0)	(2.1%)
Marine products	67.7	44.0	(23.7)	(13.4%)
Meat and poultry products	80.3	95.0	14.7	5.8%
Operating profit (total)	2.2	3.0	0.8	10.9%
Marine products	1.0	1.0	0	1.5%
Meat and poultry products	1.2	2.0	0.8	19.6%

Material Matter Creating New Value in Food and Health

Aiming to Lead the Industry in the New Market for Meat Products with Health Value

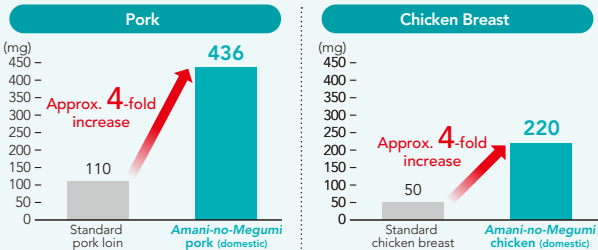
Nichirei Fresh conducts research and development of meat products with enhanced health value, and produces and sells meat with a focus on omega-3 fatty acids. Omega-3 fatty acids are called essential fatty acids because the human body cannot synthesize them, so they must be ingested in food or through other sources. However, they tend to be lacking in the diet of today's Japanese people, so finding a way to achieve a balanced intake is considered important. One omega-3 fatty acid, α -linolenic acid, is abundant in blue-backed fish, flaxseed oil and perilla oil. Nichirei Fresh gives chickens, pigs and cattle* a formula feed that uses flaxseeds as an ingredient. This results in tender and juicy meat that is abundant in omega-3 fatty acid (α -linolenic acid), which it sells as the *Amani-no-Megumi* series.

The *Amani-no-Megumi* series was the first product in the meat products category to be recognized by physicians on the AskDoctors medical advice website. Nichirei Fresh will continue to offer support for health management and balanced diets through meat products for everyday meals.

* There are individual differences among cattle.

 **Amani-no-Megumi**
<http://www.goodbalancemeat.jp/> (Japanese only)

Comparison of Amount of Omega-3 Fatty Acid (α -linolenic Acid) That the Body Can Absorb from 100 Grams of Meat



Source: Nichirei Fresh study

Material Matter Realizing Sustainable Food Procurement and Resource Recycling

Promoting Sustainable Food Procurement with Stakeholders

Nichirei Fresh works with local governments, suppliers and business partners in production areas to realize sustainable procurement of the foods that underpin its business. In the marine products business, Nichirei Fresh has been working with local suppliers in Kalimantan, Indonesia since 2006 to promote a shrimp farming method called extensive aquaculture, which does not use electricity or feed. The company has also jointly launched a mangrove tree planting fund called the *Inochi-no-Mori-Project*, and uses the profits from the shrimp it raises through extensive aquaculture to plant trees in local coastal areas. In addition, the company is increasing the proportion of MSC/ASC-certified marine products it procures from outside Japan.

Nichirei Fresh Products That Have Obtained MSC/ASC Certification (As of June 2022)

ASC Certification Number ASC-C-01632	Giant tiger prawn, Whiteleg shrimp, Pacific oyster, Atlantic salmon, Coho salmon, Rainbow trout
MSC Certification Number MSC-C-52165	Arctic surf clam, Arrow-tooth flounder, Flathead sole, etc., Atka mackerel, Capelin, Chinook salmon, Silver salmon, Pink salmon, Herring, Japanese carpet shell, Longfin inshore squid, Pacific cod, Pacific oyster, Chum salmon, Red king crab, Snow crab, Sockeye-red salmon, Walleye pollock, Yesso scallop



Shio Sujiko (salted *sujiko*), processed roe from MSC-certified Alaskan sockeye-red salmon

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

In the meat and poultry products business, since 2009 Nichirei Fresh has been implementing a sustainable regional agricultural and livestock cycle in Hirono, Iwate Prefecture through the production of the *Junwakei* breed of chicken (a crossbreed of two native Japanese species). In 2020, *Junwakei* chicken became the first poultry product in Japan to acquire Specific Japanese Agricultural Standards (JAS) certification for sustainability.

Nichirei Fresh will continue to work with its stakeholders to help resolve social issues through its business.

 *Inochi-no-Mori-Project* (▶Pages 40-41)  *Junwakei* Chicken (▶Page 77)