

# Business Strategy

## Marine, Meat and Poultry Products Business



Nichirei Fresh Inc.  
<https://www.nichireifresh.co.jp/en>

### President's Message



**Wataru Tanabe**

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

### • Progress of Medium-term Business Plan WeWill 2021

#### Medium-term Business Plan Main Measures

- Conduct sustainable procurement of marine, meat and poultry products
- Expand sales of premium ingredients and other value-added products
- Develop and step up sales of processed products

In FY2021, net sales in the marine, meat and poultry products business decreased due to a decline in shipments to restaurants, but operating profit increased year on year due to growth in sales for home cooking and cutbacks in expenses, among other factors.

In the marine products business, while the market in Japan is shrinking as consumers eat less fish, demand remains high overseas, making procurement more difficult. We are aware of the continuing need to focus on profitability in procurement and sales and to control costs. In the meat and poultry products business, given the continuing firm demand for meat, we will continue to capture demand for products for home cooking and step up sales of processed products for the home meal replacement (HMR) category.

Under the keywords fresh, delicious, safe, secure, healthy and eco-friendly, Nichirei Fresh has been conducting business mainly through joint development

### Net Sales and Operating Profit by Business Category

(Billions of yen)

Marine, Meat and Poultry Products Business		FY2021			FY2022 Plan		
		Result	YoY		Forecast*	YoY	
			Variance	% Change		Variance	% Change
Marine Products	Net sales	63.1	-2.7	-4%	60.0	-3.1	-5%
	Operating profit	0.5	0.1	18%	0.7	0.2	34%
Meat and Poultry Products	Net sales	84.1	-4.2	-5%	88.2	4.1	5%
	Operating profit	1.3	0.4	43%	1.6	0.3	23%

\* As of August 3, 2021

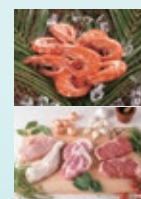
## • Business Scale

- Total assets: Marine products: ¥26,005 million  
Meat and poultry products: ¥19,344 million
- Group companies:  
Marine products: 2 companies in Japan, 6 companies overseas  
Meat and poultry products: 5 companies in Japan
- Employees (consolidated): Marine products: 636  
Meat and poultry products: 452
- Food production factories: 8 (7 in Japan, 1 overseas)

## • Main Production Facilities

Marine products: Fresh Maruichi Inc.,  
Trans Pacific Seafood Co., Ltd.  
Meat and poultry products: Fresh Chicken  
Karumai Inc.,  
Nichirei Fresh Process Inc.

## • Main Businesses



with suppliers, but going forward we will ramp up our shift to processed products. In the meat and poultry products business, we will work to develop products with health value, with a focus on sales of premium ingredients such as the *Amani-no-Megumi* meat series and *Junwakei* chicken. In October 2020, *Junwakei* chicken became the first poultry product in Japan to acquire Specific Japanese Agricultural Standards (JAS) certification for sustainability. We intend to continue to proactively advance this local livestock circulating model.

In the marine products business, since 2006 we have engaged in *Inochi-no-Mori Project*<sup>1</sup> nature conservation activities involving sustainable extensive farming of giant tiger prawns and planting of mangrove trees in Kalimantan, Indonesia. These activities, which were extended to whiteleg shrimp ponds in Sumatra, Indonesia, obtained Aquaculture Stewardship Council (ASC) certification<sup>2</sup> in 2018. In 2020, mangrove tree planting began in earnest, with plans to plant about 280,000. In addition, we are gradually increasing the handling of marine products certified<sup>3</sup> by the Marine Stewardship Council (MSC) and as of June 2021, 20 fish species we handle are certified marine products. In the years ahead, we plan to increase the variety of sustainable marine products we handle.

See page 67 for details on *Amani-no-Megumi*.

See page 30 for details on *Junwakei* chicken.

1. *Inochi-no-Mori Project*: <https://www.nichireifresh.co.jp/inochinomori/> (Japanese only)

2. ASC certification requires that marine products have been farmed in a sustainable manner.

3. MSC certification requires that marine products are from wild-capture fisheries using methods that do not deplete the natural supply.

## Nichirei Fresh Products That Have Obtained MSC/ASC Certification

MSC Certification Number MSC-C-52165	ASC Certification Number ASC-C-01632
Chinook salmon, silver salmon, pink salmon, chum salmon, sockeye-red salmon, Pacific cod, northern rock sole, yellowfin sole, English sole, walleye pollock, arrowtooth flounder, great Atlantic scallop, silver smelt, snow crab, herring, arctic surf clam, red king crab, longfin inshore squid, Pacific oyster	Giant tiger prawn, whiteleg shrimp, Pacific cupped oyster, Atlantic salmon, coho salmon, rainbow trout

## • Advantages of Nichirei Fresh Inc.

Our advantages are the network and partnerships we have built with suppliers worldwide since Nichirei was founded, and our functions as a manufacturer and as a trading company for both marine products and meat and poultry products. We also view our human resources with specialized knowledge and experience as another advantage, along with the technological and product development capabilities that enable us to handle various levels of processing using our own facilities.

## • Overseas Strategy

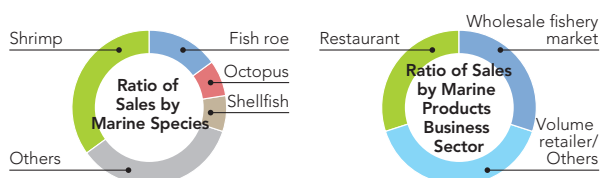
We consider our overseas business to be one of our growth fields. Demand for marine products remains high outside Japan, spurring competition in global procurement. We aim to ramp up our overseas sales organization to expand sales of sushi and other processed marine products and to conduct ongoing sales promotion with area partners in markets where there is room for expansion. In addition, we plan to increase the utilization rate of company-owned overseas production facilities to stabilize profits.



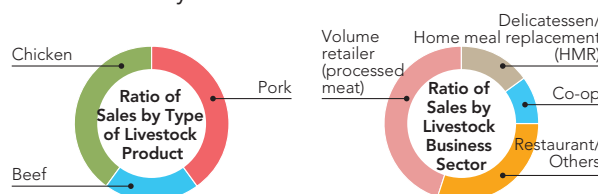
# Marine, Meat and Poultry Products Business

## • Business Details (FY2021)

### Marine Products Business



### Meat and Poultry Products Business



## • Market Environment

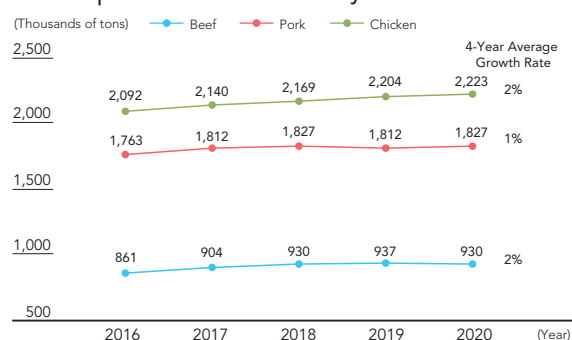
### Marine Products Business

Demand for marine products remains high worldwide, making procurement increasingly difficult. On the other hand, competition in the domestic industry is intensifying in Japan's shrinking market as consumers eat less fish.

### Meat and Poultry Products Business

Rising prices for corn and other grains have driven up the supply price of compound feed, affecting procurement prices for meat and poultry. In addition, amid an increase in consumption spurred by rising demand for home cooking, the market price of domestic chicken has been trending upward, partly due to supply instability following an outbreak of avian flu in Japan.

### Consumption of Meat and Poultry Products



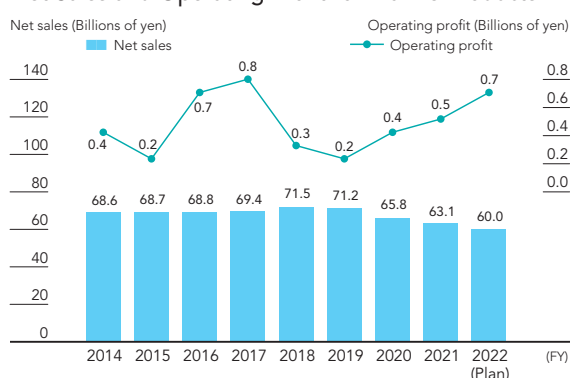
Source: Compiled by Nichirei Fresh based on Agriculture & Livestock Industries Corporation documents

## • Performance

### Marine Products Business

- Focused on selling highly processed products centered on the four major marine species, including shrimp, our mainstay
- Although handling of products for restaurants decreased in FY2021, growth in sales of octopus, fish roe and other products for home cooking contributed to increased profit.

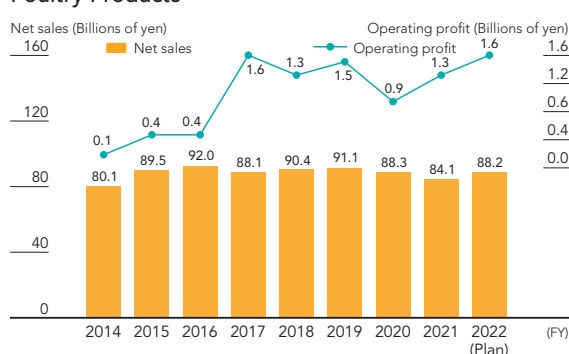
### Net Sales and Operating Profit for Marine Products



### Meat and Poultry Products Business

- Sales of fresh chicken and processed products for HMR remained strong, while increasing the profitability of imported product sales was a major focus.
- Sales of imported frozen foods were weak in FY2021 but profit increased due to firm sales for the meat market.

### Net Sales and Operating Profit for Meat and Poultry Products



## Close Up

## Environmental Reclamation and Biodiversity Conservation Activities through the *Inochi-no-Mori* Project

For 15 years since December 2006, Nichirei Fresh has been involved in a project to restore a local mangrove forest in collaboration with Tarakan City in Kalimantan, Indonesia, and a local supplier. We sell shrimp raised with an eco-friendly method called extensive aquaculture that utilizes the tides and natural features of the sea, without electricity or feed. Part of the proceeds from sales are used to fund mangrove tree planting (conducted annually), restoration and conservation activities. At the start of the project, there were about 6,000 trees, and as of 2018 the mangrove forest we have been planting had grown to the size of about 65 Tokyo Dome stadiums (just over three square kilometers).

So far, planting has mainly been in and around ponds that had been depleted through use of intensive aquaculture,\* a common shrimp farming method in Asia, and then abandoned. Ongoing mangrove planting has regenerated the coastal environment and restored the ecosystem of native flora and fauna.

We will continue working in collaboration with stakeholders in the supply chain to help resolve social issues through extensive aquaculture, a sustainable farming method with low environmental impact, and through mangrove planting for environmental reclamation.

 <https://www.nichireifresh.co.jp/inochinomori/> (Japanese only)

\* Intensive aquaculture: A marine farming method characterized by cutting down seaside and waterside woodlands and mangrove forests to establish large-scale artificial ponds for breeding a large volume of shrimp. Shrimp feed contain antibiotics. These and other drugs administered in raising the shrimp negatively impact the ecosystem of soil, rivers and seas. This impact is one reason shrimp farming is unsustainable. Such farms are abandoned as wasteland, which has become a social issue. Another issue is CO<sub>2</sub> emissions due to the large amounts of electricity and oil consumed to operate paddle aerators that are employed to prevent shrimp in artificial ponds from dying due to lack of oxygen.



Large mangrove trees



Product from the *Inochi-no-Mori* Project



A large giant tiger prawn raised through extensive farming

## Rollout of the *MIRAI MEAT*

### Supporting Young Athletes with Meat from the *Amani-no-Megumi* Series

Nichirei Fresh is rolling out *MIRAI MEAT*, a new project to provide meat to support young up-and-coming athletes as they train for the future. Top athletes engage in hard work-outs, so they also need a high-quality diet for physical fitness, fatigue recovery and weight control. Therefore, we launched *MIRAI MEAT* to support young athletes through food. Over the course of one year, the program provides each athlete with about 70 kg of beef, pork and chicken from the *Amani-no-Megumi* series of products, which are made from animals raised on a feed containing ingredients derived from omega-3 fatty acid-rich linseed meal. Initially, we selected five athletes from a number of candidates and started the program in March 2020. The *Amani-no-Megumi* series of meats aims for a balance between nutrition and deliciousness. Ideal food for athletes, it has even been recognized by physicians on the AskDoctors medical advice website.

