

# Consolidated Financial Results For 1Q of the Year Ending March, 2023 (April ~ June 2022)

August 8, 2022



# Key Points of 1Q Financial Results

## Highest first quarter net sales and operating income since the merger, and highest profits in all the following areas:

Net sales: 232.6 billion yen (+14.9% YoY),

Operating income: 7.9 billion yen (+24.9% YoY),

Ordinary income: 12.2 billion yen (+72.0% YoY)

Net income attributable to owners of the parent 7.7 billion yen (+52.1% YoY)

- Sales were particularly strong in the pet food business (Thailand) and Alaska pollock business (North America). Additionally, sales of marine products, including farmed fish, to food service and institutional food businesses recovered. Amid rising market prices for marine products, demand for our procurement capabilities increased and sales were strong.

## From the second quarter onward:

The following 3 factors will contribute to top line growth.

1. Market prices of marine products remain high. Sales volume maintained in response to customer needs.
2. Increase in net sales due to price hikes in processed food products.
3. Conversion increase of overseas subsidiaries' results due to yen depreciation will begin to appear from the second quarter.

## 2. Consolidated Statement of Income

(JPY in Billions)

	Jun/22	Jun/21	Change	Full year Forecast	1Q/Fyf
Net Sales	232.6	202.5	30.1	900.0	26%
Cost of Sales	198.7	172.4	26.3		
Gross profit	33.9	30.2	3.7		
Expense	26.0	23.9	2.2		
Operating Income	7.9	6.3	1.6	24.0	33%
Non-operating Revenues	4.8	1.6	3.2		
Non-operating Expenses	0.5	0.8	-0.3		
Ordinary Income	12.2	7.1	5.1	25.0	49%
Extraordinary Income	0.4	0.3	0.1		
Extraordinary Loss	0.3	0.7	-0.4		
Income before Tax	12.2	6.7	5.5		
Taxes	3.3	1.2	2.1		
Profit attributable to non-controlling interests	1.3	0.5	0.8		
Profit attributable to owners of parent	7.7	5.0	2.6	16.0	48%

The Increase in non-operating income was mainly due to foreign exchange gains of 2.8 billion yen.

# 3. Results vs. Forecast by Business Segments/Units

(JPY in Billions)

Segment	Unit	Net Sales (After applying revenue recognition)					Operating Income				
		Jun/22	Jun/21	Change	Full year Forecast	1Q/Fyf	Jun/22	Jun/21	Change	Full year Forecast	1Q/Fyf
Marine Products Business	Fishery Business	7.6	7.2	0.4	35.3	22%	-0.5	-0.1	-0.4	2.2	-
	Aquaculture Business	4.1	3.2	0.9	13.7	30%	0.7	-0.3	1.0	0.0	-
	Marine Products Trading	71.9	61.5	10.4	268.2	27%	2.3	1.1	1.2	3.5	66%
	Overseas Business	45.2	35.8	9.4	190.9	24%	2.8	2.0	0.8	7.8	36%
Segment Sub Total		128.8	107.7	21.1	508.1	25%	5.3	2.7	2.6	13.5	39%
Processed Foods Business	Processed Foods Business	24.8	24.4	0.4	99.0	25%	0.8	1.6	-0.8	3.9	21%
	Fine Chemicals	2.0	2.0	-0.1	7.3	27%	0.4	0.4	0.0	1.4	29%
Segment Sub Total		26.8	26.4	0.4	106.3	25%	1.2	2.0	-0.8	5.3	23%
Foodstuff Distribution Business	Foodstuff Distribution Business	52.1	44.1	8.0	200.4	26%	0.8	0.8	0.0	2.9	28%
	Meat and Products Business	20.5	20.0	0.5	67.2	31%	0.4	0.3	0.1	0.9	44%
Segment Sub Total		72.7	64.1	8.5	267.6	27%	1.3	1.1	0.2	3.8	34%
Logistics	Logistics	4.3	4.2	0.1	17.7	24%	0.3	0.4	0.0	1.5	20%
Others		0.1	0.1	0.0	0.3	33%	0.1	0.1	0.0	0.2	50%
Common Cost		-	-	-	-	-	-0.4	0.1	-0.4	-0.3	-
Total		232.6	202.5	30.1	900.0	26%	7.9	6.3	1.6	24.0	33%

# 4-1. Marine Products Business Segment

(JPY in Billions)

Segment	Unit	Net Sales					Operating Income				
		Jun/22	Jun/21	Change	Full year Forecast	1Q/Fyf	Jun/22	Jun/21	Change	Full year Forecast	1Q/Fyf
Marine Products Business	Fishery Business	7.6	7.2	0.4	35.3	22%	-0.5	-0.1	-0.4	2.2	-
	Aquaculture Business	4.1	3.2	0.9	13.7	30%	0.7	-0.3	1.0	0.0	-
	Marine Products Trading	71.9	61.5	10.4	268.2	27%	2.3	1.1	1.2	3.5	66%
	Overseas Business	45.2	35.8	9.4	190.9	24%	2.8	2.0	0.8	7.8	36%
Segment Sub Total		128.8	107.7	21.1	508.1	25%	5.3	2.7	2.6	13.5	39%

## 1Q Business Overview

Fishery

Net sales increased due to strong sales of major fish species such as Patagonian toothfish. However, op. income decreased due to soaring fuel prices and ocean freight rates.

Aqua-culture

Net sales and op. income increased due to increased sales volume and improved sales prices for GMS, SM and restaurants, as well as rising market prices for fish handled.

Marine Products

In addition to the recovery in sales to food service and institutional food business, weaker yen and rising market prices have generated expectation for further increase in the market for marine products, which in turn led to increased contracts, resulting in an increase in net sales and op. income.

Overseas

[N. America] Increased net sales and op. income due to improved production efficiency and newly acquired Alaska pollock access rights contributing to increased production, as well as higher selling prices in a robust market. [Europe] Increase in net sales and op. income as purchasing and sales meet growing demand for marine products. [Asia] Net sales and op. income increased due to strong sales to North America in the pet food business in Thailand.

## 2Q Forecast

Business conditions expected to remain the same.

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Expect a slowdown in the domestic market against a rise in purchase prices.

Strong demand is expected to continue rising in Europe and the U.S. for both the marine products and pet food businesses, and strong sales are expected. Newly acquired sales channel in Europe is expected to function and expand its sales network.

# 4-2. Processed Foods Business Segment

(JPY in Billions)

Segment	Unit	Net Sales					Operating Income				
		Jun/22	Jun/21	Change	Full year Forecast	1Q/Fyf	Jun/22	Jun/21	Change	Full year Forecast	1Q/Fyf
Processed Foods Business	Processed Foods Business	24.8	24.4	0.4	99.0	25%	0.8	1.6	-0.8	3.9	21%
	Fine Chemicals	2.0	2.0	-0.1	7.3	27%	0.4	0.4	0.0	1.4	29%
Segment Sub Total		26.8	26.4	0.4	106.3	25%	1.2	2.0	-0.8	5.3	23%

## 1Q Business Overview

Processed Foods

Demand for ready-made meals remained strong amid continued at-home consumption surge. Although price increases were implemented for some products, op. income decreased due to further soaring costs of raw materials, materials, and fuel, as well as the yen's depreciation.

Fine Chemicals

Although net sales decreased due to a delay in shipments of bulk pharmaceuticals to the next quarter, op. income increased due to strong sales of DHA/EPA and other products for health foods.

## 2Q Forecast

Price revisions will be implemented to cover cost increases.

Expect an increase in sales due to the start of sales of \*Heparin.

\* Anticoagulant (blood thinner) that prevents the formation of blood clots used to treat and prevent the symptoms of blood clots caused by medical conditions or medical procedures.

# 4-3. Foodstuff Distribution Business Unit

(JPY in Billions)

Segment	Unit	Net Sales					Operating Income				
		Jun/22	Jun/21	Change	Full year Forecast	1Q/Fyf	Jun/22	Jun/21	Change	Full year Forecast	1Q/Fyf
Foodstuff Distribution Business	Foodstuff Distribution Business	52.1	44.1	8.0	200.4	26%	0.8	0.8	0.0	2.9	28%
	Meat and Products Business	20.5	20.0	0.5	67.2	31%	0.4	0.3	0.1	0.9	44%
Segment Sub Total		72.7	64.1	8.5	267.6	27%	1.3	1.1	0.2	3.8	34%

## 1Q Business Overview

Foodstuff Distribution

Sales to food services recovered with the increase in human flow, and sales to GMS, SM, convenience stores, and nursing care food also remained strong. Despite soaring raw material prices and the yen's depreciation, net sales and op. income increased due to improved productivity and efficiency.

Meat and Products

Net sales increased due to an increase in handling of European pork and overall higher imported meat prices. Profitability improvement in domestic beef and North American pork also contributed to higher op. income.

## 2Q Forecast

Business conditions expected to remain the same. Preparing for the next COVID-19 wave, we will consider different types of sales channels.

Aim for selling prices that correspond to the purchase price of imported meat products, which continue to be high.

## 4-4. Logistics Segment

(JPY in Billions)

Segment	Unit	Net Sales					Operating Income				
		Jun/22	Jun/21	Change	Full year Forecast	1Q/Fyf	Jun/22	Jun/21	Change	Full year Forecast	1Q/Fyf
Logistics	Logistics	4.3	4.2	0.1	17.7	24%	0.3	0.4	0.0	1.5	20%

### 1Q Business Overview

While the recovery of storage inventory volume, mainly of imported products from overseas, was slow, we strived to increase incoming inventory volume mainly in metropolitan areas, resulting in higher net sales. On the other hand, op. income decreased due to a significant increase in power costs resulting from higher fuel cost adjustment unit prices.

### 2Q Forecast

Storage demand will recover.



# 5. Consolidated Balance Sheet

(JPY in Billions)

	Jun/22	Mar/22	Change		Jun/22	Mar/22	Change
<b>Current assets</b>	<b>369.4</b>	<b>324.3</b>	<b>45.1</b>	<b>Current liabilities</b>	<b>259.1</b>	<b>221.5</b>	<b>37.6</b>
Cash & deposit	21.0	25.0	-3.9	Trade notes & accounts payable	45.1	36.2	8.9
Trade notes & accounts receivable	127.0	115.4	11.6	Short-term loans payable	165.1	138.5	26.7
Inventories	204.6	172.7	31.9	Other current liabilities	48.9	46.8	2.0
Short-term loans receivable	0.3	0.3	0.0	<b>Long-term liabilities</b>	<b>153.2</b>	<b>139.2</b>	<b>14.0</b>
Allowance for doubtful receivables	-0.4	-0.4	0.0	Long-term loans payable	125.7	112.1	13.6
Other current assets	17.0	11.4	5.6	Other fixed liabilities	27.5	27.0	0.4
				<b>Total liabilities</b>	<b>412.3</b>	<b>360.7</b>	<b>51.6</b>
<b>Fixed assets</b>	<b>241.1</b>	<b>224.3</b>	<b>16.9</b>	<b>Shareholders' equity</b>	<b>156.0</b>	<b>153.3</b>	<b>2.7</b>
Tangible fixed assets	145.8	140.2	5.5	Common stock	20.0	20.0	-
Intangible fixed assets	31.2	22.0	9.1	Capital surplus	138.2	133.4	4.8
(goodwill)	8.6	8.0	0.7	Treasury stock	-2.2	-0.1	-2.1
Investments & other fixed assets	64.2	62.0	2.2	Other cumulative comprehensive income	11.3	6.9	4.5
				Non-controlling interests	31.0	27.7	3.3
				<b>Total shareholders' equity</b>	<b>198.3</b>	<b>187.9</b>	<b>10.4</b>
<b>Total</b>	<b>610.6</b>	<b>548.6</b>	<b>62.0</b>	<b>Total</b>	<b>610.6</b>	<b>548.6</b>	<b>62.0</b>

**[Increase in assets (62.0 billion yen)]** Increase in trade notes & accounts receivables due to strong sales, high raw material prices, and seasonal factors. Increase in inventories (mainly marine and meat products), and an increase in tangible & intangible fixed assets due to the acquisition of properties related to Alaska Pollack in North America.

**[Increase in liabilities (51.6 billion yen)]** Increase in interest-bearing debt (40.3 billion yen, 28.8 billion yen vs. same period last year).

## 6. Consolidated Statements of Cash Flows

(JPY in Billions)

	Jun/22	Jun/21	Change	Main contents
<b>Cash flows from operating activities</b>	<b>-20.7</b>	<b>2.4</b>	<b>-23.1</b>	Net income before taxes and adjustments 12.2 Depreciation and amortization 3.6 Decrease (Increase) in trade accounts receivable -9.4 Decrease (Increase) in inventories -26.1 Increase (Decrease) in trade accounts payable 4.2 Corporate taxes paid -2.6
<b>Cash flows from investing activities</b>	<b>-14.4</b>	<b>-4.9</b>	<b>-9.5</b>	Payments for purchases of tangible fixed assets -6.2 Proceeds from sales of tangible fixed assets 0.3
<b>Cash flows from financing activities</b>	<b>30.2</b>	<b>-2.9</b>	<b>33.1</b>	Increase (decrease) in short-term borrowing 23.2 Proceeds from long-term borrowing 22.7 Repayments of long-term debt -8.1
<b>Cash and cash equivalents at end of period</b>	<b>20.5</b>	<b>27.0</b>	<b>-6.5</b>	-

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# Appendix

# Restructure of Segments and Units (Effective April 2022)

March 2022 Results				Forecast for FY ending 2023			
		JPY in billions				JPY in billions	
Segment	Unit	Net Sales	Op. Income	Segment	Unit	Net Sales	Op. Income
Marine Products Business	Fishery Business	31.5	0.3	Marine Products Business	Fishery Business	35.3	2.2
	Aquaculture Business	14.6	0		Aquaculture Business	13.7	0
	Marine products trading	159.8	4.0		Marine Products Trading	268.2	3.5
	Marine products Wholesaling	188.9	0.9		Overseas Business	190.9	7.8
	Overseas Business	147.9	8.7		Total	508.2	13.5
	Total	542.7	13.8				
Processed Foods Business	Consumer frozen foods	52.9	1.5	Processed Foods Business	Processed Foods Business	99.0	3.9
	Consumer Processed Foods	33.2	2.1		Fine Chemicals	7.3	1.4
	Institutional Foods	120.7	2.1		Total	106.3	5.3
	Meat & products	71.1	0.7	Foodstuff Distribution Business	Foodstuff Distribution Business	200.4	2.8
	Foods & fine chemicals	18.1	1.5		Meat & products	67.2	0.9
	Total	296.0	7.8		Total	267.6	3.8
Logistics	Logistics	14.6	1.1	Logistics	Logistics	17.7	1.5
Others		13.4	0.7	Others		0.3	0.2
Common Cost		-	0.3	Common Cost		-	-0.3
Total		866.7	23.8	Total		900.0	24.0

# Restructure of Segments and Units (Effective April 2022)

## **【Details of Restructure】**

### **Marine Products Business Segment**

- Marine Products Trading Unit...Direct sales business transferred to the Foodstuff Distribution Business Unit.  
Integrated Marine Products Wholesaling Unit.

### **Processed Foods Business Segment**

- Processed Foods Business Unit...Integration of Consumer Frozen foods and Consumer Processed foods Units.  
Seasonings & Extracts/ Freeze-Dried Foods business (seafood extracts and freeze-dried products) transferred from Foods & Fine Chemicals Unit.
- Fine Chemicals Unit...Renamed Foods & fine chemicals Unit. Seasonings, extracts and freeze-dried foods business transferred to the Processed Foods Business Unit, leaving the fine chemical products business in this unit.

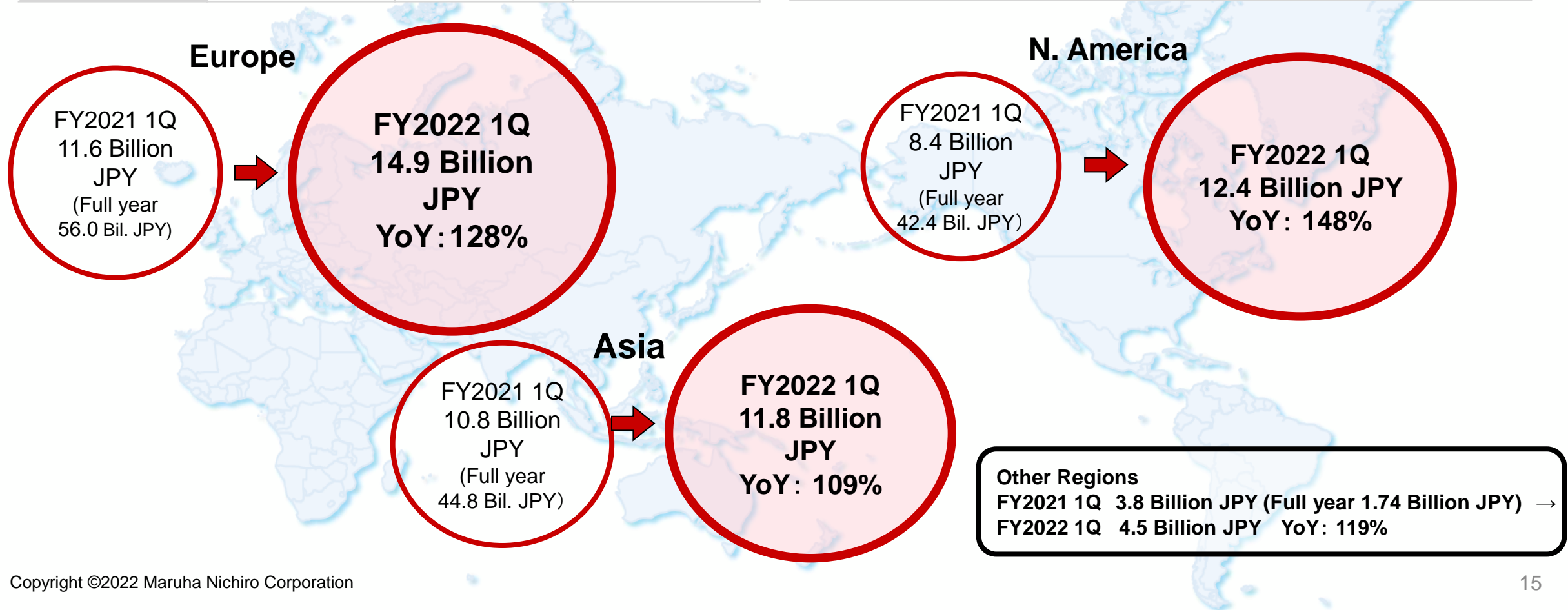
### **(New) Foodstuff Distribution Business Unit**

- Foodstuff Distribution Business Unit...Integration of Institutional Foods Unit and Marine Products Trading Unit.  
Customer-oriented sales channels (food wholesalers, GMS, SM, food/lunch services, convenience stores, co-op/ food delivery, nursing care food, etc.)

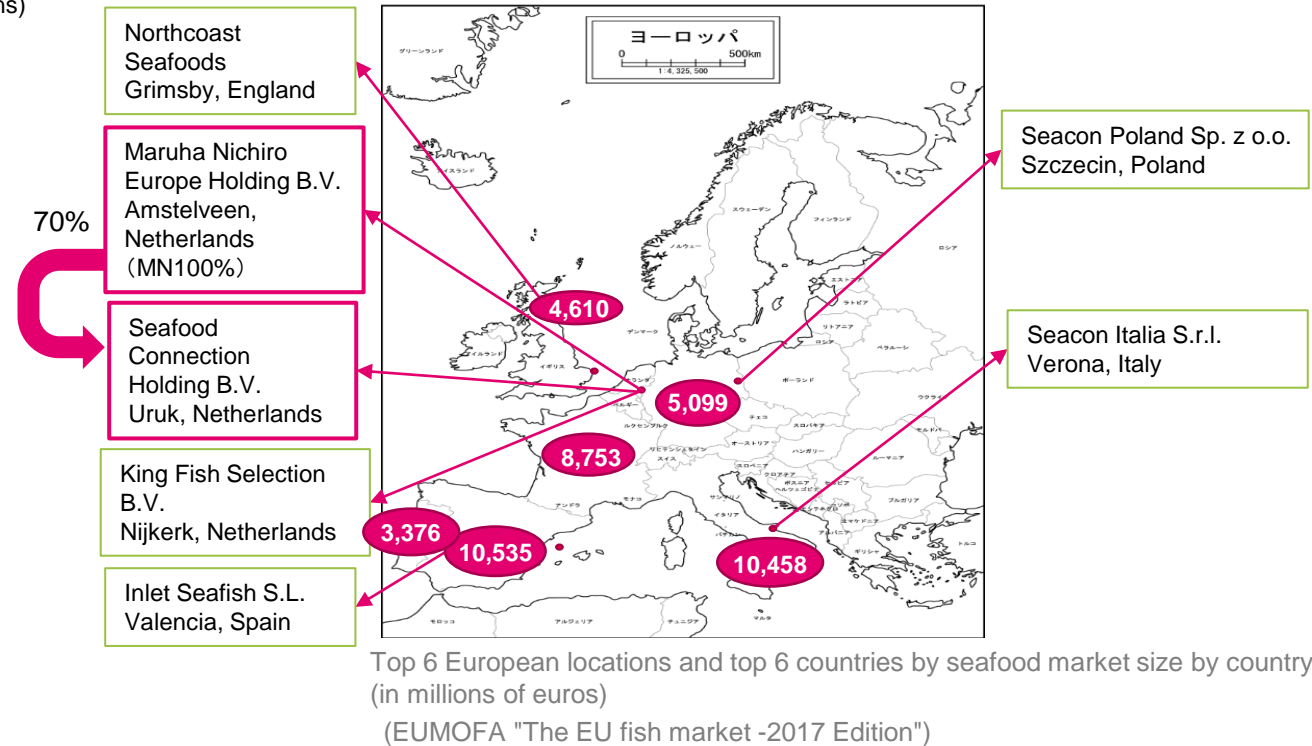
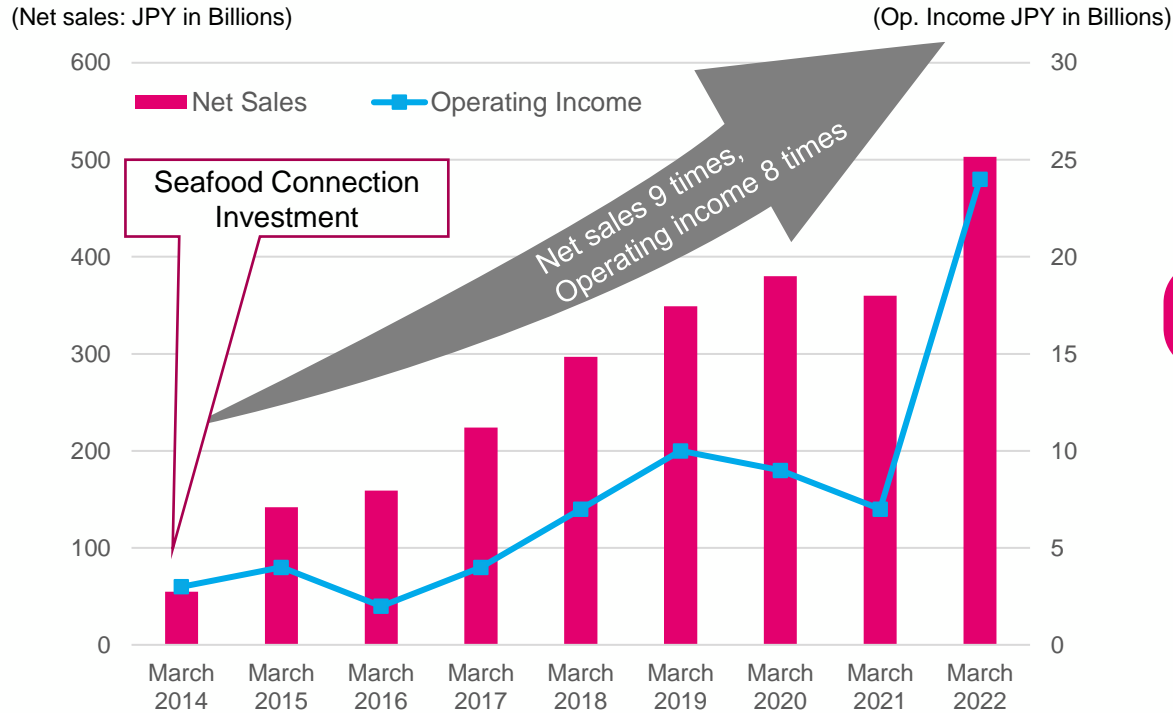
# Overseas Net Sales

Overseas Net sales	FY 2024 Target	FY2022 1Q	Forecast for FY2024
	215.0 Billion JPY	43.7 Billion JPY	215.0 Billion JPY

Overseas Net sales ratio	FY 2024 Target	FY2022 1Q	Forecast for FY2024
	22.4%	18.8%	22.4%



# Expansion of European Business



Plan for the final year of the medium-term management plan (fiscal year ending March 31, 2025)  
Net sales: Approx. 88 billion yen (based on the exchange rate at the end of May 2022)



## 【Recent investments by Seafood Connection】

- Jan. 2021 Inlet Seafish S.L. (Spain) became a subsidiary (50.1% stake)
- Apr. 2022 King Fish Selection B.V. (Netherlands) became a subsidiary (51% stake)\*.
- May 2022 Northcoast Seafoods (U.K.) became a subsidiary (acquisition of 100% of shares)\*
- June 2022 Establishment of Seacon Italia (Italy) \*

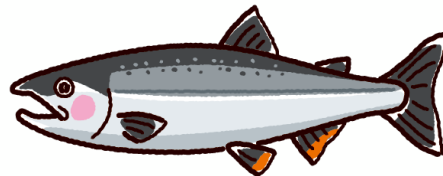


## New joint venture Company specializing in Land-based Production of Salmon (June 30, 2022 Press Release)

We will establish a new joint venture, Atland Corporation with Mitsubishi Corporation that will specialize in the land-based production of salmon.

Atland Corporation will be established in Nyuzen-cho of Toyama prefecture in around October 2022.

A land-based aquaculture facility with a capacity of 2,500 tons (live weight equivalent) will be constructed in Nyuzen-cho, with the aims of starting operations in 2025 and completing the first shipment in 2027.



# Status of Acquisition of Treasury Stock

We are acquiring treasury stocks in order to implement an agile capital policy in response to continuing changes in the business environment.

## ■ Details of acquisition

1. Type of stocks to be acquired.....Common stocks of the Company
2. Total number of stocks to be acquired.....Up to 2.5 million stocks (Representing 4.75% of total stocks issued and outstanding (excluding treasury stock))
3. Total acquisition costs.....Up to 5 billion yen
4. Acquisition period.....From June 1, 2022 through October 31, 2022

(References) Treasury Stock as of March 31, 2022

Total number of common stocks issued and outstanding (excluding treasury stock): 52,621,901

b. Amount of treasury stock: 35,009

## ■ Acquisition status as of July 31, 2022

Acquisition Period	Number of Stocks Acquired	Acquisition Cost
June 1, 2022 – June 30, 2022	861,000 stocks	2,117,219,400 yen
July 1, 2022 – July 31, 2022	438,900 stocks	1,099,441,000 yen
Total for the period above	1,299,900 stocks	3,216,660,400 yen

**Thank You**



# MARUHA NICHIRO

For the ocean, for life

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