

Consolidated Financial Results Briefing
for the 2nd Quarter of the Fiscal Year Ending March, 2024

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Q. Please explain why fish prices did not fall as much as expected in the first half of the year, and what impact does this have on the outlook for fish prices and performance for the next fiscal year.

Marine products have been on an overall high price trend since last fiscal year due to increased global demand and a sense of uncertainty about the sustainability of marine resources. In addition to this, the weak yen has made procurement prices higher, which has slowed consumption in Japan. Some fish species are in a price adjustment phase, while others are on the rise. Overall, since we handle a wide variety of fish species, we can hedge against market fluctuations and with numerous suppliers, we are confident in our ability to navigate the volatility in marine product prices. We believe that fish prices will remain high in general for the next fiscal year, but movements will differ for each species of fish depending on production and inventory conditions.

Q. The Overseas Business Unit has set an operating income target of 8.8 billion yen for the final year of the Medium-term Management Plan, but at present, will operating income decline again next fiscal year? Please tell us about the progress in each area. What are your thoughts on business reforms to achieve sustainable profits in the Overseas Business Unit?

We assess that our overseas operations, in general, are progressing well. The pet food business in Thailand experienced significant growth last year, and the North American Alaska pollock business significantly increased its access to resources. Concerns about the logistics of pet food (Last year, customers in North America, a major sales destination,

built up inventories due to concerns about distribution stagnation caused by the COVID-19 pandemic. This year, there was an inventory adjustment in reaction to that) and a softening of Alaska pollock prices, resulted in temporary poor results this year but the business environment is expected to improve for the next fiscal year. While the economic conditions in Europe are not particularly favorable, the Group's business has shown growth in net sales and operating income. Overall, we do not have a pessimistic outlook.

Q. Should we be concerned about the volatility of fish prices in the Overseas Business Unit?

We expect some ups and downs (in the sales of marine products in Europe and the North American pollock business), but we do not expect significant price volatility.

Q. Both net sales and operating income increased in the first half of the fiscal year. Processed Foods Business Unit and Foodstuff Distribution Business Unit are expected to do well in the second half of the fiscal year and the pet food business in Thailand is also expected to recover. Isn't the full-year performance forecast conservative? What risks are there in the next term?

Our biggest concern is the future of the North American Alaska pollock business in our Overseas Business Unit. We interpret this as a temporary situation, but we want to carefully monitor how long this situation will continue. If we can overcome this situation, there may be an opportunity to revise the full year forecast around the third quarter.

Q. How long do you expect the market downturn in the North American Alaska pollock business to continue? And what strategies are being developed to cover this business?

There are two factors behind the market downturn: first, the catch quota in the Bering Sea in North America has increased compared to the previous year; second, the supply of Russian pollock products (processed in China) has increased as they are now available in the market. The U.S. has decided to ban such Chinese-processed products, and the EU is taking steps to impose significant tariffs* (on pollock from Russia). Already,

fillet prices are showing signs of recovery. While the fishing quota for the North American Bering Sea for next year has not been determined, we anticipate a shift in demand towards U.S.-origin goods. The market will reach a turning point next year. We also produce surimi-based imitation crab with U.S.-sourced ingredients and are well-positioned to benefit from the decline in raw material prices. We would like to increase production to take advantage of the steadily growing demand for imitation crab.

*On November 27, 2023, the EU decided to impose a standard tax of 13.7% effective January 2024 (currently exempt from taxation).

Q. The Fishery Business Unit has been struggling in recent years. What is being done to restore profitability?

We recognize that this is an important business for our company to secure access to resources. While Japanese fishing vessels receive subsidies for fuel costs, overseas operations are challenging without such assistance. In areas where resources are well managed (Australia and New Zealand), we believe that upgrading fishing vessels for more efficient operations can lead to increased profitability.

Q. What is the progress in the growth driver areas of your Medium-term Management Plan? What initiatives are being undertaken in Vietnam (marine products and processed food products) and Thailand (pet food)?

We acquired Sai Gon Food Joint Stock Company in Vietnam two years ago. We expect that it will take some more time for Vietnam's economy to recover. Although pet food sales were affected by inventory adjustments of our customers, there has been no decline in demand or prices for pet food. Although the U.S. is our main market, we see more market growth in Europe and Asia. In the future, we aim to not only continue OEM activities but develop our own brand in the overseas market ASAP.

Q. Would the overseas expansion of your own brand in the pet food business start from North America? Or from another region?

We are currently researching brands (for M&A), not only in the U.S. but also in Europe.

It depends on where investment opportunities lie.

Q. I believe that marine products are at risk of market decline. On the other hand, the processed food-related business is performing well. In terms of complementing each other's businesses, would it be a good strategy to shift the axis of your business towards processed food products?

Although volatility is perceived to be high for the domestic marine resources business, the Marine Product Trading Unit has had about 4.4 billion yen in operating income over the last 8 years.

Last fiscal year, we established the Foodstuff Distribution Business Unit and created a scheme to sell marine products and frozen foods for institutional use together. The responsible Executive Officer is concurrently overseeing both the Marine Products Trading Unit and Foodstuff Distribution Business Unit. By firmly integrating the two Units, we aim to provide marine products to the food service and restaurant industry as seamlessly as other food items.

Q. What are your thoughts on future price increases domestically and internationally?

In Japan, raw material prices remain relatively high, and there is not as sharp a surge as seen last year. However, costs are slowly rising due to the continued depreciation of the yen. Another major issue is logistics. With changes in logistics patterns (*Truck driver shortages that are expected to worsen, with revisions being made to Japan's Labor Standards Law limiting overtime work, scheduled to go into effect in April 2024,) it is certain that logistics costs will rise within both primary and secondary transportation. We are still considering price revisions, but it is a fact that costs are rising.

Internationally, the environment has been more conducive to price revisions compared to Japan, but currently, the economies of both Europe and the U.S. are weakening, and there is a tendency toward a preference for lower prices. Currently we are able to pass on prices, which is leading to increased net sales, but we will cautiously monitor how long this situation will continue.

*On December 5, 2023, we announced a price revision for frozen foods for household

use in Japan.

Q. Now that price revisions have been implemented across various products, are there any barriers to future price revisions?

Over the past year, we have revised prices multiple times for various products, and on a quantity basis, we have seen a decrease. While we are considering the next round of price revisions, we do not expect the situation to change much for our competitors. Each company shares concerns and expects that further price revisions will result in a decline in sales volume.

Regarding frozen foods, we have transferred production lines from the Hiroshima Plant, which suffered a fire in September last year, to other facilities to the extent possible. Our production lines are operating at full capacity, and we have improved profitability through increased productivity and SKU reductions. Even if we implement further price revisions in the future, we are not in a situation to worry about a decline in volume (given the high operational capacity of our plants, although there will be a decline in sales volume in the industry as a whole).

Canned food prices have been revised substantially due to resource shortages. Beyond prices, plant production capacity has been affected by shortages of resources such as mackerel and Pacific saury. We aim to progress with new proposals, including the development of new products using high-quality imported raw materials.

Q. The stock price has been rising since the financial results. How do you evaluate the current stock price? On the other hand, PBR is still below 1x. I think there is still room for the stock price to rise but how do you plan to address this?

We are not only considering economic value but also striving to make progress and articulate our commitment to environmental and social values. It is essential to transparently communicate the advancements and thoughts regarding our efforts in these areas to our stakeholders. We aim to enhance understanding of our company by conducting further research, ensuring that everyone has a clearer picture of our identity. As for the current stock price, we are not satisfied, and we are committed to addressing this by focusing on our efforts diligently.