



# **Maruha Nichiro Corporation**

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**“Challenge toward 2017”**

**4-year Mid-term Management Plan**

**April, 2014 – March, 2018**

**May 30, 2014**

## 1. Summary of Former Mid-term Management Plan

“Double Wave Next”

## 2. Idea & Policy of New Mid-term Management Plan

“Challenge toward 2017”

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**1. Summary of Former Mid-term Management Plan**  
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# 1-1. Summary of Former Mid-term Management Plan (1)



## Status of Achievement (Consolidated)

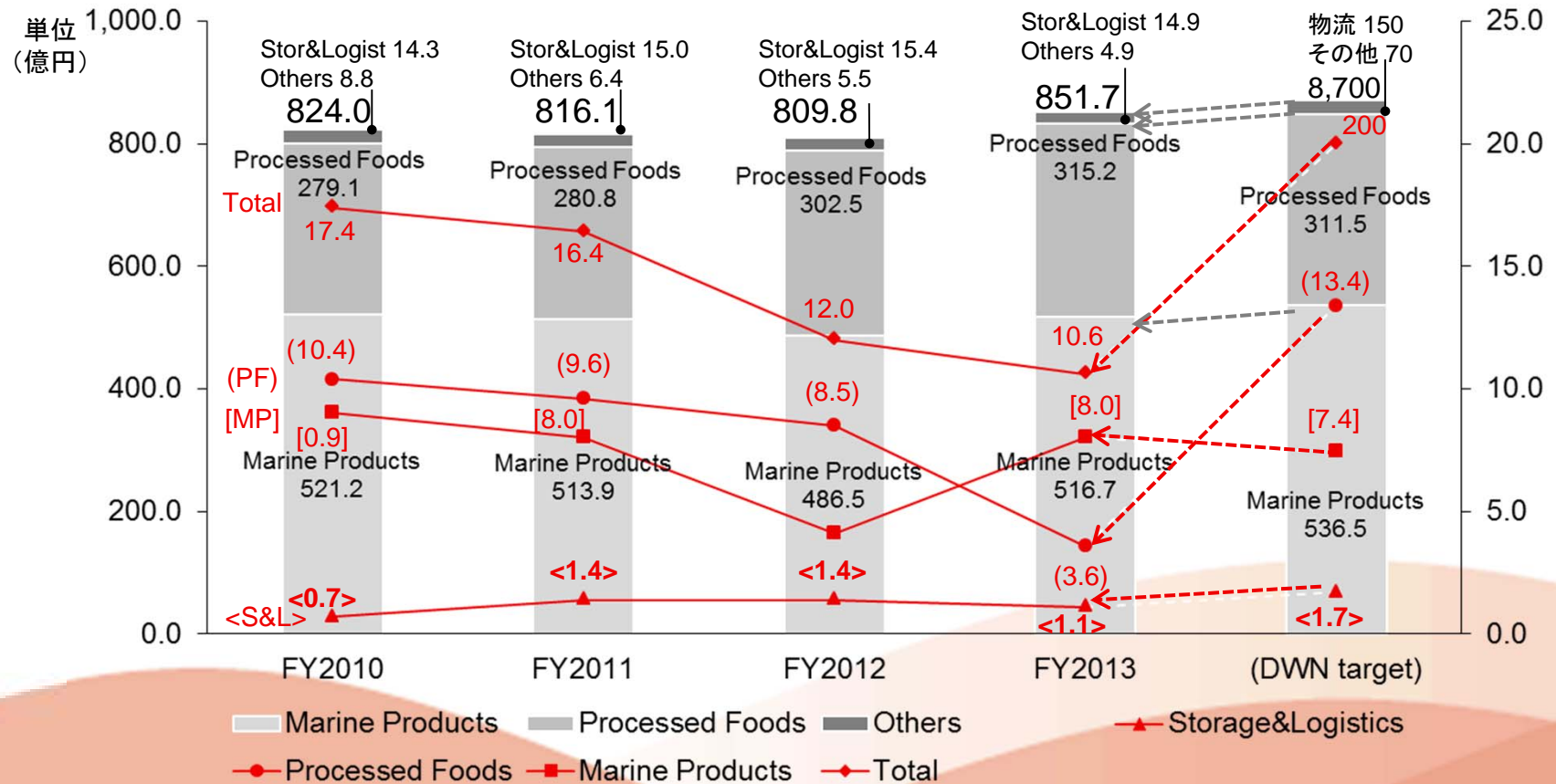
	FY2013 Plan	FY2013 Result	Difference
<b>Net Sales</b>	870.0 B yen	851.7 B yen	-18.3 B yen
<b>(Overseas Sales)</b>	100.0 B yen	113.4 B yen	+13.4 B yen
<b>Operating Income (3-year Average)</b>	20.0 B yen (17.6 B yen)	10.6 B yen (13.0 B yen)	-9.4 B yen (-4.5 B yen)
<b>Interest-bearing debt</b>	275.0 B yen	290.4 B yen	+15.4 B yen
<b>ROIC</b>	5.7%	2.8%	-2.3p

# 1-2. Summary of Former Mid-term Management Plan (2)



## Change of Financial Result (Consolidated)

Net Sales (bar graph : left axis) Operating Income (line graph : right axis)



**Double Wave Next (FY2011-FY2013)**

# 1-3. Summary of Former Mid-term Management Plan (3)



## Double Wave Next (FY2011-FY2013)

### Enhancing Profitability

Operating Income Target:  
**20 B yen**



**FY2013 Result 106 B yen (-9.4B yen, highest in the period 16.4 B yen)**

- Cost increase driven by raw material hike and weakened yen, slump in sales of some existing items
- Operating income of Aqli Foods down by 2.9B yen YoY due to recall problem, etc.

Expanding/Alignment of Profit Source



**Measures such as M&A, enhancing production, enhancing accessibility to resources and curtailment of unprofitable operation were sufficiently enforced.**

### Improving Financial Condition

Reduction of Interest-bearing Debt: target  
**275B yen**



**290.4B yen at the end of FY2013 (up 15.4B yen)**

- Inventory increased due to buoyant fish price

# 1-4. Summary of Former Mid-term Management Plan (4)



## Double Wave Next (FY2011-FY2013)

### Extending to Overseas Market

Overseas Sales Target:  
100B yen



**FY2013 result: 113.4 B yen (up 13.4B yen), exceeded the target**

- Continued alignment of infrastructure to expand sales in Europe, North America and Asia
- Delay, in contrary, in developing China market for frozen/processed food

### Recovery from Earthquake

Recovery of Damaged Plants



**Partial transfer of production and resuming operation at Ishinomaki Plant, etc. are completed**

Closing Some Operations



**Further optimization needed**

# 1-5. Summary of Former Mid-term Management Plan (5)



## Major Practice

### Enhancing Profitability

- **M&A**
  - ✓ Merger of Yayoi Foods ⇒ Merged with Nichiro Sunfoods
- **Enhancing Productivity**
  - ✓ Adding jelly production lines
  - ✓ Launched high purity EPA refining plant (in South Korea)
  - ✓ Launched new cold storage
- **Enhancing accessibility to resources**
  - ✓ Established Taiyo Micronesia
  - ✓ Acquired capital in Austral Fisheries
- **Curtailment of unprofitable operation**
  - ✓ Spun off hotel / beverage company
  - ✓ Closed farming biz in Philippine

### Extending Overseas Market

- **Europe & North America**
  - ✓ Acquired capital in Seafood Connection
  - ✓ Adding salmon processing lines of Peter Pan Seafoods
- **Asia**
  - ✓ Established Maruha Nichiro Thailand
  - ✓ Established Ningobo Ji Ching Shin Ye International Trading Co., Ltd. for sales of freeze-dry food in China
  - ✓ Expanding local sales in China by Yantai AQLI
  - ✓ Expanding business in Thailand
    - Established a JV of pet food
    - Established a JV of cold storage



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# 2-1. Perspective Business Environment Amid New Mid-term Management Plan



## Business Environment

### Domestic

- Home meal replacement (dine out / ready-made)
- **Reducing/Aging population**
- **Fading fish demand**
- **Oligopoly of distribution industry**
- **Waning fish industry**
- **Weak yen** → rising import price

### Overseas

- Expanding seafood demand
- Emerging economy
  - demanding processed food
  - infrastructure improvement
- **Risk in emerging countries**
  - rising labor cost
  - recession
  - difference in biz practice
  - anti-japan press report

- Demand for health conscious food increasing
- Nursing food market growing
- **Fluctuating fishery**
- **Risk of fish farming**
- **Restriction on fishery**

Black: positive red: negative

## 2-2. Vision of New Mid-term

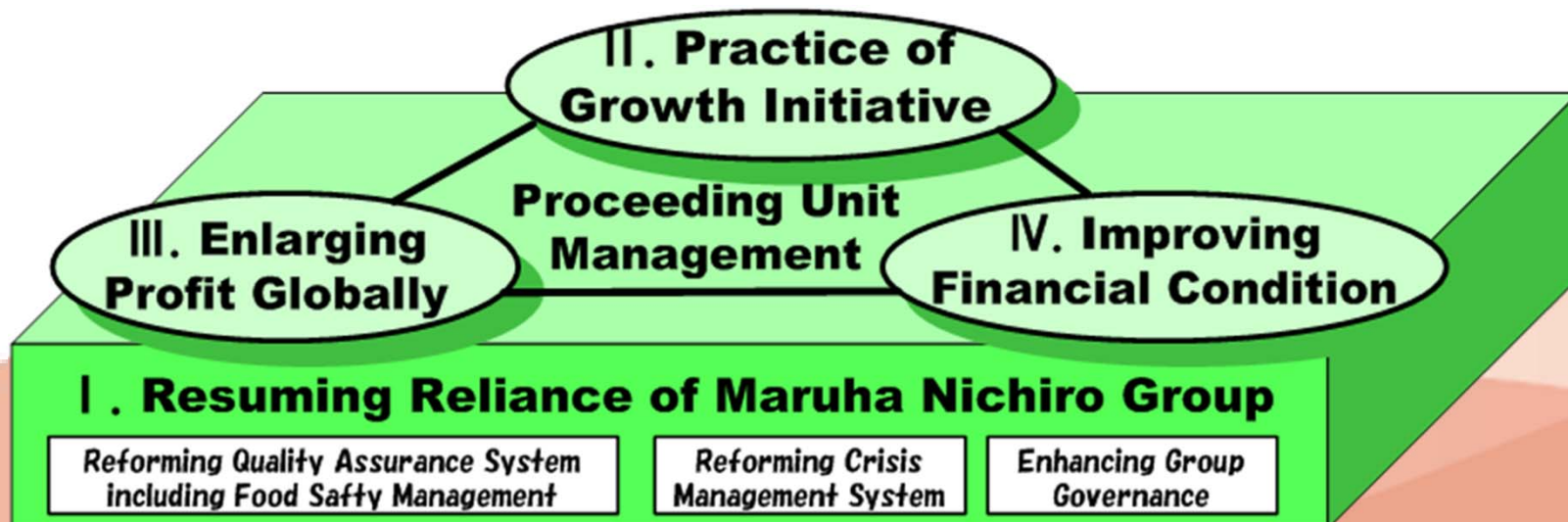
### Management Plan



# Challenge toward 2017

-Toward 10<sup>th</sup> Year Since the Merger-

-Challenge for Bringing Delicious Delight to More People-



# 2-3. Basic Policy of New Mid-term Business Plan



## Basic Policy

### I. Resuming Reliance

- We will swiftly and firmly practice measures to resume our reliance by reminding Maruha Nichiro Group's Philosophy which is "The Maruha Nichiro Group aims to contribute to the betterment of people's daily lives by providing wholesome, safe and healthy food with sincerity and integrity."

### II. Practice of Growth Initiative

- With accomplishing integration of the group, we aim to pursue continuous growth.
- The new operating holding company switched from pure holding company take the initiative of the group to have clear accountability and efficiency.
- Structuring a system which prompt execution of growth strategy more practically, strategically and efficiently.
- Prompting entire growth by timely measures such as collaborations among units and strategic investment.

### III. Enlarging Profit Globally

- For continuous growth, expansion in the global market, where further demand is expected, is confirmed as a key strategy for our group.
- Expanding investment toward global and new business field for enhancing core profitable business.

### IV. Improving Financial Condition

- Reducing interest-bearing debt and increasing equity ratio

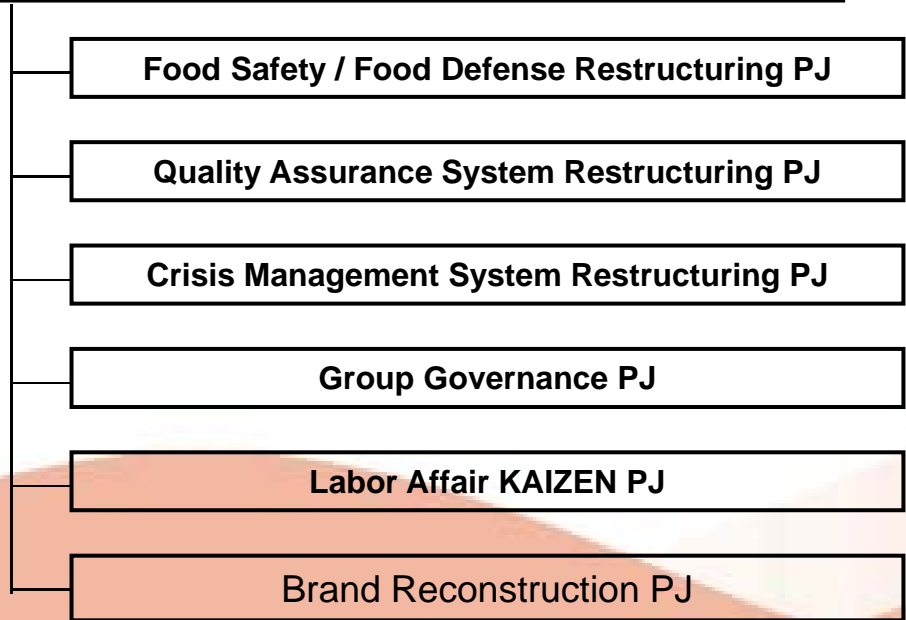
# 2-4. (1) Resuming Reliance

## Resuming Reliance

### What to do

- Having “Crisis Management Restructuring Committee” to resume the Group’s reliance which was eroded by recall problem caused by pesticide tainted frozen food, which takes initiative for various restructuring measures in accordance with suggestions from the third party investigatory committee.
- Setting up transversal project teams as subordinate agencies of the “Third Party Investigatory Committee”, which involves planning, investigating and enforcing restructuring measures,

### Crisis Management Restructuring Committee



### Suggestion from Third Party Investigative Committee (outline)

- Reconfirming and diffusing mission of food company
- Reorganization – establishing Risk Management Department
- Enhancing quality assurance function: establishing QC system/reforming rule/nurturing experts
- Food Defense (1): entire group consolidating standards/incubating corporate culture
- Food Defense (2): improving Gunma plant supervising, equipping facility for avoiding contamination, raising awareness of employees
- Building relations with PB owners

## 2-5. (2) Practice of Growth Initiative



### Practice of Growth Initiative

- Enhancing procurement including access to marine resources in overseas (Units / Marine Products)
- Constructing global supply chain for marine resource from North America (North America Op UT)
- More elaborated products (Marine Products Trading UT)
- Cost reduction in fishery and aquaculture with further optimization (Fishery&Aquaculture UT)
- Expanding supply chain for fresh fish, widen range of commodity (Marine Products Wholesaling UT)
- Increasing overseas sales by enhancing sales of foreign subsidiaries (Overseas BIZ UT)
- Promoting proposal, planning and development-based strategic sales throughout the entire group (Strategic Sales UT)
- Leading R&D strategy for promoting “Lifetime Health Program”
- Optimizing group’s logistics (Logistics UT)
- Expanding fine chemicals by participating pharmaceutical Omega-3 market (Foods&Fine Chemicals UT)
- Enhancing differentiation skill and ability to meet market needs (Frozen Foods BIZ UT)
- Stabilizing profit structure with reformation of production base, increasing ratio of value-added items (Food BIZ general)
- Rebuilding AQLI brand (Frozen Foods BIZ UT)
- Extending general logistics service incl. transportation & custom clearance and proposal-based merchandising (Logistics UT)

## 2-6. (3) Practice of Growth Initiative



### Increasing Overseas Profit

- Sales expansion in Europe, ASEAN and Oceania
  - Seafood Connection (Europe)
  - Maruha Nichiro (Thailand) (ASEAN)
  - Austral Fisheries (Oceania)
- Advancing into HALAL market
- Reforming sales functions in China
- Establishing logistic BIZ in Thailand

### Egg-to-harvest Aquaculture

- Abt 3,000MT of bluefin tuna output from Group: the biggest in domestic industry
- Ban of opening new farm since 2012, except for farming hatched fish.
- Egg-to-harvest raised tuna will be in market from 2016
- Further investment for bluefin tuna and amberjack hatchery was done in 2013 at Amami

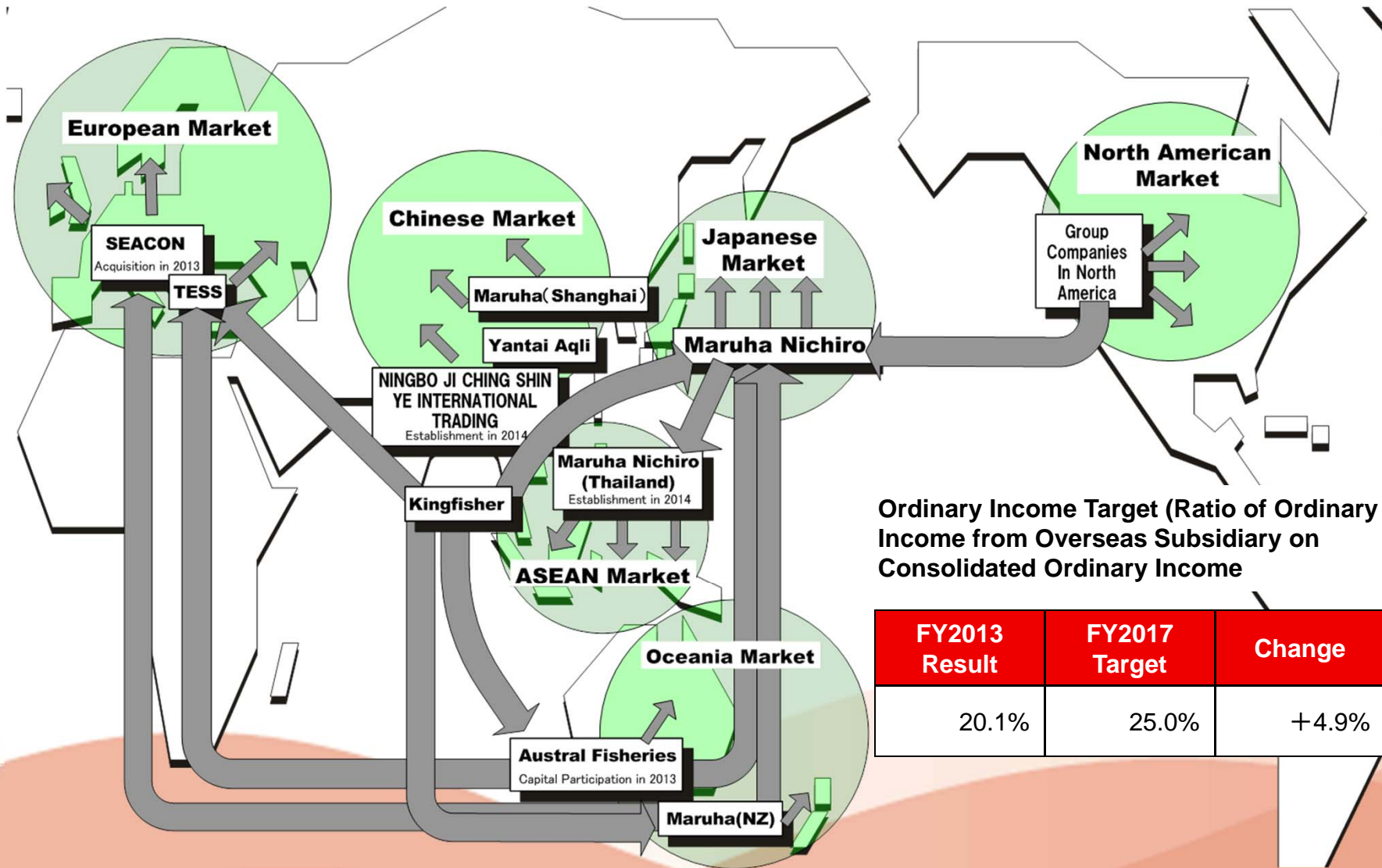
### Toward No.1 in Frozen Food BIZ

- Resuming and expanding of market share declined after recall problem
- Structure reinforcement in production (new plant and expansion of production lines of priority items)
- Developing value-added products meeting to customers' needs
- Resuming Gunma Plant and improving operation ratio in Yubari Plant
- Measures to regain reliance of AQLI brand

### Long Life Chilled Food BIZ

- Ready-to-eat meal with abt 1 month shelf life in chilled temperature
- Developed under technical cooperation with a foreign company
- Experimental sales done satisfactory
- For commencing sales from next spring, planning of production lines to be finalized shortly

## 2-7. (3) Enlarging Profit Globally



Ordinary Income Target (Ratio of Ordinary Income from Overseas Subsidiary on Consolidated Ordinary Income)

FY2013 Result	FY2017 Target	Change
20.1%	25.0%	+4.9%



## 2-8. Capital Expenditure (4 years)



### Strategic Investment

→ 37 Billion Yen

- Overseas Business Unit
  - Building distribution storage (Thailand)
  - Expanding production facilities (Thailand)
- North America Operation Unit
  - Additional acquisition of capital in seafood sales company
  - Increasing production capacity in North America
- Frozen Foods Business Unit
  - Launching new plant
  - Increasing capacity at plants for institutional products
- Processed Foods Business Unit
  - Reforming production lines for new items

### Routine Investment

→ 38 Billion Yen

↓  
**Total 75 Billion Yen**

## 2-9. Quantitative Target

### Quantitative Target

	<b>FY2013 Result</b>	<b>FY2017 Target</b>	<b>Change</b>
<b>Net Sales</b>	851.7 B yen	900.0 B yen	+48.3 B yen
<b>Operating Income</b>	10.6 B yen	20.0 B yen	+9.4 B yen
<b>Ordinary Income</b>	14.0 B yen	19.0 B yen	+5.0 B yen
<b>Ratio / Overseas Ordinary Income</b>	20.1%	25.0%	+4.9%
<b>Interest-bearing debt</b>	290.4 B yen	275.0 B yen	-15.4 B yen
<b>Equity Ratio</b>	16.2%	20.0%	+3.8%

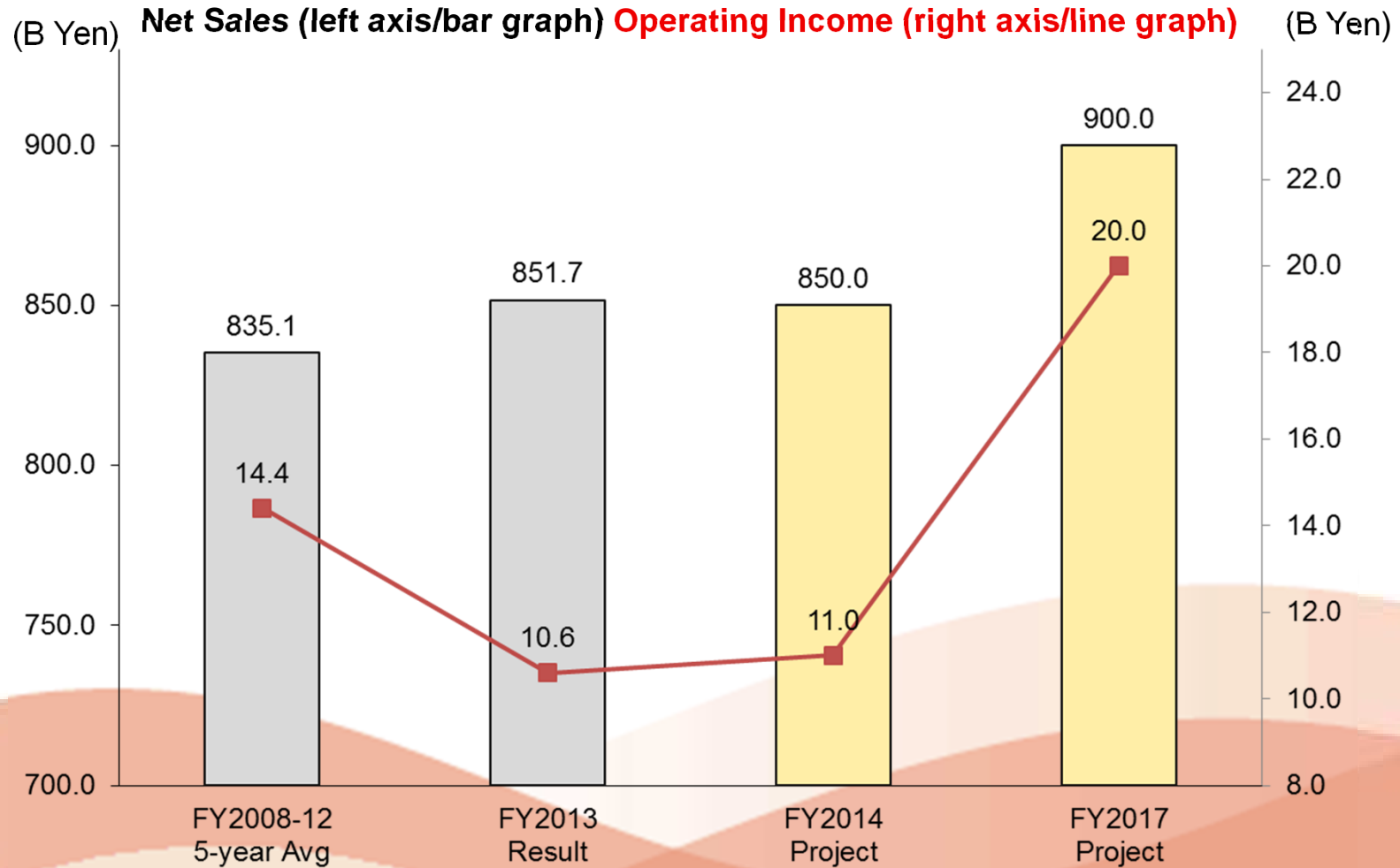
◆ Assumed Yen/US\$ rate: 105 yen/US\$

◆ Ratio / Overseas Ordinary Income : Ratio of total ordinary income of foreign subsidiary on consolidated ordinary income.

# 2-10. Results and Project



## Results / FY08-12 Avg. & FY13, Project / FY14 & 17



## 2-11. Reformation of Business Units



### I. Purpose

- To have mutual strategy among Business Units freely from company frame we used to have until the merger of the leading operating companies
- Enlarging Group's profit with enhancing profitability of each Unit by being flexible toward challenges and business promotion

### II. New Distribution of Units

- 11 Units - "Fishery&Aquaculture" "Marine Products Trading" "Marine Products Wholesaling" "Meat and Products Trading" "Strategic Sales" "Overseas Business" "North America Operations" "Frozen Foods Business" "Processed Foods Business" "Foods & Fine Chemicals" "Logistics"

### III. Launching "Overseas Business Unit"

- Which has rolls of planning overseas operation, provision of infrastructure in overseas operation incl. human resource development, market development and exporting domestic products

### IV. Launching "Strategic Sales Unit"

- Which has integrated key account for wide area distributors, as well as covering fields such as mail-order business, non-store retailing, nursing-care food, etc.

## 2-12. FY2018 Target by Units



### Financial Target by Business Units

(Billion Yen)

	Net Sales			Operating Income		
	March 2018 Plan	March 2014 Result	±	March 2018 Plan	March 2014 Result	±
Fisheries & Aquaculture Unit	36.6	34.1	2.5	2.5	1.0	1.5
Marine Products Trading Unit	68.4	70.9	(2.5)	3.0	2.7	0.3
Marine Products Wholesaling Unit	262.6	266.2	(3.6)	1.1	1.0	0.1
Meat and Products Trading Unit	50.0	44.8	5.2	0.6	0.1	0.5
Strategic Sales Unit	75.8	69.3	6.5	0.5	0.5	0.0
Overseas Business Unit	47.6	43.5	4.1	1.1	0.5	0.6
North America Operations Unit	89.8	80.2	9.6	2.3	1.3	1.0
Frozen Foods Business Unit	166.2	153.9	12.3	3.9	0.7	3.2
Processed Foods Business Unit	74.6	64.1	10.5	2.6	0.4	2.2
Foods & Fine Chemicals Unit	7.2	4.2	3.0	0.6	0.6	0.0
Logistics Unit	16.1	14.7	1.4	1.1	0.9	0.2
OTHERS	5.1	5.9	(0.8)	0.7	0.7	0.0
COMMON COST	0.0	0.0	0.0	0.0	0.3	(0.3)
<b>TOTAL</b>	<b>900.0</b>	<b>851.7</b>	<b>48.3</b>	<b>20.0</b>	<b>10.6</b>	<b>9.4</b>

## 世界に美味しいしあわせを

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