MARUHA NICHIRO

Consolidated Financial Results Briefing for the Fiscal Year Ended March 2025

Date: Friday, May 16, 2025

Speakers: Masaru Ikemi, Representative Director, President & CEO

Satoshi Kokaji, Senior Managing Executive Officer (Director of Processed Foods Business Segment)

Yoshinobu Kumamaoto, Managing Executive Officer (Director of Foodstuff Distribution Business Segment)

Itaru Kawada, Managing Executive Officer (Director of Marine Resources Business Segment)

Yoshitaka Koseki, Managing Executive Officer (In charge of Corporate Planning Department and Finance Department)

Q. Please provide an update on progress toward the final year of the Mid-Term Management Plan and your outlook going forward.

There was an explanation that the operating income target of 40 billion yen for the final year of the Mid-Term Management Plan is steadily achievable. However, the profit growth projected for the fiscal year ending March 2027 and beyond appears somewhat ambitious. While the impact of corporate transformation expenses may be a factor, given the strong performance in the previous fiscal year (FY ended March 2025), it seems inconsistent that the Foodstuff Distribution Business and Processed Foods Business Segments are expected to see operating income declines in the current fiscal year (FY ending March 2026). Please explain the overall situation, including whether there is upside potential to this year's plan, and the basis for recovery in the following years.

Achieving the operating income target of 40 billion yen under the Mid-Term Management Plan hinges on the recovery of the Marine Resources Business Segment. While this segment posted an operating income loss of 3.9 billion yen in the previous fiscal year (before organizational restructuring), it had recorded an operating income of 9 billion yen three years ago (FY ended March 2023), demonstrating the potential for profitability. We believe that steady progress in upstream structural reforms-including early withdrawal from unprofitable businesses-and strengthening downstream strategies will enable performance improvement.

There are two main factors behind the projected operating income decline in the Foodstuff Distribution Business Segment this fiscal year.

First is the impact of market fluctuations on the Marine Products Trading Unit. In the fiscal year before last (FY ended March 2024), operating income was limited to 2.5 billion yen due to price volatility in items such as tuna. However, in the previous fiscal year, this rebounded to 5.5 billion yen. Given that some level of volatility is unavoidable in Marine Products Trading due to market conditions, we are planning conservatively for just under 4 billion yen this fiscal year.

Second is the Meat and Products business within the Agricultural Foods & Meat and Products Unit. An operating income decline of approximately 1 billion yen is expected in this area. Our meat products business mainly involves raw material trading, sourcing raw materials and ingredients globally and supplying them to major domestic processors. While some profit is expected, the business is highly susceptible to market fluctuations, and profitability has been a challenge. Therefore, we have determined that an early remodeling of the business to improve ROIC is necessary and have incorporated an operating income decline of about 1 billion yen into our forecast.

In the Processed Foods Business Segment, we expect an operating income decline of around 600 million yen in the pet food business in Thailand due to rising minimum wages and a weakening U.S. dollar against the Thai baht.

As explained above, although there are segment-specific factors causing operating income declines, overall business is progressing smoothly at present. We ask for your understanding that our current forecast is a conservative estimate.

Q. Despite strong performance from Seafood Connection in Europe, why is an operating income decline planned for the fiscal year ending March 2026? Also, the pet food business in Thailand is expected to post lower operating income. Could you elaborate on any negative factors as well as potential positive developments?

For Seafood Connection, we are projecting a slight decline in operating income due to elevated costs across Europe, which may make it difficult to fully pass on those costs through pricing. However, the recently announced new investment- expected to contribute approximately 1.2 billion yen in annual operating income- has not yet been factored into the plan. Taking into account the consolidation period, we anticipate an additional 600~700 million yen in operating income. Including this upside, we believe the forecast remains achievable and even has potential for outperformance.

Regarding the pet food business in Thailand, we are concerned about the potential impact of U.S. tariffs. While the situation remains uncertain, our products are classified as “premium pet food.” Given that our uniquely positioned premium pet food is currently mainly supplied from Thailand, we anticipate that strong demand from our main customer base will help to mitigate the potential impact. **Tariff impacts have not been incorporated into the current projections.*

Q. Regarding the outlook for profit improvement in the Marine Resources Business Segment this fiscal year, how realistic is it? The Fishery Business Unit is expected to see an operating income improvement of over 2 billion yen- can you share how far the withdrawal from unprofitable businesses has progressed as part of that effort? Also, in terms of the North America Operations Unit (Alaska pollock), should we interpret this year's plan as a firm, "must-achieve" target?

The Fishery Business Unit posted a 1.2 billion yen loss in the previous fiscal year but is targeting a return to profitability with an operating income of 1 billion yen this year. The previous year's loss was primarily due to poor catch volumes and decreased operating efficiency caused by aging vessels. In the current fiscal year, we have suspended operations in certain fishing grounds where marine resources have been unstable, and we are introducing new vessels to improve operational efficiency and profitability. While the full profitability contribution from the new vessels is expected from the next fiscal year onward, improvements in utilization are already supporting this year's recovery.

As for the North American Alaska pollock business, the market faced temporary disruption due to a significant increase in Russian surimi production two years ago, which led to a decline in prices as these products flowed into Japan and East Asia. However, more recently, changes in Russia's production strategy-moving away from low-price sales-and a shift in their export destinations, including a greater focus on the domestic (Russian) market, have helped improve the supply-demand balance. With prices showing signs of stabilization, combined with our initiatives such as increasing the usage ratio of our value-added processed products, we believe that achieving profitability in the current fiscal year is within reach.

Q. Could you explain what distinguishes the "wholesale" business and what its key strengths are?

The 'Wholesale' business operates in Toyosu and similar markets all around Japan and act as intermediaries between producers (such as fishing cooperatives) and intermediate wholesalers, essentially functioning as a market intermediary. In the seafood industry, to our knowledge, we are the only publicly listed company known to directly operate and consolidate wholesale functions.

In recent years, as the catch of natural marine products has declined, we've focused on the function of fresh fish gathering in the market. We've been working for several years to not only distribute marine products procured from overseas through the market but also to sell them through our own distribution channels, starting from the collection of products by our wholesale business function. This initiative has allowed us to expand the profitability of our entire group. We believe that wholesale plays a crucial role in realizing the "Value Cycle" that we've set out in our Mid-Term Management Plan.

Q. Could you provide an update on the progress of the business partnership with Kibun Foods? In particular, are there any developments you can share regarding collaboration in the North American Alaska pollock business?

We are currently deepening our understanding of each company’s processing capabilities and raw material procurement structures. In some areas, the partnership has already progressed to the point where our facilities are producing and distributing Kibun-branded products—a clear sign of tangible collaboration.

In the North American Alaska pollock business, our focus has primarily been on primary processed products (intermediate products) such as surimi and fillets, with about half of these items produced within our Group. However, as these products are highly susceptible to market fluctuations, we see the expansion into “value-added processed products” for general consumers as a key direction going forward. Leveraging Kibun Foods’ market reach and product development capabilities, we plan to establish a framework for high-value-added products over the course of the Mid-Term Management Plan.

Q. With regard to the North American Alaska pollock business, what types of facility investments are being considered to support the in-house production of value-added products in Europe and Japan?

Currently, 10% of the North American Alaska pollock surimi handled by our company is supplied to our imitation crab (kanikama) facility in the United States, where it is used to produce imitation crab products. We began expanding this plant’s production capacity last year, and we expect to start seeing the benefits of that investment in the current fiscal year.

At present, North America is our only region with facilities capable of producing value-added items such as imitation crab. Moving forward, we plan to gradually establish similar processing capabilities in Europe. In Japan, we aim to enhance our value-added production capacity through our collaboration with Kibun Foods, leveraging their expertise and infrastructure to strengthen our domestic supply framework.

Q. Please explain the current status and future plans for promoting the microalgae-derived DHA business.

Most DHA currently available in the market is sourced from fish and other marine products. However, as marine resources continue to decline year by year, the stable procurement of fish-derived DHA in the future is uncertain. In response, we are developing DHA derived from microalgae in partnership with a Canadian manufacturer as a new technological approach.

We believe this microalgae-derived DHA will play a key role in our future focus on health-conscious and functional foods. Research on deodorization (“odor removal”) is also underway. Once commercialized, this DHA has the potential to become a key ingredient in a variety of products, offering significant benefits in areas such as preventive health and early intervention.

Currently, we source raw materials from the UK and have secured sales rights for the Japanese market. Together with our Canadian partner, Mara Renewables, we are evaluating investment opportunities for dedicated production facilities.

Q. The briefing materials note that President Ikemi personally held dialogue meetings with employees as part of the corporate transformation. Could you share some reflections and overall impressions from those interactions?

During the last fiscal year, as we implemented corporate transformation efforts- including the changing of our Corporate Identity (CI) and relocation of the Head Office - we made it a priority to engage directly with every employee. Through these dialogues, I (Ikemi) observed that employees have a strong interest in the company’s future amidst a rapidly evolving business environment. This collective mindset gave me confidence that the organization has the capability to take on new challenges, reinforcing our commitment to driving the transformation forward.

In the current fiscal year, to ensure a deeper understanding of the reasons and goals behind the CI revision, Executive Officers are continuing these dialogues not only at Head Office but also across manufacturing plants, maintaining close communication with employees.

*This document is not a complete transcript of the Q&A session from the briefing. Selected excerpts have been edited and compiled by Maruha Nichiro Corporation.