

Marine Products Business Segment

As one of the world's largest seafood suppliers, we are building a robust value chain to deliver safe and secure blessings of nature on a global scale.



Consideration of business environment and medium-term direction

In order to respond to changes in the business environment due to the impacts of COVID-19 pandemic and the conflict in Ukraine, strengthening our business base is urgently needed. Due to the growing global demand for seafood products, there is fierce competition for marine resources on a global scale, as well as soaring fish prices. The expansion of our overseas market base is an important theme not only to strengthen our ability to offer diverse fish consumption but also to respond to the global competition for seafood products. The Group will secure access to new resources and strengthen its sales bases and processing capabilities suited to the fast-growing overseas seafood market, including through collaborations and acquisitions.

Meanwhile, in Japan, as people consume more meat due to the westernization of the diet and as the population declines due to the falling birthrate and aging population, the consumption of seafood products is on a downward trend, which is also influenced by the soaring price of fish. Maruha Nichiro will strive to maximize the value chain by the integration of production, distribution and sales functions from procurement to supply, and contribute to the popularity of fish consumption while effectively utilizing resources within the Group.

Results of the previous Medium-term Management Plan

- Expanded sales through diversification of sales channels
- Strengthened our revenue base through the expansion of European sales bases
- Strengthened processing functions in Asia

Issues of the previous Medium-term Management Plan

- Delay in business structure reform in the overseas purse seine business
- Deterioration in profitability due to delay in technological innovation of egg-to-harvest bluefin tuna and shrinking market due to the COVID-19 pandemic

SWOT Analysis of the Marine Products Business Segment

Strength

- Fishery Business**
- Possess fishing rights and catch quotas in areas for which resource management is strictly enforced
 - Conducts sustainable business operations through productive relationships with domestic and international government authorities
- Aquaculture Business**
- Is the leading domestic producer of bluefin tuna and greater amberjack in terms of production volume as a corporate aquaculture business, and one of the top five producers of yellowtail, with a stable supply system based on multiple fishing grounds
 - Provides sustainable marine resources through the development and production of artificially hatched fish
- Marine Products Trading**
- Has a domestic and international seafood products procurement network that has been in continuous operation for many years
 - Functions to process seafood products procured both domestically and internationally within the Group
- Overseas Business**
- Has an integrated system that handles everything from processing to sales of Alaskan seafood products (Alaska pollock, crab, Pacific cod, etc.), using sustainable marine resources
 - Manages the entire production from development to processing by our own employees at multiple processing bases in Thailand, Vietnam and China

Weakness

- Fishery Business**
- Aging of fishing vessels and decrease in the number of domestic fishery business workers
- Aquaculture Business**
- Risks related to inventory, markets, disasters and fish diseases due to long cultivation periods, and fluctuations in market prices due to catch status of wild-caught fish
 - Short shelf life due to our main focus on sales of live fish and fresh fish. Weak logistics systems that rely on specific transportation methods/suppliers
 - The time it takes for the results of developing and cultivating eggs to contribute to the business
- Marine Products Trading**
- Decline in consumption of seafood products and declining volume of sales in the market
 - Difficulties in differentiating from competitors due to our main focus on product purchases
- Overseas Business**
- Insufficient overseas sales techniques (knowledge, human resources, experience, etc.) due to our history of selling mainly to the Japanese market
 - Existence of manufacturing methods that are increasingly losing competitiveness in terms of conventional raw materials and processing costs when compared to competitors and other countries

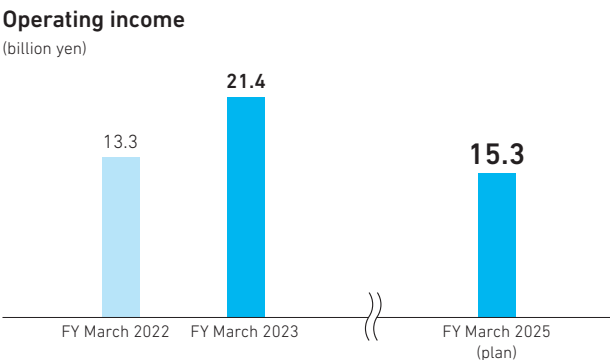
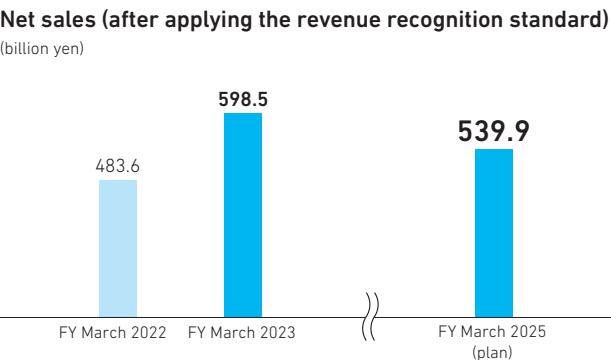
Opportunity

- Fishery Business**
- Increase in seafood consumption driven by global health consciousness
 - Difficult for new competitors to enter the market due to experience, technology, funds, etc.
- Aquaculture Business**
- Increase demand for farmed fish as heightened environmental awareness, improved consumer image, declining catch of natural resources
 - Expand to overseas markets due to rising global demand for marine seafood products
- Marine Products Trading**
- Increased demand for domestic seafood products due to rising procurement costs of imported seafood products
 - Expansion of the product market that meets the health consciousness of an aging population
- Overseas Business**
- Increasing awareness of sustainable resources
 - Expansion of retail markets in North America and Europe
 - Turning point to look globally from the shrinking Japanese market

Threat

- Fishery Business**
- Rising costs (fuel costs, fishing gear and other consumables costs, logistics costs, etc.)
 - Changes in resource status due to climate change and stricter fisheries regulations
- Aquaculture Business**
- Increased risk of disasters, fish diseases, etc. as a result of changes in the ocean environment
 - Rising fuel and feed costs, etc. as a result of yen depreciation and global market fluctuations, etc.
- Marine Products Trading**
- Decline in Japan's relative position in international markets
 - Oligopoly of end users (retail stores and restaurant chains) in marine products wholesaling and a decline in the amount of market handling as a result of declining domestic seafood production
- Overseas Business**
- Increase in production costs in North America and China and the resulting changes in sales destinations and processing locations

Financial indicators in the new Medium-term Management Plan





Fishery Business Unit Growth Strategy

The Fishery Business Unit is composed of Group companies located mainly in Japan and Oceania. While operating costs are rising due to soaring fuel oil prices, the Company will strive to further secure profits by increasing the degree of processing and diversifying sales routes for its mainstay highly profitable fish, such as Patagonian toothfish, whose market has recovered from the COVID-19 pandemic.

In addition, by developing and implementing suitable plans for the replacement of aging vessels, we aim to stabilize our business and improve profitability by adhering to resource management based on scientific findings as a sustainable business.



Marine Products Trading Unit Growth Strategy

This year, Marine Products Trading Unit has integrated with Marine Products Wholesaling Unit, which has its strengths in the ability to accumulate domestic seafood products. By creating its unique seafood distribution framework based on strategy with respect to procurement and sales of domestic and international seafood products, we will pursue to maximize customer value. Although procurement costs are trending upward due to the global recovery in seafood products demand and the impact of foreign exchange rates, we will pass on these costs to sales prices, expand sales of growing sales channels and commercial products, strengthen our fresh fish sales coordination function, and strengthen the Group supply chain through collaboration with our domestic and overseas sales networks.



Aquaculture Business Unit Growth Strategy

As the market prices of major farmed fish are recovering amid rising fuel and feed costs, we will continue to strive for efficient production so as to improve our profitability. Over the medium to long term, while avoiding the risk of natural disasters, which are on the rise due to global warming, we will control costs and risks by reducing the scale of egg-to-harvest bluefin tuna, which requires further technological improvements. By leveraging joint research with the Japan Fisheries and Education Agency and by leveraging our Maruha Nichiro Aquaculture Technology Development Center, the Group will develop and cultivate eggs to produce high-value-added fish that other companies cannot simply match. Meanwhile, with respect to existing farmed fish, including those originating from wild-caught seeds, we will strengthen intra-group cooperation to take advantage of economies of scale and will strengthen our efforts with end-users.



Overseas Business Unit Growth Strategy

We will strengthen our revenue base and access to resources and expand sales abroad in order to maintain an absolute competitive edge in each of our entities in North America, Europe, Asia, and Japan. In our North American business, we newly secured Alaska pollock resources (50,000 tons) in the Bering Sea, which significantly increased our share of the onshore quota to 41%, and we plan to increase profitability through effective utilization of these resources and expansion of secondary processing. We forecast rising raw material procurement costs and intensifying competition in the pet food business in Thailand. However, we will focus our efforts on sales promotion, including the recruitment of new customers, and in addition, we will aim to increase our share of the European market by leveraging the supply chain within our European business unit and through M&A.

Activities to Realize a Sustainable Society

The Maruha Nichiro Group is promoting group-wide activities for the realization of a sustainable society.

Strengthening of Buoy Strength for Use in Marine Aquaculture

In recent years, there has been increasing pollution of the oceans by plastics, and measures are needed to address plastic spills caused by fishing gear and aquaculture equipment. For example, most of the buoys used in Japan's marine aquaculture industry are Styrofoam (plastic), but considering Styrofoam's poor resistance in the natural environment, there is a risk of plastic leaking into the ocean due to degradation over time. At Taiyo A&F Co., Ltd., we began switching to buoys made of HDPE (high-density polyethylene), a stronger material, in order to reduce such risks. They are already being introduced at all five locations (Okinawa, Kashiwa Island in Kochi, Goto in Nagasaki, Yuya in Yamaguchi, and Naru in Nagasaki), and the number of fish tanks to be introduced will be increased in the future.



Buoys made of conventional Styrofoam materials



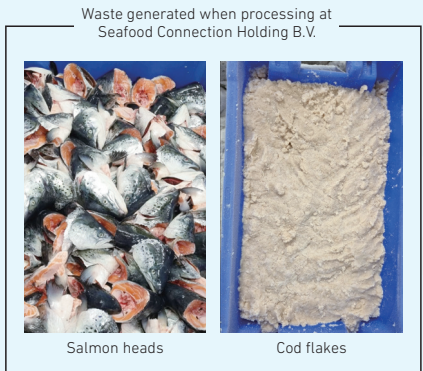
Buoys made of HDPE materials with enhanced strength

Commercialization of Food Waste Generated During Processing

Reducing food waste in the food production and supply chain is attracting attention as a global issue, and food manufacturers are expected to take action to solve problems. Although the heads of salmon that are left over during the processing of salmon for export were conventionally discarded, Sai Gon Food Joint Stock Company has begun selling them as a commercial product for the domestic market in Vietnam. Through these activities, they have reduced food waste by about 50 tons per year. Also, Seafood Connection Holding B.V., based in Europe, embarked on activities in 2020 to sell salmon heads and cod flakes, etc. left over during processing as ingredients for fish nuggets instead of disposing them. Through these efforts, they have achieved food waste reduction by about 2.5 tons in 2021.



Consumer cooking products using salmon heads from Sai Gon Food Joint Stock Company



Seafood Connection Holding B.V. Activities

