

Processed Foods Business Segment

We focus on the development and sale of food products that meet the diversifying needs of customers in line with changes in society, such as the declining birthrate and aging population, and shrinking population, with the aim of continuing to contribute to delicious delight and the health of people around the world.



Consideration of business environment and medium-term direction

In the Japanese food market, the declining and aging population will presumably increase the need for time-saving and convenient meals, single-serving and small portions, and health-conscious products. The Processed Foods Business Segment will actively develop products suited to these needs and by strengthening cooperation between divisions within the Group, we will operate under the assumption that further business expansion is feasible. On the other hand, many costs, such as raw material costs, logistics costs, and energy, are on a significant upward trend, presumably creating an environment that poses challenges to generating profits. We see a need for action that not only reduces costs through productivity improvements but also increases brand recognition as well as strengthens sales of value-added products.

We are working to gain a correct and quick understanding of lifestyle changes so we can respond flexibly in our sales strategy and product development strategy.

Results of the previous Medium-term Management Plan

- Achieved profit increase as a result of cost reductions thanks to higher factory utilization rates, driven by the demand for at-home consumption
- Identified profit/loss ratios by item and visualized issues through leveraging a single integrated product profit-and-loss management system

Issues of the previous Medium-term Management Plan

- Sales target was not achieved due to a declining sales share
- Build efficient logistics systems
- Strengthen resource procurement for stable supplies

SWOT Analysis in the Processed Foods Business Segment

Strength

Processed Foods

- Product development capabilities for pre-cooked frozen food cultivated over many years
- Maruha Nichiro's brand power in the canned seafood products market
- Integrated profit and loss management from production to sales with the awareness of single-product accounting

Fine Chemicals

- Trust and brand power as a major seafood supplier. And procurement capabilities of raw materials based on this trust. The taking in of high-quality core raw materials
- Manufacturing track record and technical know-how cultivated over many years in our own plants, as well as an extensive sales network based on many years of experience
- A small number of elite staff with specialized knowledge

Weakness

Processed Foods

- Insufficient brand recognition among frozen food consumers
- Businesses in the processed foods segment, such as canned seafood and fish ham-sausage, are mainly in highly mature markets
- Frozen food category sales composition is biased (high component ratio in lunchbox category)

Fine Chemicals

- Marine-based materials have a strong fish odor, which limits their use by users and it is difficult to use them in an extensive range of processed food products
- Specialized knowledge is essential so it takes time to nurture human resources. There are issues in securing personnel.
- Because many raw materials used are rare and the Company is responsible for supplying them for pharmaceuticals and cosmetics applications, raw material inventories are higher than in other businesses, and inventory turnover tends to worsen.

Opportunity

Processed Foods

- A growing demand for convenient foods due to the increase in dual-income households
- Rising health consciousness (Increased value of canned seafood products and fish sausages due to increased health awareness and recognition of fish-eating)
- Expansion of the frozen foods and the freeze-dried food market

Fine Chemicals

- Market expected to grow further from the perspective of health and disease prevention
- Expansion prospects into the medical sector by leveraging our expertise of natural functional ingredients cultivated over many years
- Expected revival of inbound demand after the COVID-19 pandemic

Threat

Processed Foods

- Fluctuations and increases in raw material prices (agricultural, marine, and livestock products and materials) and cost of energy
- Disruptions in raw material procurement as a result of declining seafood products resources and geopolitical risks
- Market contraction in the frozen foods lunchbox category as a result of the declining birthrate and aging population

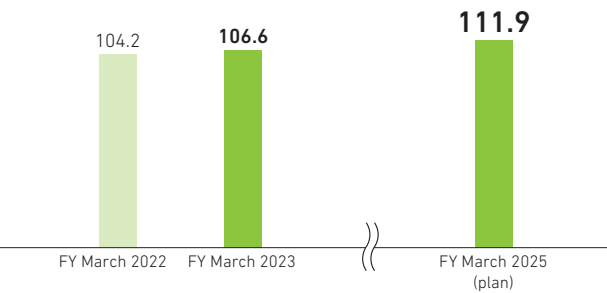
Fine Chemicals

- Changes in demand for seafood products raw materials
- Changes in rules related to raw material procurement and sales (e.g., Convention on International Trade in Endangered Species of Wild Fauna and Flora for raw materials, various laws for pharmaceuticals and cosmetics for sales, etc.)
- Intensifying competition among market entrants, both domestically and internationally, in the same and different industries

Financial indicators in the new Medium-term Management Plan

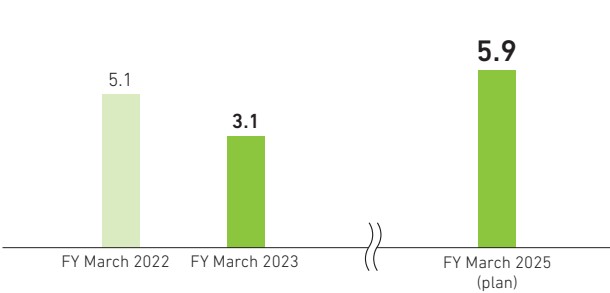
Net sales (after applying the revenue recognition standard)

(billion yen)



Operating income

(billion yen)



Processed Foods Business Unit Growth Strategy

We will increase customer loyalty by strengthening our brand supported by high quality, differentiate ourselves from competitors and establish a competitive advantage. In addition, we will conduct sales promotion activities in concert with locations of operation to expand sales and enhance brand recognition as well as continue to optimize our production systems and logistics systems. In particular, we will strive to strengthen our production capacity for frozen foods and freeze-dried foods, whose markets are expanding. We will also cooperate with our marketing and R&D departments to improve our product development capabilities and promote the development of products that meet the requirements of the market. On the revenue side, we will further increase profitability by further strengthening the business management system that integrates production and sales using the gains and losses on an individual product basis management system.



Fine Chemicals Unit Growth Strategy

People's concern for their health is increasing year by year due to the progression to a hyper-aged society. Since demand for chondroitin and DHA/EPA products continue to be strong, we will strive to maintain our supply system and expand sales, and we are also working to expand the range of ingredients for new foods with functional claims. Also, in the field of active medicine ingredients, in addition to expanding the scope of sales of high-purity EPA for medicines, we have increased our handling of new products such as heparin. We will work on expanding the scope of our business, including new businesses, and will contribute to improving profitability as a unit in growth driver areas of the new Medium-term Management Plan.



Activities to Realize a Sustainable Society

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

Activities for resource conservation in product containers and packaging

The Group is working to develop containers with low environmental impact. Reducing the weight of containers is expected to reduce CO₂ emissions during distribution, as well as saving resources. In FY2021, Maruha Nichiro Corporation reexamined the composition of the film used in its commercial frozen food products, rice and cup gratin, and reduced the size of the film while maintaining sufficient strength to reduce plastic usage by 7.5 tons. These activities have also led to the reduction of plastic usage, which is set as a KPI (targets) of key issues (materiality) "Contributing to a recycling-oriented society" in the New Medium-term Management Plan.



Products that have implemented resource conservation in product containers and packaging (partly)

Awarded the "Emergency Foods Award© 2022" for excellence.

Japan is a country prone to natural disasters such as earthquakes, heavy rain and snowfall, and landslides. When a large-scale disaster strikes, lifelines such as electricity, gas, and water are predicted to be disrupted, and logistics functions will be halted, making it difficult to obtain foodstuffs from supermarkets and other sources. At such times of disasters, emergency food plays a very important role because delicious meals that taste the same as usual are regarded as nourishment that reaches not only the body but also the soul. In April 2022, the Emergency Food Award© 2022, sponsored by the Disaster Prevention Safety Association of Japan, was awarded to the Company's "Mackerel Curry" for excellence in the canned food category for its nutritional balance, ease of eating and storage, and the canned "Kabayaki Sardines" as the special prize. We won the Grand Prize in the canned food category in 2021 for the second year in a row with "Mackerel in Tomato Sauce." We will continue to promote the production of delicious products that nourish the body and soul, both in everyday use and during times of disaster.



Award-winning products for FY2022