

**What does it mean to be the No.1 Global Seafood Supplier? We are building an organization and strategy that can respond to changes in the business environment, aiming to become a true No.1 global seafood supplier.**

President & CEO and Representative Director

**Masaru Ikemi**



### What is Maruha Nichiro's Meaning of Existence and Purpose?

It has been one year and five months since I assumed the position of President & CEO, and this time has been a period of daily struggle to cope with the COVID-19 pandemic. Therefore, I have been thinking of what we could do to ensure the longevity of the company, and in doing so, I feel that I have had more and more opportunities to think again about the meaning of Maruha Nichiro's existence (purpose). Food is essential to daily life. And among all food sources, protein is an indispensable nutrient. For 140 years, we have consistently provided people around the world with seafood products, a high-protein food source. For that reason, I believe that our meaning of existence and mission is to provide a stable supply of seafood products to people across the globe.

When considering the meaning of existence, we must never forget that a company is not only about economic value. Also, we must never forget who is evaluating the value of the company. It is not ourselves but others who evaluate us. In other words, to enhance corporate value we must meet the expectations of stakeholders. I have become even more aware than ever of the way we should enhance our corporate value by gaining the support of our stakeholders.

Economic value, such as high profitability and a healthy financial standing, is the most important foundation, and without securing economic value, we cannot take on other challenges. If we don't recognize this fact and then consider environmental and social values from the same perspective, I feel that our meaning of existence as a company will be diminished. I have felt this point also through conversations with our investors and other stakeholders.

For over 140 years, we have been a company that lives off the bounty of nature, including marine resources. Placing importance on environmental

values is directly related to business profit itself, which is our livelihood, so it is only natural that we should practice the kind of management that emphasizes it. I believe that this is also the meaning of our existence.

On many occasions, we have been referred to as the No.1 global seafood supplier, but I believe that this probably refers merely to net sales. However, we, ourselves, must reflect once again on what it means to be the No.1 global seafood supplier. I think we will be able to boast that we are truly number one when we become the world's No. 1 company from any perspective and have the highest net sales, while also taking in consideration the global environment and depletion of marine resources. I feel that we need to reach such an existence as soon as possible.

### Emergent Issues

Around the summer of 2020, keywords such as strategies for post COVID-19 were buzzing around the world, but we are now in a world where "coexistence with COVID-19 pandemic" has become commonplace. Amidst this current situation, when we consider our strengths based on our company's history, it is certainly true that the two companies Maruha and Nichiro have become one, and that each has its own strengths. However, I acknowledge that these strengths are not yet interconnected.

We possess the strength to procure marine resources, to process, and sell them in a way that meets the needs of our customers. At present, however, the impression is that each is struggling on its own, with food products doing well when marine products are doing poorly, or marine products doing well when processing is struggling. My frank assessment is that there are not many situations where both groups are doing well together. The reason behind this is that each function is being

carried out in a very vertical manner and is not organically integrated. If we take fisheries as an example, the functions of procurement, processing, and selling resources are accomplished solely by the fisheries group.

In fact, while there have been fish fillets handled in the seafood side of the original business, fish fillets have also been handled on the food side of the original business. Essentially, if there was a smooth coordination of information in-house and clear cost standards, for example, we should be able to say, "This product is too expensive for them to buy, but if it is a seafood product, we can offer it at a reasonable price." However, even though we are within the same company, there was no flow of introducing seafood products. This is a very serious problem and I think it is very likely that it is a lost opportunity. Combining our procurement and processing capabilities into a

single value proposition would be ideal, and I believe that my role is to make this our true strength.

### Maruha Nichiro's Strength in the Era of "Coexistence with COVID-19"

In the Era of "Coexistence with COVID-19", we have seen a change in lifestyles, including purchasing behavior, as customers have become more non-contact oriented and public health awareness has improved. For us to survive in this environment, we must provide products and services that meet the needs of our customers.

In the face of restricted activities, it is extremely important for us to take care of our own health in our daily diet. The fish we handle is the very essence of healthy food. However, in the current situation in Japan, I feel strongly frustrated that fish does not

smoothly evoke an image of health. Although fish oil supplements such as DHA and EPA offered by the Foods & Fine Chemicals Unit are directly related to the image of health, the reality is that fish itself, perhaps due to cooking methods and processing issues, combined with the continuing trend away from fish in Japan, is not considered a healthy food in people's minds. In the U.S. and Europe, fish is considered to be a healthy food, but it is very important to promote the value of seafood products to the Japanese market on the basis of health. I believe that this approach will also lead to the leveraging of our seafood products procurement capabilities.

### Creating an Organization to Maximize Maruha Nichiro's Strengths

In order to maximize our strengths, we must continuously examine whether our current organizational structure is really the best. From FY2021, we consolidated our segments into three segments: the Marine Products Business Segment, the Processed Foods Business Segment, and the Logistics Segment. In order for Maruha Nichiro to become a truly general food company, it is critical that we build the sales system that we should have. In order to prepare for the launch of the next Medium-term Management Plan in FY2022, we established the Sales Management Department in time for the start of FY2021, with the aim of using the current fiscal year as a study period to examine the ideal state of the company as a whole. Internally, we will explore whether we should launch a separate segment to be responsible for sales, or if there is another option in time for the start of the next Medium-term Management Plan.

Although our overseas business, which is one of our strengths, involves a diverse range of operations, the fact that it has so far been categorized by region has compounded the difficulty of understanding it

from an external perspective. Each region has its own unique characteristics, such as fishing in some regions and pet food in others, and as a result, it was difficult for everyone to understand the strength of Maruha Nichiro's overseas business.

Until now we have only said that "we are strong in overseas markets," but I feel that we have not been able to clearly communicate the strengths and characteristics of our overseas business to those outside the company. We will continue to actively disclose the strength of our quantitative overseas business in the form of overseas sales ratios and the contribution of profits from an Overseas Business Unit, so that it will not be said that our disclosure has declined because we do not have an Overseas Business Segment.

However, I believe that the organizational structure is still on the road to completion. Through this reorganization, we aim first to make the organization more flexible and then allocate appropriate human resources. We recognize the importance of allocating the right people to manage an organization that is in a state of flux while striving for optimal solutions.

### Strategy and Progress toward Realization of the Long-term Vision

The current Medium-term Management Plan, which was established in conjunction with the Long-term Vision we have set as a goal for FY2027, will reach its final year in FY2021. We are in the process of verifying the current Medium-term Management Plan along with formulating the next Medium-term Management Plan, and I feel that this verification is an important step and that each and every employee needs to reflect on the plan. By clearly identifying where we want to be in the Long-term Vision, the KPIs for each will become clearer. We would like to foster an awareness that "These are our KPIs," rather than having them perceived as an imposition from



above, so that the entire company can work toward the realization of our Long-term Vision.

There is no need to set a larger target for the next Medium-term Management Plan than what we have in reality. All we need to do is face the issues that have become apparent in the course of examining the current Medium-term Management Plan and deal with them head-on. It is not our intention to achieve "instantaneous wind velocity" but to make steady progress toward the realization of our Long-term Vision.

Frankly speaking, we are in a difficult situation to achieve our current Medium-term Management Plan. In comparison with our competitors, the profitability

of our processing business is inferior. From the perspective of progress since the formulation of the current Medium-term Management Plan, we are aware that the processing business has improved more than expected, but from the perspective of comparison with other companies, it is still insufficient. I believe that we should venture further into product development and production efficiency, breaking away from low-volume, high-mix products and challenge the development of products that can be sold in large quantities through mechanization.

It is obvious that the domestic market will continue to shrink. Moving into the global arena is the only way to create markets. However, expanding

overseas businesses is not as easy as it sounds, and in order to compete in an environment that is completely different from that of Japan, the first step is to secure human resources and improve our technology level. For this to be accomplished on our own, there are limits to what we can do. Therefore, I would like to make decisions in an opportunistic manner, such as appointing diverse human resources, M&A, and cooperating with outside organizations that have unique characteristics.

### Risks and Opportunities for Sustainable Growth

When looking ahead to sustainable growth in the future, I believe that the risks and opportunities are the areas of human resources and technology, as I mentioned earlier. This is because, depending on our strategy and how we proceed, there is a big difference between the two. If we always rely on our internal research labs and in-house training it will be difficult to catch up with our competitors. In other words, if the company has a competitive advantage in terms of human resources and technology, it is more likely to be able to take advantage of all opportunities. In Japan as well, it is no longer the era when excellent human resources remain in one company. We will strive to establish a human resource system and framework that enables us to accept new knowledge and to create an environment that facilitates the participation of new, outstanding human resources from outside the company while maintaining our tradition.

It is also important for us to reexamine our business portfolio. Of course, I feel that it is not realistic for us to move away from food resources, but it is necessary for us to search for seeds that can become our future core business in domains that are close to where our strengths can be utilized, such as

cooperating with start-up companies or investment in real tech global funds. With this reorganization, we have separated the Business Planning Division and have begun to focus on the search for seeds, and we plan to continue to diversify our revenue opportunities.

### Integration of Sustainability and Management

For us, having lived together with the sea, the integration of sustainability and management is a natural and inseparable relationship. Of course, in the short term, there will be costs associated with enhancing environmental and social values. If we only consider the short-term cost aspects, such as doing business with fishing companies that do not operate illegally or creating a working environment that takes into consideration the health of employees, it is possible that economic value will be lost. However, if we consider the situation from a medium- to long-term perspective, a different landscape will emerge. The fact that we only handle resource-controlled seafood products can be considered a value in today's social trends.

When it comes to food loss as well, the reality is that, more than 10 percent of the current food production is lost. Therefore, even if costs are incurred it would be a value for us, if a product form or distribution method that does not cause food loss can be assembled as a system. I believe that then, we can achieve both, economic value and environmental and social value, in other words, the integration of sustainability and management. The same can be said for the issue of marine plastics. If microscopic plastic particles enter the organs of fish, then what is the value of fish? Society is undergoing changes that are completely different from what we have seen in the past.

## Long-Term Corporate Vision

### Business Vision

1. To be a global general food company that produces and sells marine products and other processed foods under the Maruha Nichiro brand
2. To maximize profitability through extending leveraging value chain.
3. To become the No. 1 global seafood supplier
4. To become the No.1 frozen and nursing care food supplier in Japan
5. To become a leading manufacturer of marine-based functional products

### Long-term Sustainability Vision

#### The Maruha Nichiro Group will be even more of a sustainable corporate group

- We will become a corporate group that works to raise sustainable corporate value
- We will become a corporate group that contributes to the creation of a sustainable planet and society

As for the integration of sustainability and management, we are also pursuing an approach from a strategic perspective. We are currently in the process of formulating our next Medium-term Management Plan, and in parallel, we have initiated a review of our materiality. When we formulated the current Medium-term Management Plan, we began working on the Medium-term Sustainability Management

Plan after formulating the Medium-term Management Plan. This time, however, we are considering sustainability and management strategies in parallel from the planning stage. I think it's an effective process, both in terms of the linkage of each strategy and in preventing gaps in perceptions among the management.

It is often said that the main obstacle to achieving

the integration of sustainability and management is a lack of understanding within the company, but I believe that the reality is that deflation is also a major reason. All stakeholders engaged in the value chain share the recognition of what truly has value, deal with it at a fair price, and the business operator at the top of the value chain receives a fair profit. In order to become the No.1 global seafood supplier in

both name and in substance, I would like to take a leadership role in ensuring that all stakeholders involved in seafood products can maintain a sustainable lifestyle. The Maruha Nichiro Group will continue our advancement in order to meet your expectations. Thank you very much for your continued support.

September 2021



Medium-term Sustainability Management Plan (FY2018 - FY2021)

### Economic Value

**Enhance Enterprise Value and Generate Sustainable Growth**

1. Further Increase Profitability
2. Invest in Growth
3. Strengthen Business Foundation

Fisheries & Aquaculture Operating income target	<b>3 billion yen</b>
Trading Operating income target	<b>6.6 billion yen</b>
Overseas Business Operating income target	<b>11.1 billion yen</b>
Processing Operating income target	<b>8.2 billion yen</b>
Logistics Operating income target	<b>1.8 billion yen</b>
Other Operating income target	<b>0.4 billion yen</b>

**< Financial Targets >**

- Net Sales **1 Trillion yen**
- Operating Income **31 Billion yen**
- ROA **5.7 %**
- D/E ratio **1.5 X**
- Equity ratio **30 %**

### Social Value

**Value for Customers**

- Supply safe and secure foods
- Promote consumer-oriented management
- Promote lifelong health plan

**Value for Employees**

- Provide growth opportunities
- Promote safe and ideal working conditions
- Promote diversity and work practice reform
- Promote health management
- Promote a proactive approach to human rights

**Value for Business Partners**

- Practice sustainable procurement

**Value for Communities & Society**

- Coexist with regional communities in mutual prosperity

### Environmental Value

**Combatting climate change**

- Reduce CO<sub>2</sub> emissions per unit of sales by more than 4% from FY2017 to FY2021

**Building a recycling-oriented society**

- Reduce the volume of waste per unit of sales by more than 4% from FY2017 to FY2021
- Aim for 99% waste recycling rate by FY2021

**Protecting marine resources**

- Promote certification acquisition for sustainable fishing and farming
- Strengthen efforts to abolish illegal, unreported, and unregulated fishing (IUU)
- Expand egg-to-harvest business
- Promote eco-friendly farming technology

Long-term Sustainability Vision

