



Maruha Nichiro Corporation
Representative Director, President & CEO

Masaru Ikemi

As a Health Value Creation Company that delivers abundant food to people around the world, we aim to increase the creation of Maruha Nichiro Value (MNV), which integrates economic value, environmental value, and social value, by taking on the challenge of integrating management strategy and sustainability.

Reality seen after embarking on the first year of the Medium-term Management Plan

Changes in business style and insights through after COVID-19

Three years have passed since I became President & CEO. During my first two years in office, my interactions with people inside and outside our Company were severely limited due to the impact of COVID-19. However, from FY2022, I was able to travel overseas and visit sites that I had not been able to visit despite our acquisition of shares after taking office. I was reminded once again of the importance of face-to-face meetings in order to engage in open dialogue, and I strongly felt that speaking honestly was also important in subsequent PMI*. I also felt that unlike talking with someone virtually or with a mask, your facial expression is honest and felt by the person you are communicating with. It is no exaggeration to say that the post-COVID era is a test of one's courage as a human being.

With the return of some of the routine as before COVID-19, I once again feel that management is a physical challenge. In order to tackle tough management decisions and internal and external communication, physical strength and toughness are more important than anything else. By continuing to get daily rest and engage in moderate exercise, I am careful how I spend my days off so that I can greet Monday, the first day of the week, feeling refreshed.



Long-awaited face-to-face meeting with our overseas Group company.

Summary of FY2022 and expectations of Maruha Nichiro now

We have been in business for over 140 years as a company, and in order to survive for the next 100 years, we declared in FY2022 both within and outside the Group that we need to create corporate value that integrates economic, environmental, and social values.

Although we achieved good financial results in FY2022, the external environment has changed drastically, not just in terms of VUCA. The rapid recovery of human flows overseas has swiftly stimulated economic activity, which has increased demand for our Group's products and led to the favorable results. However, there are concerns that the rapid economic revitalization may lead to inflation and higher interest rates, and that the slowing trend of the economy may affect our Group's performance. The overseas business now accounts for half of the Group's profits, and when the overseas business is strong, the Group's financial results also grow significantly, but the reverse is also true, so

*Post-merger integration: Post-M&A integration process

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we are currently making a conservative judgment regarding our FY2023 forecast.

As the market polarizes between inexpensive, easy-to-use products and high-quality, high-priced products, we believe it is necessary for us to increase the number of valuable products that people will buy even if they are expensive, both in Japan and overseas. Overseas, where wages are steadily rising to some extent, sales of high-priced products have been strong. On the other hand, in Japan, we have raised the prices of frozen foods three times since February 2022 in order to address factors such as soaring raw material prices. Although the third price increase, implemented in February 2023, is almost complete, it has taken longer than expected to penetrate the market. With Japan's total population and working population clearly on a downward trend, it is necessary not only to raise prices, but also to add value to products by capturing needs.

One of the characteristics of the Japanese market is that there are many customers who particularly appreciate products centered around health. For example, products for supplements containing DHA/EPA, which are abundant in fish and known for their various health benefits, have been performing well in sales. On the other hand, fish itself, which contains a large amount of DHA/EPA, has not been highly evaluated. Against this backdrop, it is mainly foreign countries that have taken the lead in pricing fish in recent years, and the days when Japan had the authority to set prices are now a thing of the past. This potential loss on purchase situation is undesirable from the standpoint of the domestic supply of marine products to Japan. We believe that we are now required to reassess the health value of fish itself, and by communicating that health value outside our Company, promote the high added value of our products, including fish.

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Progress of the Medium-term Management Plan and thoughts we would like to share

The main character in accomplishing the plan is each and every employee who shares the vision

The thoughts I want to share with our employees will always remain the same. I want them to know what kind of company we are as the Maruha Nichiro Group. It seems that the Company has long been ingrained with a silo mentality where each Group company only knows about itself, each department is only aware of its own affairs, and so on.

That's precisely why I'd like everyone to take a step back and observe from a broader perspective to truly understand what functions we possess and what assets we have. I would like to work with our employees to consider what we should do to fully utilize the company's assets, while developing our strengths and thoroughly eliminating our weaknesses. In February and March of 2023, the Division Head class of each unit gathered to seriously discuss what strengths and value each unit has to offer, and organized them into unit-specific strategies that incorporate objective perspectives. For each unit, we believe it is important to carefully communicate the unit strategy from the Unit Director to the Department Head, from the Department Head to each Manager, and from each Manager to all employees to convince employees of the unit strategy.

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 Unit Strategies
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Management know-how for implementing business portfolio management

At Managing Executive Officers' Committee meetings, I strongly communicate to participating members, "I want you to consider the pros and cons of investment projects carefully." We also make a conscious effort to imprint on members of management that there can be no indifference to other businesses or units, no backroom dealing for the purpose of securing their own projects or trying to create sympathy, because lukewarm approval means that money is not forthcoming when members of management want it.



It is essential to seriously consider where to prioritize the investment of limited capital, as the era of historically low interest rates is coming to an end.

While it is a basic premise that management must not neglect efforts to dispel a sense of abruptness in implementing business portfolio management, it is also extremely important that Unit Directors, who are members of the Managing Executive Officers' Committee, express their opinions in their own words. If Unit Director and Department Heads cannot express their thoughts in their own words, they cannot convey their true intentions to the Group's employees. This is training, and it can also be said to be a skill in how to educate Group employees we work with. However, it is clear that new challenges must be taken on if we properly understand the concept that everything is connected to sustainable business operations. I believe that it is essential for each management level to communicate this in their own words.

While we are implementing business portfolio management based on ROIC in a style that suits the Company, some opinions and movements have emerged regarding how to efficiently and effectively allocate available management resources based on employees' understanding of the vision the Company is aiming for. For example, until now, wholesale markets have been positioned only for selling, but they are a gathering place for fish from all over Japan, and it should be possible to utilize their functions for buying as well. I greatly appreciate the emergence of new ideas and movements, as not being bound by existing thinking, but knowing oneself deeply, strengthening one's strengths, and utilizing management resources in the most effective way possible will lead to the practice of ROIC management.

One indicator of enterprise value is stock price, or market capitalization, and we believe that the fact that P/B ratio is less than 1x indicates that sufficient efforts are not being made. In order to increase our enterprise value, we must properly address not only our economic value but also our intangible assets and demonstrate what we are all about, so that the market will understand our true enterprise value. In our

Medium-term Management Plan, we aim to increase the value of intangible assets such as intellectual property and our corporate brand. We believe that correct internal evaluation of assets that cannot be seen and internal and external communication of such assets will enable legitimate corporate evaluations and help us realize our goal of business portfolio management.

Taking a cross-section of our strengths to adding of high value

I believe that the Company has three strengths. The first is our overwhelmingly strong ability to procure marine products, backed up by our history. The second is our worldwide network of procurement and production sites that we have built up over the years, and the third is our technological capability to process all kinds of food resources in various ways. While maximizing these strengths, we are determined to strongly connect our business to the global market. Food supply risks will further grow in the future due to the global population growth, so we want to not only ensure stable procurement, but also provide safe, secure, and healthy food in a sustainable manner. This is a business model that is unique to our Company.

In order to strengthen our business model, it is also important to communicate the value of fish as a safe, secure and healthy food, and to link this with intellectual property and corporate branding. While promoting "SAKANA X (Sakana Cross)" as a movement to enhance the value of fish, the Intellectual Property Group has taken the lead in raising awareness within the Company to prevent infringement of other companies' patents or omission of patent applications, which has led to the development of new ideas such as Functional labeled amberjack. We will apply this thinking to food products as well, for example, in our Fine Chemicals business, we will make DHA and EPA odorless* to further increase their value, and we will add value to our strengths from the perspective of what we must do to ensure our survival.

Strengthening and monitoring resource access

What we must do to make it a truly winning game

As mentioned in the Integrated Report for 2022, we have not changed our basic approach that we can "win the game" by capturing marine resources for which demand is rising globally. Global demand for edible marine products has doubled in the past half century, and it is estimated that when the world population exceeds 10 billion in the future, there will be a shortage of 500 million tons of animal protein. It will be difficult to compensate for this shortage using only animal protein from land-based sources such as meat, and there is a very clear story that aquaculture technology must be dramatically improved in order to solve this resource challenge.

And not just any type of aquaculture, but rather, we need to promote aquaculture that is less influenced by environmental factors, such as land-based aquaculture. Efforts to enhance technological capabilities are also extremely important for achieving profitable and sustainable aquaculture, and we are working to solve this issue by having our business divisions and research divisions work together in an organic manner.

Overseas, marine resources are strictly managed based on scientific evidence, and depending on the result, there may be cases where fishing is not possible the following year. While this may have an impact when considered on a single fiscal year basis, when considered over multiple years, a certain amount of marine products can be secured. This means that if the absolute volume of landings is low, prices will rise, and the business model has become one in which overall profits remain the same.

However, the question of whether we can continue to procure these marine resources

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*DHA and EPA, which have been reported in various studies around the world as functional ingredients, have the issue of fish smell.

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in the form of fishing rights in the future is a truly significant challenge. Competitors and consumers around the world already have a good understanding of the value of fish, and there are not many opportunities to purchase such rights, in the event that there are any rights for sale, it would be a massive investment. The question of whether we can manage and control such transaction when a big decision arises is one that should be seriously considered. One risk when considering resource access is what process we will use to make decisions and ultimately buy in the future. Fishing rights are not a depreciable asset with terminal value, and we believe that only when properly managed is it a really a winning game.

Monitoring and dialogue on strengths leads to further strengthening competitiveness

In FY2022, in our North America business, we acquired additional access rights of Alaska pollock sources monitoring risk is important when making decisions on major investment projects. Risk management is a dual wheel that makes it possible for us to execute management strategies and achieve our business objectives, and we are constantly aware of what decisions are best for our Company, such as aggressiveness and restraint, while maintaining close cooperation among business divisions, the risk managing division and the Managing Executive Officers' Committee, and taking into account the opinions of Outside Directors and others at Board of Directors meetings.

The human resources that support sustainable growth are the foundation of the Company

Expansion of human capital that contributes to MNV creation

In order to create value toward the creation of MNV, we have clarified human resource issues by identifying areas of deficiency and ideal human resources, and we are implementing a human resource development strategy to achieve our Long-term Corporate Vision.

While our strength lies in our global access to resources, the current situation of employees in our Overseas Business Unit, who are at the forefront of our business, has changed dramatically. Unlike our generation, who joined the Company with a desire to work overseas, the current generation of employees who are raising children are now mostly working together with their spouses or have children to educate, making it more difficult for them to take on overseas assignments with their families, and the way we manage human capital at our overseas locations is changing.

A key point to doing business overseas is how to share goals with people who have grown up in different cultures with different ways of thinking, and how each group of people can enliven the company in order to increase corporate value. The old approach of having a number of Japanese people come on board and lead the Company does not work from the perspective of human resource development.

We believe that the proper implementation of PMI is the basis for overseas investment. However, smooth PMI is not synonymous with having many Japanese employees posted to a company they have been assigned to. For this reason, we are strengthening education for employees who are interested in global management skills and who can be involved in company operations with foreigners from different cultures. We do not want our global human resources training to be limited to the acquisition of just business know-how, but to encourage employees to take on new challenges in order to achieve further personal growth and ultimately become human resources who will be at the forefront of the Company's sustainable growth.

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Increasing engagement is the foundation for growth

With the declining birthrate, capital efficiency, and the younger generation's thinking that lifetime employment is not a given, I believe that engagement is the most important aspect of human resources that we should focus on. I want Maruha Nichiro to be a company where people can feel at home, where there are opportunities for people who want to study hard and pursue long-term professional careers, and where people who want to take on management responsibilities in the future can gain experience in thinking about the Company as a whole. As a company that provides value to all stakeholders, we will respect diverse ways of thinking while developing our employees into competitive human resources.

An important key to increasing employee engagement is the management team. While it can be challenging to be responsible for the performance goals of a business unit while also being responsible for the development of diverse human resource, members of the management team themselves are closer to management than ever before, and I think it is an advantage to be able to be involved in our Company's growth opportunities. We will continue to promote the expansion of management skills and the development of the next generation of management leaders.

Deep understanding of sustainability strategy (materiality) and future challenges

Group governance to integrate business and sustainability

The Group's strategy is to integrate economic value (MNEV), environmental value (EV), and social value (SV) in order to maximize MNV. To this end, management of each of these aspects is important, and we are practicing materiality KPI management as well as financial KPI management, targeting 2027 and 2030, respectively.

All nine materiality areas selected are important, and as a concept that runs through all of them, the perspective of group governance is a challenge for the Group and must be disseminated throughout the Group. Because our Company is characterized by a system in which Unit Directors control even their affiliates, examples of successful



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implementation must be shared and standardized within the Group. The implementation of Group governance has just begun, and I believe that we will be able to determine what we need to do in the future by stimulating interactions within the Group more than ever before and having all employees consider the significance of each Group company's existence.

Significance of collaboration between companies and scientists from a global perspective

The mission of SeaBOS, in which we participate, is to form alliances between nine major global seafood companies and scientists through joint discussions, acknowledging the gap between scientists and companies, and to promote and disseminate the efforts of each participating company in their own countries. Japan's resource management lags behind that of other countries around the world, and the fact that the national and local governments are unable to take a hands-on approach to all aspects of resource management is a major challenge. More than ever, it is necessary to involve many stakeholders, including the Japanese government, fishery cooperatives, and major fishery companies, and to ask ourselves whether we are using the right way to manage Japan's marine resources. We will continue to actively participate in the dialogue at SeaBOS, as it will affect our corporate value and business itself over both the short- and long-term.



Participation in cleanup activities by three SeaBOS Japan companies

Scientifically linking fisheries resource protection and the promotion of DX is another important perspective. We believe that we should consider the idea of scientifically analyzing data on fish that can be caught and not fishing if they are smaller than a certain level, so that scientists can analyze data management to support their analysis and promote the establishment of fishing methods and catch quotas.

Participate in global initiatives
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Building a DX Promotion Foundation and Utilize Digital Technologies
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Reaching the place we should aim for

It is clear from the current global situation that people around the world are feeling a sense of crisis regarding food. As the world's population is certain to grow, and doubts arise as to whether the Earth will continue to produce high-quality protein forever, as a Company involved in the food industry, if we carry out our corporate activities, including our future economic activities, with a strong belief and message that we will be a Company that continues to provide safe, secure, and high-quality protein, we will surely become a sustainable company and be properly evaluated as such, and we believe that we have the right background to achieve this. I am sure that we will face various hardships in the future, but I am convinced that if all employees can understand the significance of the Long-term Corporate Vision that the Group has set forth, the issues of what we should do will naturally become apparent.

However, we are still halfway to the goal we are aiming for. While preserving our history as a Company that has been in business for more than 140 years, we will continue to grow as a Health Value Creation Company that creates sustainability for global environment and value for our stakeholders. Thank you very much for your continued support.

September 2023