

Message from the CFO



We will build a robust value chain and enhance corporate value by linking financial and non-financial strategies.

Shinya Yamamoto

Director, Senior Managing Executive Officer
Chief Financial Officer (CFO)

Reducing Cost of Capital by Strengthening Governance and Risk Management

In its long-term vision “Good Foods 2030,” the Nissui Group has set financial value targets of 1 trillion yen in net sales, 50 billion yen in operating profit, and a 50% international net sales ratio. In addition to achieving organic growth and improved profitability in our existing businesses, realizing this vision will require proactive investment in our key growth areas of the international Marine Products and Food Products Businesses, aquaculture business, and Fine Chemicals Business to build a robust value chain. However, the Group undeniably lacks the cash flow necessary for aggressive investments to achieve greater heights. In FY2023, we have generated an unprecedented level of operating cash flow through our progress in reducing inventory and other measures, and we consider it important to maintain this level of cash flow to fund investment in growing fields and thereby maximize future cash flow.

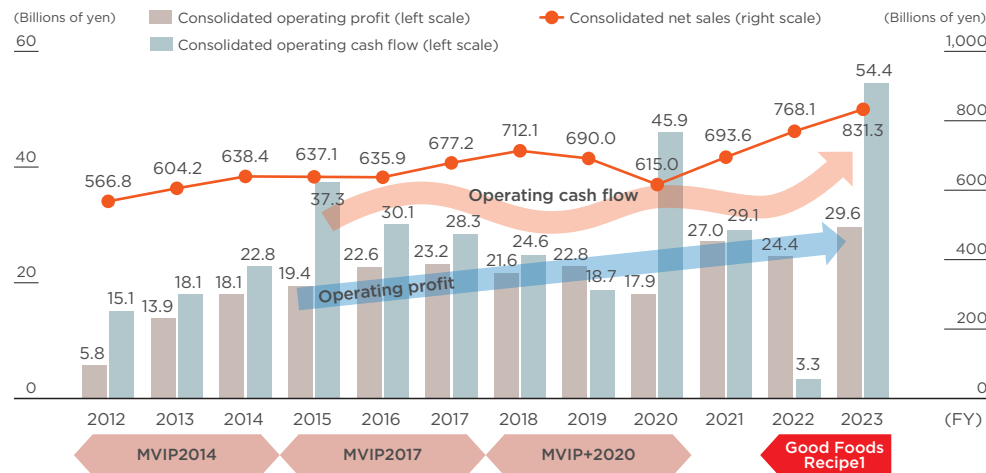
Some investors may have the impression that Nissui is a company that has made unsuccessful investments, or that its performance is highly volatile and lacks stability.

Although we have been proactive about investing internationally for growth since FY2000, there were admittedly times of earnings instability due to underperformance of certain investments made on the basis of overly high expectations. Since FY2010, however, we have dramatically and stably improved consolidated earnings by divesting unprofitable businesses, strengthening corporate governance, and growing our main businesses. Furthermore, since the start of the current Mid-Term Business Plan, we have been further strengthening governance, reorganizing our risk management systems, and steadily implementing financial strategies such as cash conversion cycle (CCC) management. This has not only improved our financial position, but is also laying the foundation for moving up toward a higher level.

As CFO, my role is not simply to execute financial strategies—it includes maximizing future cash flow and increasing corporate value over the medium to long term. In this context, I have been working to strengthen our systems, emphasizing governance, risk management, and sustainability. I consider it crucial not only to respond to increasingly diverse and complex risks, but also to promptly seize opportunities and invest appropriately as the Group ramps up its global expansion and given the possibility of significant impacts on the sustainability of marine resources and other natural capital.

In FY2024, the Group began formulating its next Mid-Term Business Plan. As the basis for this process, we reviewed material issues in light of changes in the external environment. We also categorized risks as those affecting management strategy that could result in either profit or loss,

Net Sales, Operating Profit, and Operating Cash Flow



Note: The Company has applied “Accounting Standard for Revenue Recognition” (ASBJ Statement No. 29, March 31, 2020) and other standards from the beginning of FY2021. Figures for FY2020 have been retroactively restated to conform to the above accounting standards.

and those affecting the Group's management base that will result in losses if they materialize. The direction of each business under the next Mid-Term Business Plan will be based on an evaluation of our business portfolio, and we are considering an evaluation methodology that takes into account not only financial performance but also non-financial factors, including risks and opportunities. In FY2023, we categorized cost of capital by business and area and evaluated businesses using a four-quadrant analysis based on the two axes of net sales growth rate and ROIC spread, and starting from FY2024 we have added affinity with our mission to our discussions. More specifically, our multifaceted evaluation method includes a four-quadrant analysis based on ROIC spreads and the other forms of evaluation described here, taking into account the perspectives of whether a market will contribute to future sustainable business growth, including factors such as human rights and environmental impact, whether it presents a competitive advantage in line with our mission, and to what extent it contributes to the value chain. Then, Executive Officers and Outside Directors gather to discuss the most desirable business portfolio for the Group over the medium to long term. The person in charge of each business will draw up plans for investment priorities, expansion or reduction of categories, measures to increase capital efficiency, and other matters for their business for implementation in coordination with the Board of Directors.

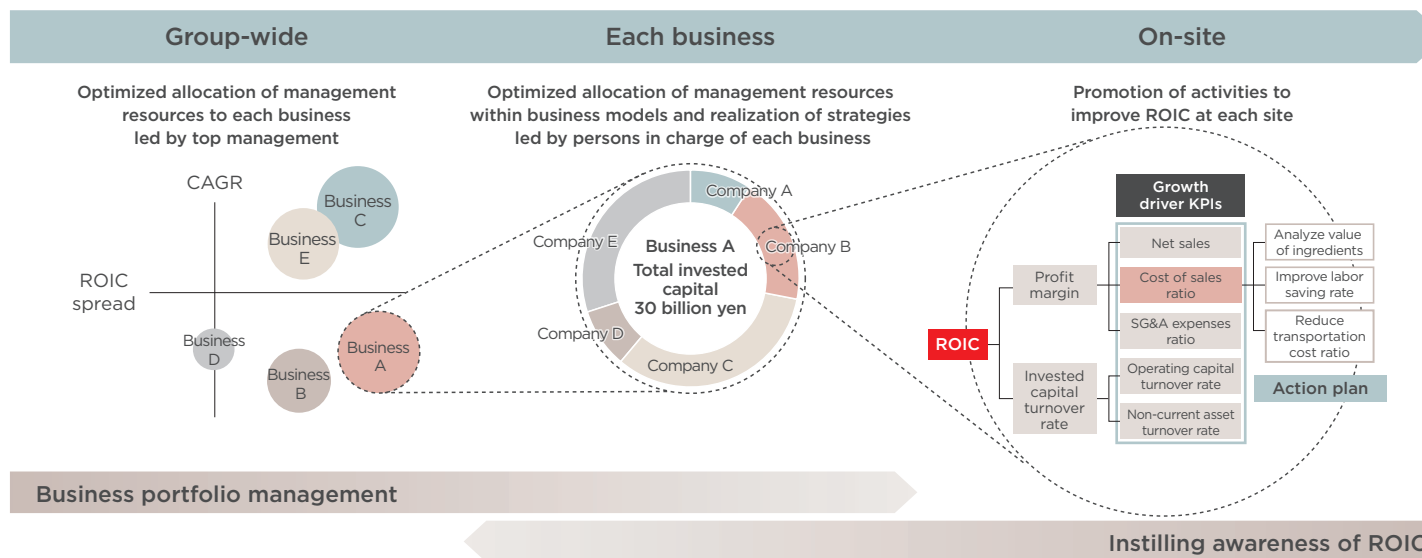
We believe that discussions from diverse perspectives, rather than judgments based solely on adequacy according to numerical criteria, will lead to reduced risk and increased likelihood

of business growth, which consequently will be reflected in our medium- to long-term market valuation. Given that a return to positive interest rates in Japan will lead to increases in the cost of equity and the cost of debt, it will be necessary to secure flexible and stable low-interest sources of funds, as well as our own capital. In March 2023, Nissui entered into a Positive Impact Finance loan agreement with Sumitomo Mitsui Trust Bank, Limited, and we are considering obtaining credit ratings that will enable us to further diversify our fundraising methods. In addition, to reduce the cost of equity, we will emphasize governance and risk management in the current era of growing uncertainty, and will deepen our discussions on the state of equity capital in consideration of the emergence of risks and other factors, as well as the optimal capital structure for the Group. In our FY2024 portfolio analysis, we are using cost of capital calculated based on current circumstances. However, we are also considering setting a hurdle rate that anticipates various future changes and risks.

Expanding the ROIC Spread

Expanding the ROIC spread entails reducing the cost of capital and increasing ROIC, and we are doing so from three perspectives: expanding growth businesses that generate superior profits and reducing costs; controlling working capital, and using non-current assets effectively.

Business Portfolio Management



Message from the CFO

1. Expanding Growth Businesses That Generate Superior Profits and Reducing Costs

We will prioritize the allocation of management resources to our international Marine Products and Food Products Businesses, aquaculture business, and Fine Chemicals Business. We see these as areas that not only promise market growth but also ones where we can further strengthen our unique value chain with our accumulated technology and expertise.

For expansion in our international business, which serves markets where awareness of health and the environment is rising, in FY2022 the Food Products Business acquired a company in France to increase production capacity for chilled fried white-meat fish and alternative protein products, and also made an investment in the U.K. to increase production capacity for white-meat fish products. In FY2023, we decided to make a follow-up investment totaling approximately 17.0 billion yen to expand the business. Specifically, we decided to expand a plant in France that was part of the FY2022 acquisition so that it will have the capacity to meet demand, and in North America, where we have missed out on opportunities over the years due to insufficient production capacity, we will build a new plant in the midwest U.S. With both facilities scheduled to begin operation in FY2025, we expect improved profitability, including reduced logistics costs, and further growth. In the Marine Products Business, in FY2022 we acquired a company that operates a seafood delivery business in the U.K., and in FY2023 we invested in a company in Europe capable of processing and exporting marine products, including Japanese scallops and our Kurose Buri (Japanese amberjack) brand, in addition to local fresh fish. We aim to expand our sales channels by strengthening our fresh fish business, in addition to improving profitability through greater added value.

To ramp up domestic salmon farming in the aquaculture business, we made an additional investment in Otsuchi Town and began trial farming in Rikuzentakata City (both in Iwate Prefecture), and acquired a marine products processing plant for raw fish in the same region. We are also integrating aquaculture companies to simplify management and seek greater efficiency, as well as flexibly using farms to increase production while also dispersing the risk of natural disasters such as typhoons and red tide events. Including other investments aside from the above investments in growing fields, we invested a total of 31.7 billion yen in FY2023.

As we continue to invest in growth areas, we will also identify businesses with limited synergies and take measures to address those issues.

2. Controlling Working Capital

We started our rollout of ROIC-based management to each of our sites in FY2022 by focusing on working capital and working to improve the cash conversion cycle (CCC). However, the CCC worsened due to unforeseen environmental factors. Awareness of ROIC rose throughout the Group in FY2023, and during the expansion of the Aquaculture Business, which requires stockpiling fish over several years until juveniles mature, progress in inventory reductions in the Marine Products and Food Products businesses helped to improve operating cash flow.

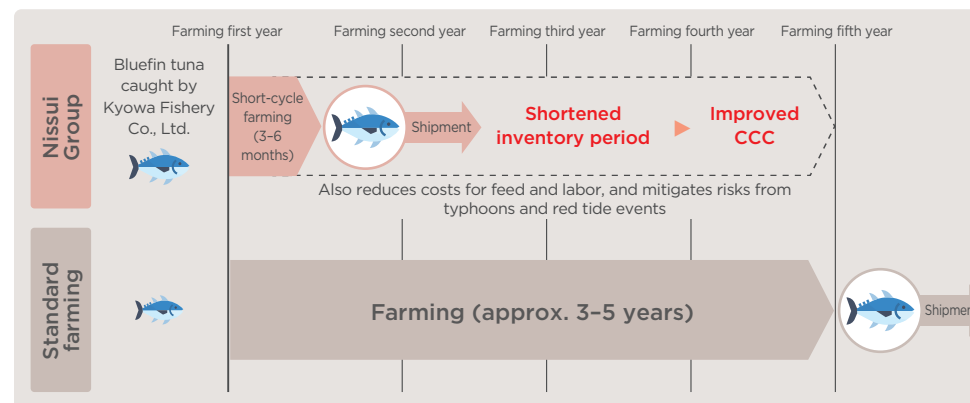
However, sales of pharmaceutical raw materials in the Fine Chemicals Business moved at an even slower pace than anticipated, so we are still working to improve CCC there.

On the other hand, there were a number of businesses where initiatives made significant progress. We have integrated our Pacific bluefin tuna aquaculture companies for more efficient operations, and are taking advantage of the strengths of Group fishing company Kyowa Fishery Co., Ltd. to further increase the presence of our business of catching bluefin tuna of a certain size and then farming them for about six months. This not only improves CCC by shortening inventory periods, but also reduces feed and labor costs associated with aquaculture operations, as well as mitigates the risk of mortality or industrial accidents due to natural disasters such as typhoons, thereby contributing significantly to the improvement of ROIC. For other species such as Japanese amberjack, in addition to improving flavor through selective breeding, we are reducing inventory capital by shortening the growth period to optimal harvesting size, while also promoting digital transformation (DX) to reduce costs and mitigate risks.

We monitor CCC on a monthly basis and are rolling out Group-wide initiatives to optimize the number of items and categories, production sites, various operations, and other areas. Activities include holding briefings and workshops to deepen understanding of ROIC and CCC and sharing details of the initiatives of each business and Group company at regularly scheduled meetings.

We will continue working with each site to improve capital efficiency and profitability.

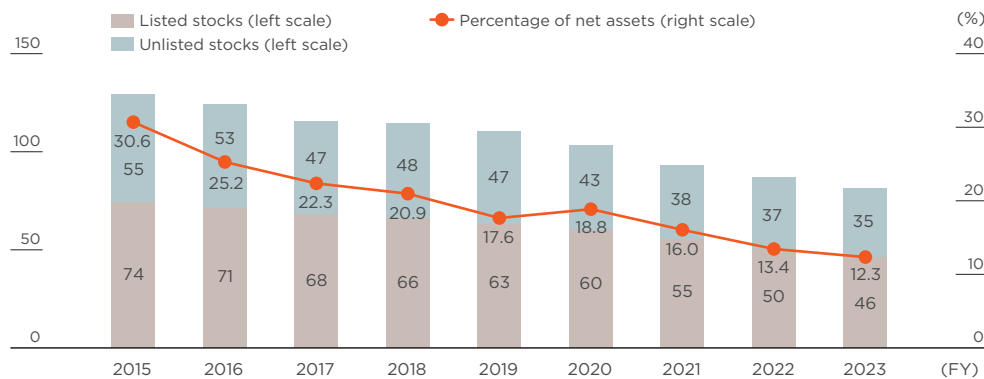
Example Initiative to Improve ROIC (Improving CCC through Short-Cycle Farming of Bluefin Tuna)



3. Using Non-Current Assets Effectively

We study and implement measures to improve the utilization rate of not only idle assets but also operating assets upon verifying their current state of utilization. In addition, since FY2015, as a general rule Nissui retains cross-shareholdings only when it leads to maintaining and strengthening transactions over the medium to long term, and the Board of Directors reviews the appropriateness of holding each stock every year. So far, we have reduced cross-shareholdings by around 40%, freeing up a total of approximately 22 billion yen in cash for investments and shareholder returns. We plan to continue divesting in FY2024 and expect to reduce cross-shareholdings to an amount equivalent to approximately 10% of our net assets. We will continue reviewing our cross-shareholdings to increase asset efficiency.

Number of Cross-held Stocks and Percentage of Net Assets

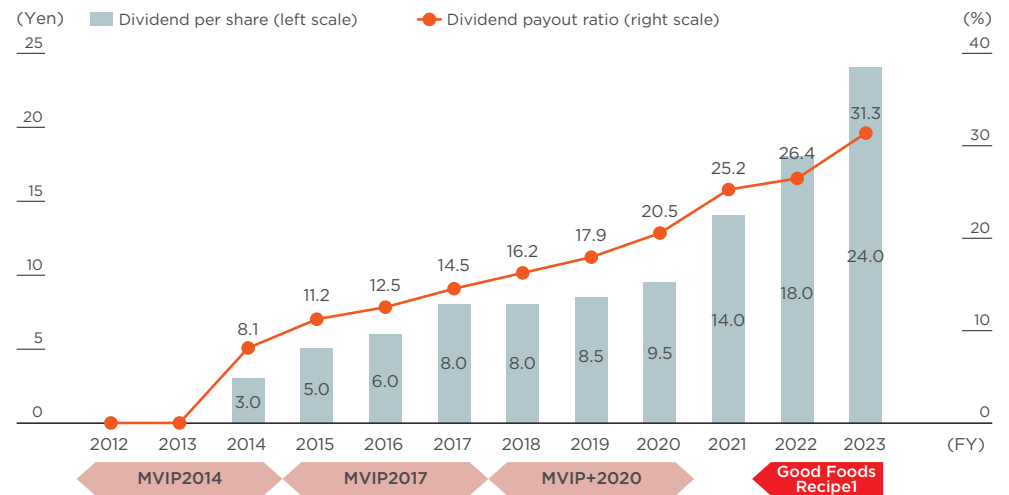


Cash Allocation and Shareholder Returns

To achieve both growth and financial soundness, we will allocate cash to the growth investments necessary to realize our long-term vision without significantly increasing our borrowing levels. Under the current Mid-Term Business Plan, we plan to generate more than 120 billion yen in cash over three years through initiatives such as improvements in CCC and sales of assets, including cross-shareholdings, to be used for shareholder returns and investments. Over three years, we plan to invest 110 billion yen (120 billion yen on a completion basis), mainly to grow the international business. We have been conducting some M&A, but so far not for any large-scale investments. Aside from investing in businesses, the importance of securing and developing human capital, research and development, sustainability, and corporate branding is increasing, and we are aware that we will not be able to create a stronger Nissui Group unless we step up investment in these areas. Based on our new material issues, we will formulate strategies and set KPIs for our next Mid-Term Business Plan and consider the best balance for cash allocation.

We are aware that many companies listed on the Tokyo Stock Exchange are enhancing their shareholder returns, and investor expectations are rising. We have already exceeded the 30% dividend payout ratio targeted in our current Mid-Term Business Plan, and we will consider raising the level further while allocating cash to investment in growth fields so we can continue providing sustainable and stable dividends.

Dividend per Share and Dividend Payout Ratio



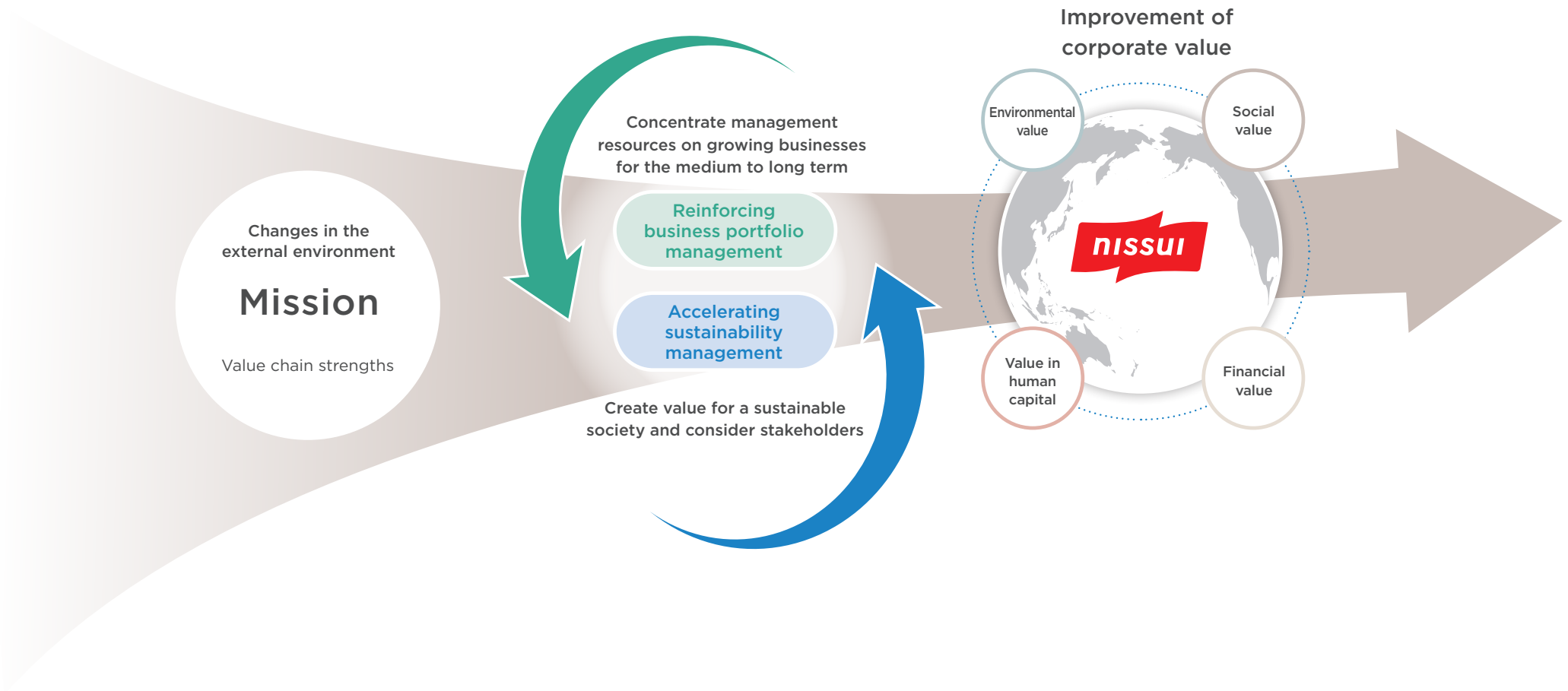
Stakeholder Dialogue and Disclosure

Due to lower volatility in our business results and a higher profit level, as well as our enhanced investor relations activities for proactively communicating our sustainability initiatives, our evaluation from the capital markets has improved, but Nissui's stock price is currently at around 1 times PBR, and we take this valuation seriously. Our ROE has remained at around 10% in recent years, even as we have accumulated equity capital, but our PER is around 10 times, which is below average for the food industry, and we feel the need to do more to share the Group's growth strategy and the strengths of its non-financial capital with investors. For example, in conjunction with on-site tours in the Aquaculture Business, we have set up opportunities for investors to judge the future direction of the business, the level of the Group's aquaculture research and operational improvements, and its risk response capabilities. We intend to explain the Group's competitive advantages and value creation story in a more compelling way. By making disclosure easy to understand and incorporating feedback from dialogue with domestic and overseas investors in management, we aim for sustainable improvement in corporate value.

Long-Term Vision “Good Foods 2030”

A leading company that delivers friendly foods for people and the earth

People’s food needs are becoming more diverse, encompassing health, convenience, and environmental responsibility. Our goal is to promote sustainability management that creates value for society while considering the needs of stakeholders. We are also enhancing business portfolio management that focuses resources on growth areas using ROIC to pursue new possibilities for a variety of foods with the goal of becoming a leading company that creates innovative food solutions that enrich the heart and the body, and solve societal issues.



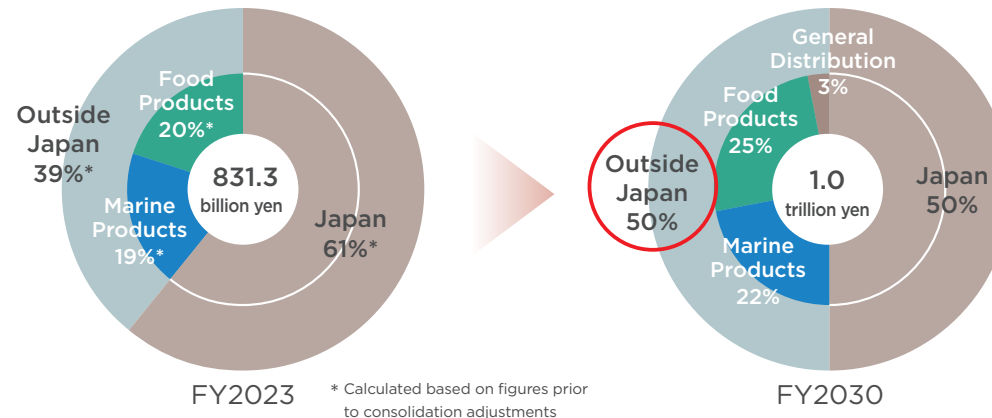
**Long-Term Vision
Targets for FY2030**

Net sales: 1.0 trillion yen

Operating profit: 50.0 billion yen

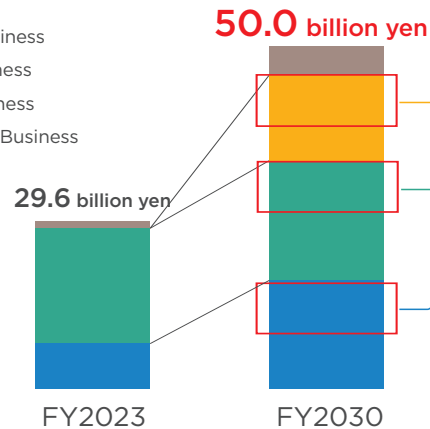
We will achieve our targets of 1 trillion yen in net sales and 50 billion yen in operating profit by enhancing our aquaculture and the Fine Chemicals Business while increasing our international net sales ratio to 50%.

Sales by Location



Breakdown of Operating Profit

- Marine Products Business
- Food Products Business
- Fine Chemicals Business
- General Distribution Business
- Others



Three Growth Drivers

Accelerate international growth	Marine Products Business	Strengthen access to resources and provide high-value-added products through global supply chains
	Food Products Business	Enhance profitability by expanding areas and categories in the high-profit international food products business
Enhance aquaculture business	Marine Products Business	Stabilize and increase profit margins by expanding scale and increasing the sophistication of aquaculture techniques
Strengthen international sales of pharmaceutical raw materials	Fine Chemicals Business	Target substantially higher profits by expanding in the international market for EPA pharmaceutical raw materials

Measures to Enhance Profitability

We have stabilized and enhanced profitability by strengthening and expanding both the Marine Products and Food Products businesses.

Strengthening and Raising Profitability

Marine Products Business

- **Advancing the sophistication of our aquaculture business**

We are raising profitability while reducing risk from natural disasters by advancing breeding techniques, improving feed, and promoting digital transformation.

- **Increasing earnings in the Marine Products Business**

In Japan, we are leveraging our processing and distribution capabilities to develop marine products prepared through more sophisticated food processing, such as grilled and marinated fish, thereby meeting needs relating to health-consciousness and convenience. In Europe, we are expanding our fresh fish purchasing and processing capabilities and processing marine resources produced in Japan such as Japanese amberjack and scallops. We are thus expanding sales channels in both Japan and Europe and increasing profits with high-value-added products.

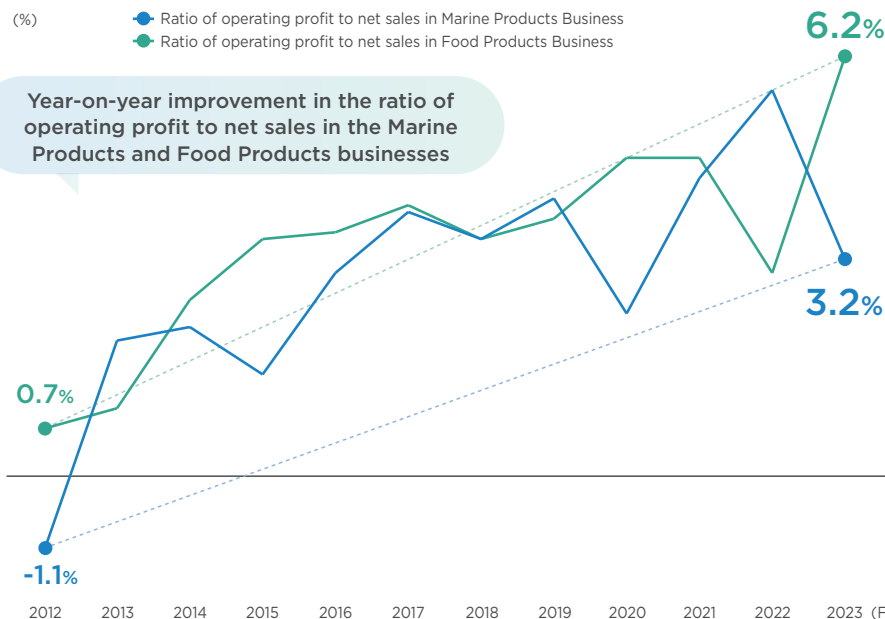
Food Products Business

- **Expanding the international business**

In Europe, we are acquiring and increasing production capacity with a strategy of expanding our sales area to generate continued growth. In North America, we are complementing our core fried white-meat fish products for household use and fried shrimp products for commercial use with a category expansion growth strategy that encompasses health category products and products for the Asian foods market.

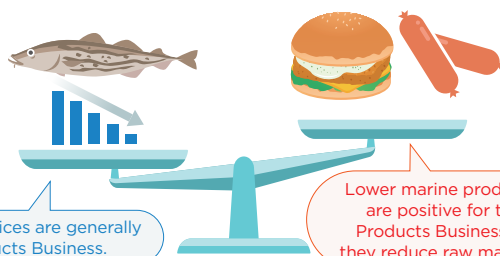
- **Expanding our lineup of products that address health consciousness and time-saving needs**

In Japan, we are developing products for health-conscious customers by leveraging the advantages of our ingredients, such as protein from the fast-twitch skeletal muscles of Alaska pollock. In addition, we are expanding our frozen bento (boxed lunch) products by leveraging our expertise from the Chilled Products Business, in which we prepare a variety of ingredients, and the characteristics of frozen processed foods, in order to meet time-saving and convenience-related needs.



Complementary Operating Profit Structures in the Marine Products and Food Products Businesses

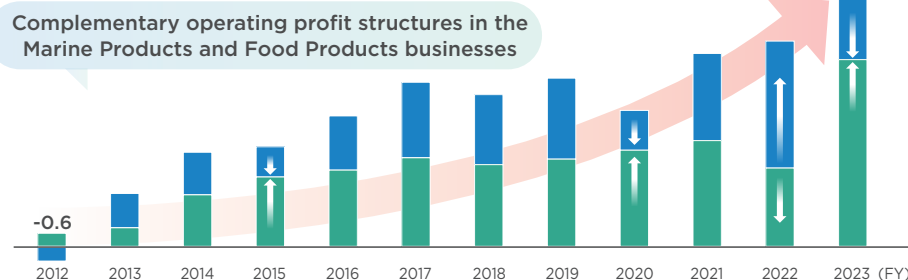
Marine products account for about 60% of the raw materials used in our Food Products Business. Consequently, lower marine products market prices may reduce earnings in the Marine Products Business but will increase earnings in the Food Products Business by reducing raw material costs.



Lower marine products market prices are generally negative for the Marine Products Business.

Lower marine products prices are positive for the Food Products Business because they reduce raw material costs.

(Billions of yen) ■ Operating profit in Marine Products Business ■ Operating profit in Food Products Business



Three Growth Drivers

Actions to Realize Our Long-Term Vision

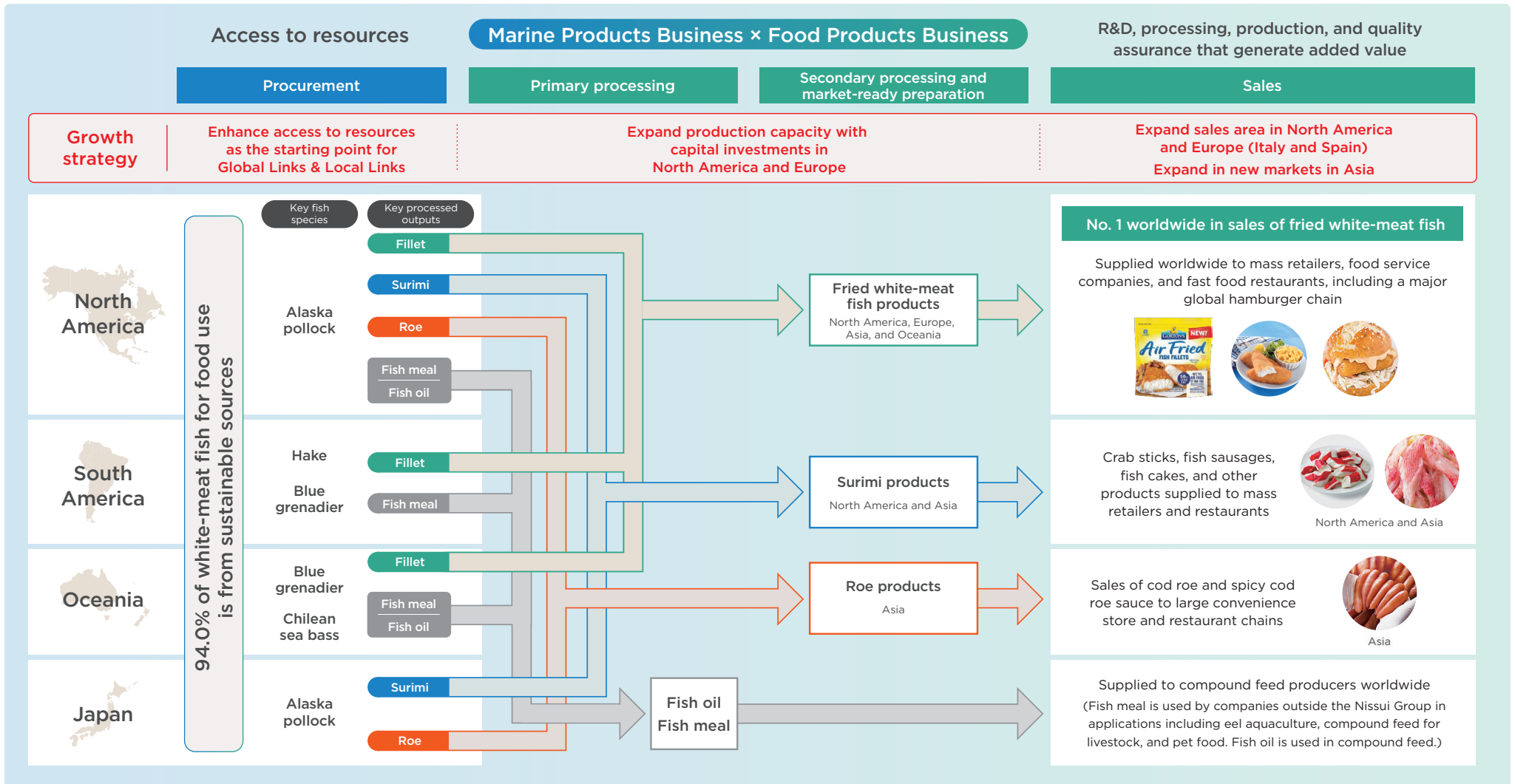


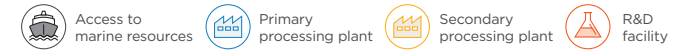
Three Growth Drivers



Accelerate International Growth (Enhancing Our White-Meat Fish Value Chain)

The Nissui Group, sharing a common mission, is building a global network to co-create innovative food solutions. A prime example is the Group's value chain for white-meat fish. Group companies secure access to and sustainably procure marine resources, then employ the Group's network to process and add value to those resources according to the food cultures of the countries they serve using both BtoB and BtoC business models. White fish meat and roe are used for human consumption, while fish meal and fish oil, made by processing byproducts, have various other applications including aquaculture.





The Group is targeting international net sales of 500 billion yen.

Masahide Asai

Director, Executive Officer and International Business Operating Officer

The Nissui Group adds value to the sustainable marine resources it has access to around the world using the proprietary technologies it has developed to supply delicious food and joy to people worldwide.

Nissui Group companies involved in fishing, processing, and distribution share the same mindset and cooperate globally. We call our network "Nissui Global Links." We are targeting international net sales of 500 billion yen, which we will achieve by embodying our mission and growing together. The white-meat fish value chain is one of the core strengths that will help us achieve the Group's objectives.



Rapidly Addressing Europe's Diverse Food Needs

Eric Le Hénaff

President
Cité Marine S.A.S.

Europe is home to diverse food cultures and values. As a core production company in Europe, we are known for our ability to rapidly develop products tailored to the specific requirements of customers. To achieve further growth, we aim to expand sales in Western Europe using our plants in France, and are also exploring opportunities to enter markets in other countries.



Supporting the Group by Procuring Resource-Managed Marine Products

Tom Enlow

President
UniSea, Inc.

Among our many strengths, our people truly stand out. They are committed to producing high-quality, sustainable Alaskan marine products, even in the challenging conditions of the Aleutian Islands.

With half a century of production and processing history, we hold the processing rights to one of the best managed and most sustainable fisheries in the world. We are therefore a vital component of the Group's supply chain, and are proud to be a member of Nissui Global Links.



Striving for Further Growth through Our Strengths in Marketing and Development

Kurt Hogan

President & CEO
Gorton's, Inc.

Our company celebrated its 175th year in business in 2024. The dedication of our employees, who have worked diligently and passionately to fulfill our mission, "Spreading the goodness of the sea by making quality seafood accessible to everyone!" has driven Gorton's long-term success.

We value listening to and learning from customer feedback. Demonstrating leadership in the U.S. frozen processed marine product food category, we are at the forefront of innovation and category supply. Furthermore, we have committed to further growth by investing in capacity expansion, with new capacity slated to come online in FY2025.



Entering Asian Markets with Best-in-Class Quality Control

Takakuni Yanagihara

Managing Director
Thai Delmar Co., Ltd.

We have established a mass-production system capable of providing high-quality products to major fast food and quick service restaurant chains.

In recognition of our outstanding safety and security initiatives in FY2024, we received the highest quality award in Asia from a major hamburger chain. We aim to become the leading seafood manufacturer for fast food and quick service restaurant chains in Asia, and will continue to grow as the Group's foundation in Asian markets while contributing to local communities.



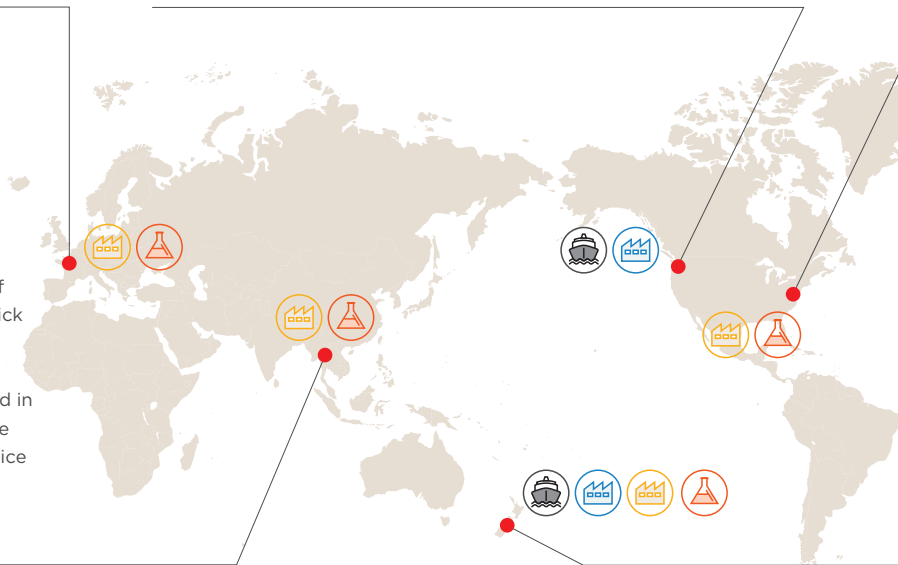
As New Zealand's Largest Marine Product Company, We Are Committed to Sustainable Fishing

Doug Paulin

CEO
Sealord Group Ltd.

We operate with a presence throughout the entire value chain, from fishing and aquaculture to processing, marketing, and sales. In February 2024, we acquired Independent Fisheries Limited to become New Zealand's largest seafood company. Sealord has built strong relationships with customers who value our quality products and services.

We procure marine resources with a management approach that uses scientific data and technology, which is also key to ensuring compliance with regulations and maintaining an abundance of resources in the future.

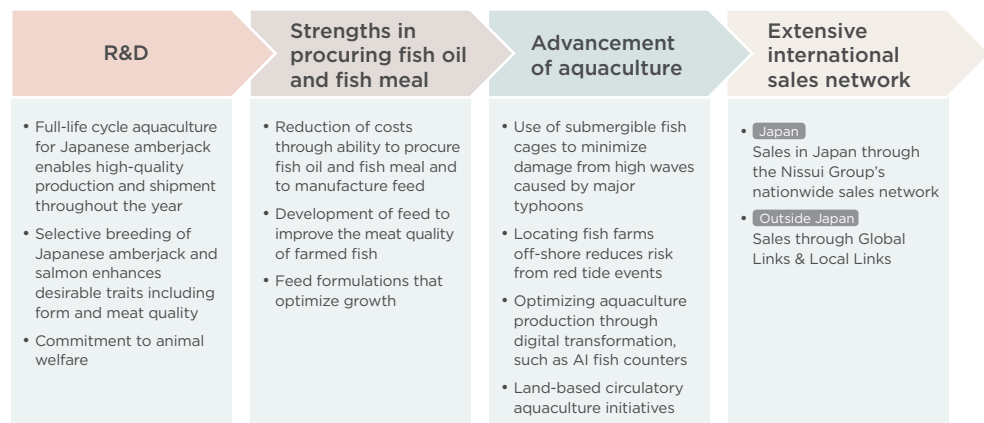


Three Growth Drivers

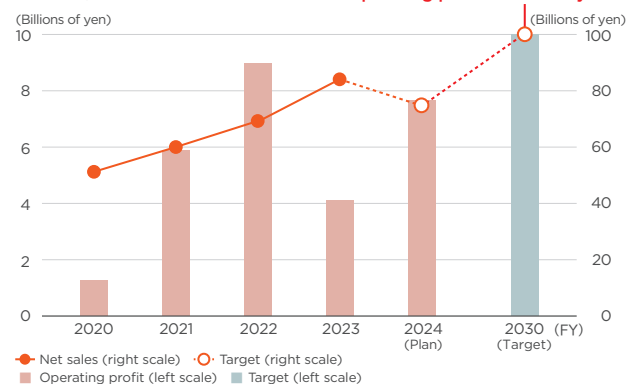
Marine Products Enhance Aquaculture Business

Aquaculture Value Chain

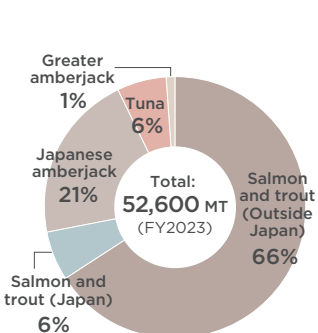
As with white-meat fish operations, the Nissui Group's strengths in the Aquaculture Business are in the value chain. In contrast to wild-caught fish, we operate a full value chain for aquaculture covering everything from fish bioresearch to procuring fish oil and fish meal for feed, aquaculture, processing, and sales. This enables us to reduce costs and risks, as well as achieve highly competitive supply on the world market.



Aquaculture Business Results and Targets



Share of Total Aquaculture Harvest Volume by Fish Species



Our FY2030 targets for the aquaculture business are net sales of 100 billion yen and operating profit of 10 billion yen.

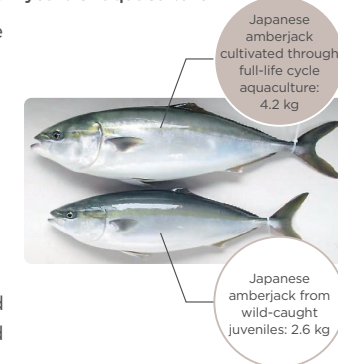
Sophisticated Breeding for Superior Quality Kurose Buri (Japanese Amberjack) Using Full-Life Cycle Aquaculture

R&D

In the production of Kurose Buri (Japanese amberjack) we apply a variety of technologies. Through selective breeding technology we breed parent fish with desired genetic characteristics. Full-life cycle aquaculture technology enables us to hatch and raise roe collected artificially. Maturation management technology allows us to control the timing of parent fish spawning.

The artificial juveniles we produce using our proprietary technologies enable us to consistently produce and supply high-quality farmed fish with outstanding productivity. As a result, the fish have not only excellent quality and consistency, but outstanding growth patterns shorten aquaculture periods and reduce the risk from natural disasters such as typhoons and red tide events. This in turn supports improved productivity and a faster cash conversion cycle (CCC).

Difference in growth rate after two years of aquaculture



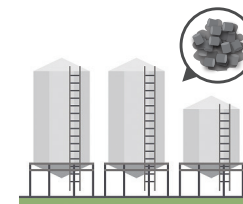
Cost Reduction and Competitive Differentiation through Strengths in Fish Oil and Fish Meal Procurement

Strengths in procuring fish oil and fish meal

Efficient use of procured feed to counter rising costs and promote sustainable aquaculture

We are reducing the proportion of fish-derived feed ingredients such as fish oil and meal, enabling us to lower costs, make effective use of natural marine resources, and enhance our initiatives to achieve sustainable aquaculture.

A Group company involved in salmon farming in Chile has added raw material silos at its feed plant and increased options for alternative raw materials in compound feed, which is supporting lower feed costs.

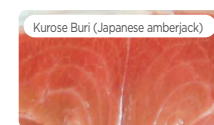
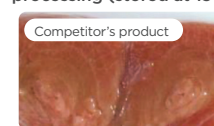


Differentiation through original feed formulations

We design and manufacture proprietary compound feed formulations that enable us to provide products tailored to customer needs, with good taste and fat content, and minimal color loss after processing.

Normally, the color of the dark muscle meat of Japanese amberjack begins to fade over time after processing. However, Marbless, an original feed developed by Nissui, is compounded with chili pepper, which delays dark-meat discoloration and quality degradation and improves oil content and texture, enabling cultivation of high-quality farmed Japanese amberjack.

Eight hours after sashimi processing (stored at 15°C)

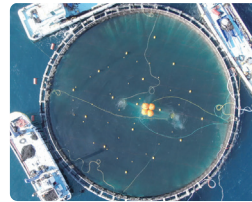


Enhancing Efficiency and Productivity by Increasing the Size of Fish Cages for Kurose Buri (Japanese Amberjack)

Advancement of aquaculture

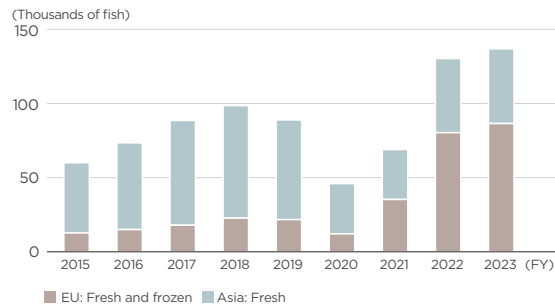
Increasing the size of fish cages

To achieve its target annual harvest volume of 3 million farmed Japanese amberjack by FY2030, Nissui is moving forward with the development of off-shore fish farming technologies. By switching from 10-meter to 30-meter diameter fish cages, Nissui has boosted production volume per block by about 50%, raising both efficiency and productivity. We have thus expanded production capacity and been able to increase international exports.

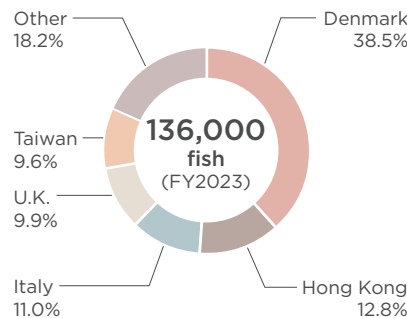


A large 30-meter diameter fish cage

Fish Exports



Fish Exports by Region



Reducing Risk and Stabilizing Production (Improving ROIC by Promoting Short-Cycle Farming of Bluefin Tuna)

Advancement of aquaculture

Conventional bluefin tuna aquaculture in Japan primarily involved catching and raising small fish of around 2 kilograms over about four years. However, in collaboration with Group fishing companies, we are shifting our aquaculture business model toward farming large, 80- to 150-kilogram bluefin tuna over a short six-month cycle. This contributes significantly to improving CCC and ROIC by reducing exposure to risks ranging from typhoons and red tide events to fish diseases while also reducing costs.

Example Initiative to Improve ROIC

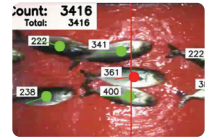
(Improving CCC through Short-Cycle Farming of Bluefin Tuna) [▶ Page 35](#)

Optimizing Aquaculture Production through Digital Transformation

Advancement of aquaculture

We are optimizing aquaculture production by deploying AI fish counters that use IT and the IoT at Group aquaculture companies and introducing electronic fish disease charts.

We will continue to analyze environmental and breeding data to model optimal breeding conditions for use in efficient aquaculture.



AI fish counter

Land-Based Circulatory Aquaculture Initiatives for Whiteleg Shrimp, Salmon, and Chub Mackerel

Advancement of aquaculture

Nissui is moving forward with land-based aquaculture to secure future supplies of marine products and as a strategy for growth. Following on from its establishment of land-based aquaculture of whiteleg shrimp in April 2023, Nissui is conducting a feasibility study on land-based circulatory aquaculture of chub mackerel, aiming for commercialization in FY2026. In addition, Nissui Europe has made a joint investment with Marubeni Corporation in Danish Salmon A/S, which operates a closed recirculating aquaculture business for Atlantic salmon in Denmark.

Land-based aquaculture facility in Ei, Kagoshima Prefecture

Species raised: Whiteleg shrimp
Target production volume: 100 MT/year
Features: Biofloc-based recirculating aquaculture system

Danish Salmon A/S

Species raised: Atlantic salmon
Target production volume: 2,750 MT/year
Features: Closed recirculating aquaculture system

Yonago Land-Based Aquaculture Center*

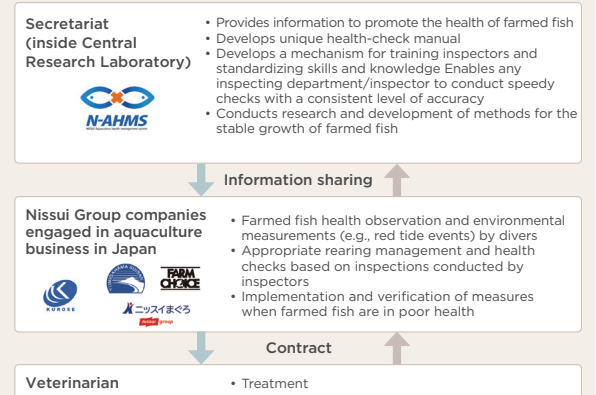
Species raised: Chub mackerel
Target production volume: 175 MT/year
Features: Closed recirculating aquaculture using underground seawater

* Currently conducting trial demonstrations

HIGHLIGHT

Nissui Group's Fish Health Management: N-AHMS®

The Nissui Group has developed N-AHMS® (NISSUI Aquaculture Health Management System), a system used to manage the health of farmed fish in Japan. Under N-AHMS®, we are pursuing the standardization of inspection processes through the establishment of an in-house certification scheme for inspectors and supervisors in charge of checking the health of farmed fish etc., aimed at improving the accuracy and reliability of health checks of farmed fish.



Three Growth Drivers



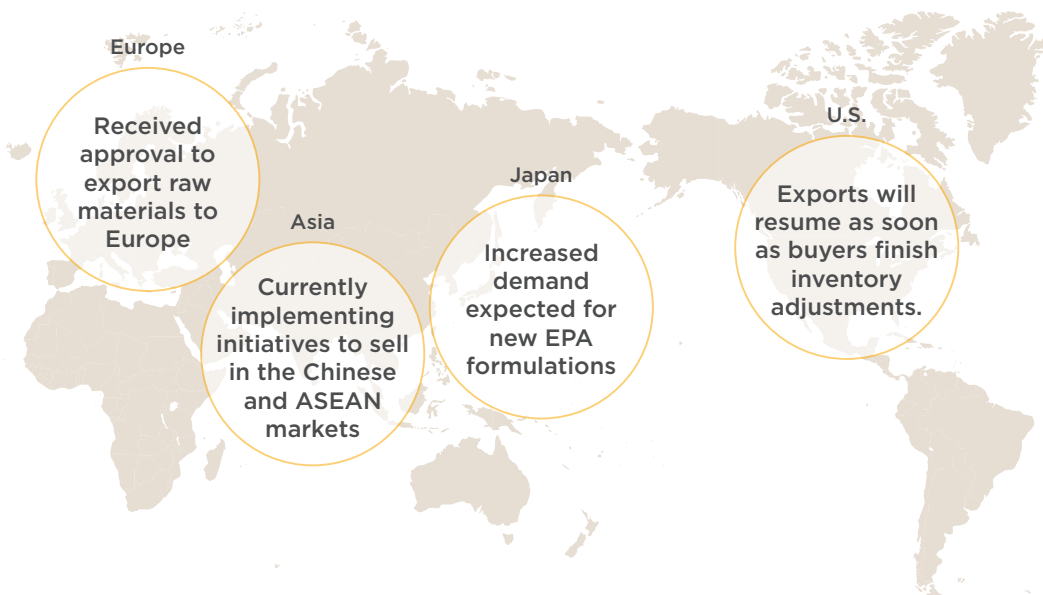
Strengthen International Sales of Pharmaceutical Raw Materials

In 2018, the published results of REDUCE-IT,¹ a large-scale clinical trial on the efficacy of pharmaceutical EPA² in the U.S., indicated that high-purity EPA pharmaceuticals³ with EPA purity of 96.5% or more may contribute to suppressing the onset of cardiovascular diseases. The world's population is aging and the number of patients with chronic diseases is rising, so expectations are great for high-purity EPA formulations, especially in the field of cardiovascular disease.

Nissui has obtained certification for cGMP⁴ compliance, which is necessary for supplying pharmaceuticals to the U.S., and began exporting pharmaceutical raw materials to the U.S. in FY2021. In FY2024, we received approval from the European Medicines Agency (EMA) and have established a system to sell in the European market. We are also enhancing our quality assurance system in order to strengthen sales in the global pharmaceutical market.

Raw Materials

Sales of Nissui's Pharmaceutical Raw Materials



1. Reduction of Cardiovascular Events with Icosapent Ethyl-Intervention Trial (REDUCE-IT): A double-blind, placebo-controlled randomized controlled trial that examined the preventive effect of high-purity omega-3 unsaturated fatty acids on cardiovascular risk (subjects: 5,785 patients with a history of cardiovascular disease, and 2,394 diabetic patients at risk of cardiovascular disease).
 2. Eicosapentaenoic acid (EPA) is an omega-3 polyunsaturated fatty acid found in the oil of sardines and other fish. Known for its benefits in reducing heart disease risk, lowering serum triglycerides, and decreasing inflammation, EPA was approved in Japan as a treatment for arteriosclerosis obliterans in 1990 and hyperlipidemia in 1994.
 3. High-purity EPA pharmaceuticals: Pharmaceuticals with EPA purity of 96.5% or more, which is achieved by separating and purifying EPA. Aside from the treatment of hyperlipidemia, in 2019, the U.S. FDA approved its use for high-risk patients (with serum triglyceride levels of 150 mg/dL or more and are taking cholesterol-lowering or statin drugs) with multiple risk factors for cardiovascular disease and other circulatory system diseases.

Products

The High-Purity EPA Pharmaceutical Market

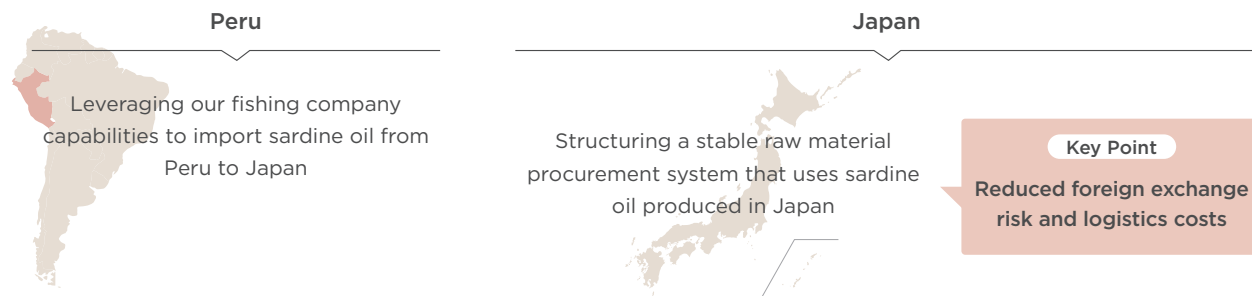
North America	<ul style="list-style-type: none"> July 2012 - Approval granted for sale of a high-purity EPA formulation in the U.S. November 2018 - Results of the REDUCE-IT trial announced, indicating that high-purity EPA could be effective for patients with cardiovascular diseases who are taking the latest cholesterol-lowering drugs December 2019 - New indication⁵ approval granted, leading to a substantial increase in the number of eligible patients
Europe	<ul style="list-style-type: none"> March 2021 - EMA grants approval for Nissui to sell a high-purity EPA formulation in the European Union; sales to roll out sequentially following drug pricing decisions in each country, with pharmaceutical patents set to remain valid until 2039
Japan	<ul style="list-style-type: none"> 1990 - World's first approval of a high-purity EPA formulation for the treatment of arteriosclerosis obliterans 1994 - Added indication as a medicine for the treatment of hyperlipidemia September 2022 - Began selling a new self-emulsifying, high-purity EPA formulation
Asia	<ul style="list-style-type: none"> November 2020 - Approval granted for sale of a high-purity EPA formulation in Thailand June 2023 - Approval granted for sale of a high-purity EPA formulation in China Application under review for sale of a high-purity EPA formulation in Vietnam

4. cGMP: current Good Manufacturing Practice
 5. People seeking to prevent the onset of cardiovascular disease and other circulatory system diseases and who have serum triglyceride levels of 150 mg/dL or more and are taking cholesterol-lowering or statin drugs.

International sales of our EPA pharmaceutical raw materials are driven by the following three strengths.

Strength 1 Stable System for Procuring Raw Materials

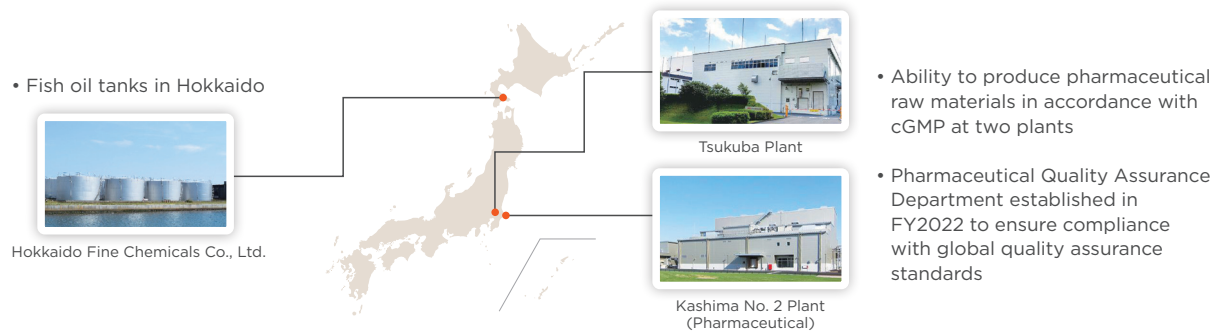
In recent years, we have been implementing initiatives to use oil produced in Japan from sardines, of which the catch has been increasing. In addition to having secured a stable supply of fish oil raw material from Peru, we aim to reduce foreign exchange risk and logistics costs by using fish oil produced in Japan.



Strength 2 World-Class Storage Facilities and a Production System with Two Plants

We maintain a stockpile of a set amount of raw oil in Hokkaido, Japan. We have 19 tanks (1,000 kiloliters each) dedicated to fish oil, giving us one of the largest stockpiles in the world.

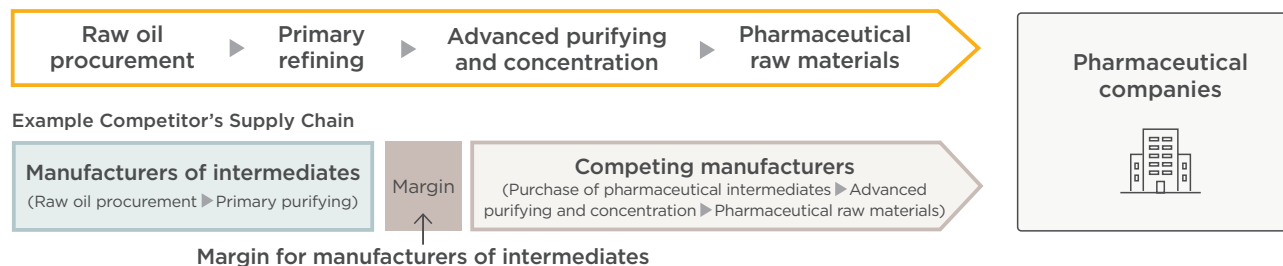
Furthermore, we have the ability to produce pharmaceutical raw materials at two locations in Japan, and a contingency system in place for emergencies.



Strength 3 High-Purity EPA Production Technology and Cost Competitiveness

The purity of EPA required for manufacturing pharmaceuticals is 96.5% or more, and the production of EPA from raw oil requires both advanced purifying and concentration technologies. In addition to such advanced technologies, the Group has an integrated production system, from raw oil to pharmaceutical raw materials, giving us a significant cost advantage over our competitors.

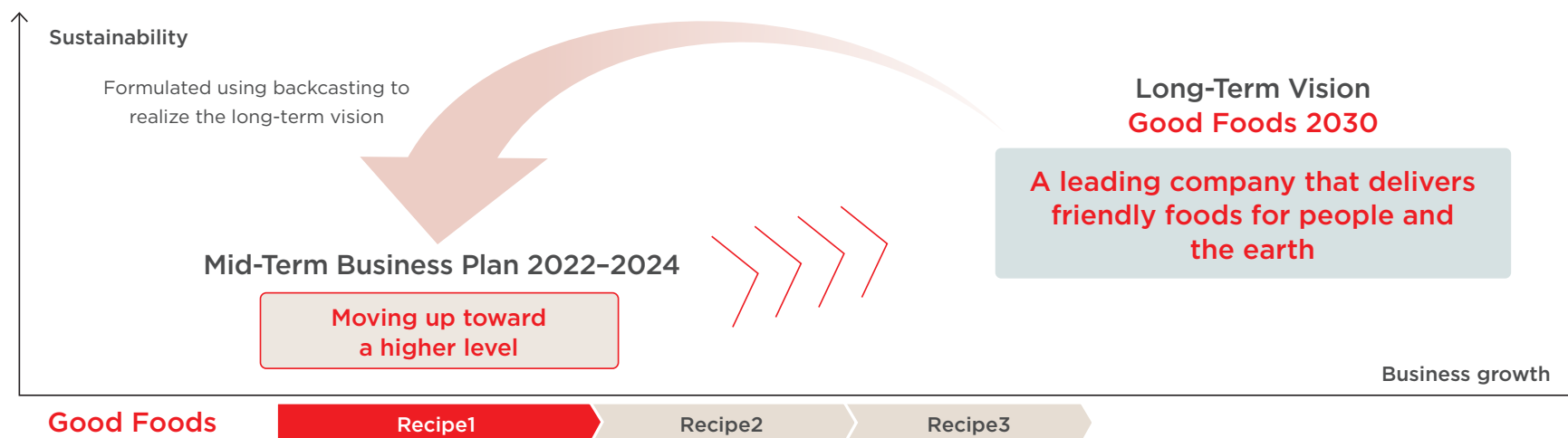
The Nissui Group's Integrated Production System



Mid-Term Business Plan “Good Foods Recipe1”

We have made great progress toward achieving “Good Foods Recipe1,” which is positioned as “moving up toward a higher level.”

<p>Positioning of the Long-Term Vision and the Mid-Term Business Plan “Good Foods Recipe1”</p>	<p>Mid-Term Business Plan “Good Foods Recipe1,” which covers the three years from FY2022 through FY2024, was formulated using backcasting and is positioned as “moving up toward a higher level” in order to realize our long-term vision for FY2030, “Good Foods 2030.”</p>
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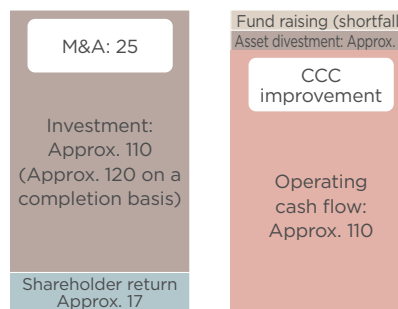


Investment and Financial Strategy under the Mid-Term Business Plan

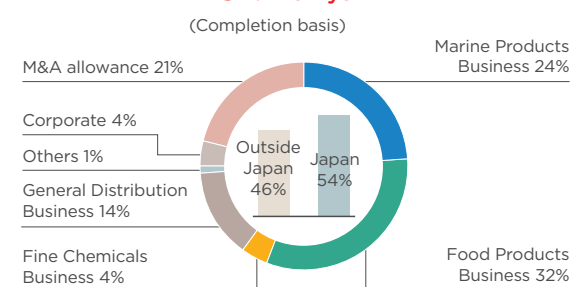
Seeking to balance growth and financial stability, in terms of returning profit to shareholders, we are aiming for a dividend payout ratio of 30% or more.

<p>Investment</p>	<ul style="list-style-type: none"> Plan approx. 110 billion yen in investments, including an M&A allowance of 25 billion yen Aim to maximize investment returns through weighted allocation toward high-priority growing fields
<p>Shareholder Return</p>	<ul style="list-style-type: none"> Aim for a dividend payout ratio of at least 30%
<p>Operating Cash Flow</p>	<ul style="list-style-type: none"> Improve the cash conversion cycle (CCC) and strengthen cash generation (gradual CCC improvement over three years)
<p>Asset Divestment</p>	<ul style="list-style-type: none"> Sell assets such as cross-shareholdings

Cash Flow (Three-Year Total) (Billions of yen)



Total investments: 120 billion yen (Completion basis)



KPIs and Progress toward Our Long-Term Vision for 2030 and Mid-Term Business Plan

Based on our material issues, we have set key performance indicators (KPIs) relating to our Mid-Term Business Plan “Good Foods Recipe1” (launched in FY2022) and long-term vision for FY2030.

KPIs for Priority Themes

Value created	Priority themes	Goals	Base year	FY2023 results	Mid-Term Business Plan “Good Foods Recipe1” KPIs for FY2024	Long-Term Vision “Good Foods 2030” KPIs for FY2030	
Financial value	Capital strength to compete on the world stage	Growth and profitability	Net sales (Billions of yen)	—	831.3	790.0	1.0 trillion yen
			Operating profit (Billions of yen)	—	29.6	32.0	50.0 billion yen
			Ordinary profit (Billions of yen)	—	31.9	35.0	—
			Profit attributable to owners of parent (Billions of yen)	—	23.8	22.5	—
		Capital efficiency	ROIC	—	5.3%	≥ 5.5%	≥ 7.0%
Social value	Resolving health issues	Expand health category products	Sales of health category products	FY2021	Base year	Expand by 30%	Expand by 200%
			Assessment of Tier 1 suppliers*	—	92%	Nissui Corporation 100%	Group companies 100%
Social value	Sustainable procurement	Responsible procurement	Assessment of Tier 1 suppliers*	—	92%	Nissui Corporation 100%	Group companies 100%

* Scope: Nissui Corporation

Value created	Priority themes	Goals	Base year	FY2023 results	Mid-Term Business Plan “Good Foods Recipe1” KPIs for FY2024	Long-Term Vision “Good Foods 2030” KPIs for FY2030		
Value in human capital	Diverse human capital playing an important role	Employee engagement	Employee engagement score*	FY2021	Improved by 11.6%	Improve by 10%	Improve by 20%	
		Women's empowerment	Ratio of female managers*	—	6.6%	10%	20%	
Environmental value	Sustainable procurement	Sustainability of marine resources	Sustainable procurement rate	—	—	80%	100%	
			Reduction of CO ₂ emissions	CO ₂ emissions (Scope 1, 2)	Total amount in FY2018	Reduced by 6.3%	Reduce by 10%	Reduce by 30%
			Carbon-neutral in 2050	—	—	—	Achieve carbon neutrality	
Environmental value	Actions aimed at addressing climate change and protecting marine environments	Reduction of plastics	Usage of plastics*	Per unit of sales in FY2015	Under calculation	Reduce by 10%	Reduce by 30%	

Business Strategy

Marine Products Business



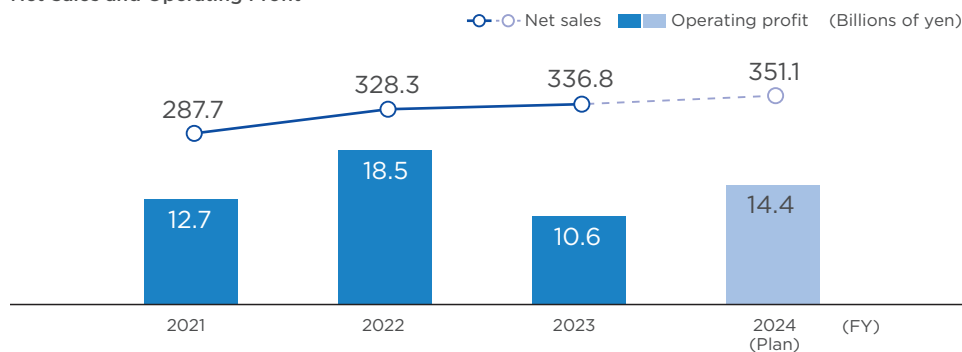
We effectively utilize our access to marine resources and aquaculture R&D capabilities through a marine product supply chain that covers every stage from procurement to processing and sales. Targeting sustainable growth, we aim to limit the impact of marine product market conditions on the Nissui Group by expanding our range of high-value-added products. We will do so by creating products through more sophisticated food processing* to maximize the value that marine resources provide.

Teru Tanaka

Director, Executive Officer
Marine Products Business Operating Officer

* Processing raw materials into products that add value and convenience for customers

Net Sales and Operating Profit



FY2023 in Review

In FY2023, net sales in the Marine Products Business increased by 8.5 billion yen with the support of products selling well, but profit decreased as the high market prices of FY2022 subsided. However, rigorous inventory management based on sales forecasts has minimized the decline in earnings and enhanced our resilience to market volatility.

The Aquaculture Business is a growth driver for the Marine Products Business, but it is exposed to risks such as exchange rate fluctuations and climate change. We aim to generate additional growth by fully employing the Group's technology and development capabilities.

SWOT Analysis

Internal environment	Strengths	Weaknesses
	<ul style="list-style-type: none"> • Good access to marine resources • A global supply chain covering every stage from procurement to processing and sales • Aquaculture technology, such as selective breeding, that differentiates us from competitors • Highly sophisticated material processing to create products with exceptional added value 	<ul style="list-style-type: none"> • Shortage of personnel able to operate effectively on the global stage • Challenges sophisticated processing of ingredients for foods such as sushi
External environment	Opportunities	Risks
	<ul style="list-style-type: none"> • Increasing global demand for fish due to growing health consciousness • Rising popularity of Japanese cuisine worldwide • Japanese government support for marine product exports • Fishery Act revisions have created the potential to develop new businesses • Increasing demand for sustainable marine products, including products with Marine Stewardship Council (MSC), Aquaculture Stewardship Council (ASC), and Marine Eco-Label (MEL) certification 	<ul style="list-style-type: none"> • Susceptibility to marine product market conditions • Changes in the resource procurement environment due to climate change • Impact of stricter regulation of fishing rights and aquaculture • Reputational risk from any perceived failure to safeguard animal welfare or the environment • Emergence of foodtech and increasing obsolescence of current aquaculture technology • Country risk relating to raw material procurement and sales • Foreign exchange risk • Labor shortages

Market Trends for the Next Mid-Term Business Plan

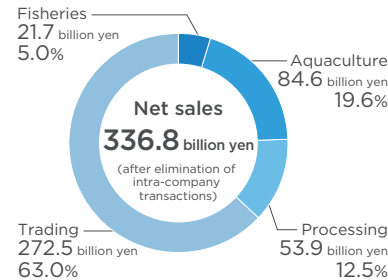
Demand for marine products, including growing global demand for fish, is increasingly driven by rising health consciousness and growing demand for sources of protein due to global population growth. We will serve expanding markets by leveraging our access to marine resources and our global supply chain, which encompasses procurement, processing, and sales.

A key challenge for the Nissui Group is to create systemic resilience that minimizes the impact of marine product market conditions. Our objectives are to develop delicious, high-value-added products with stable demand and that have low sensitivity to market price volatility, and to increase the share of products in our lineup prepared through sophisticated food processing, and which can generate stable profits under any circumstances.

Businesses

Fisheries	The catch in Japan includes sardines, mackerel, tuna, and Japanese amberjack, while the catch in South America includes blue grenadier.
Aquaculture	In Japan, we are increasing full-life cycle aquaculture of Japanese amberjack, short-cycle farming of bluefin tuna, and expanding our salmon aquaculture area, centering on the efforts of Group companies. In South America, we are farming salmon trout in Chile.
Processing	We process Alaska pollock into surimi, fillets, and roe in North America. We also process marine products in Thailand, and in Vietnam we primarily process shrimp.
Trading	We trade marine products mainly in Japan, Europe, and North America.

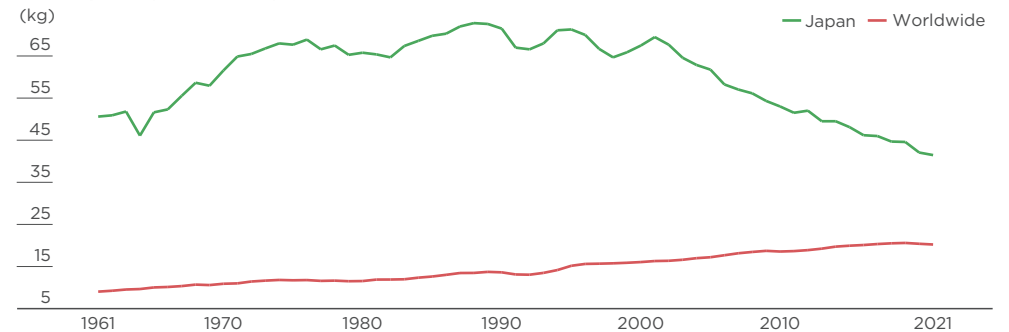
Breakdown of Net Sales (FY2023)



Market Environment

While people are eating fish less in Japan, demand for marine products is growing around the world, especially in Asia.

Annual per Capita Consumption of Edible Fish and Shellfish



(Source: Fisheries White Paper 2023, Fisheries Agency)

Measures to Improve ROIC

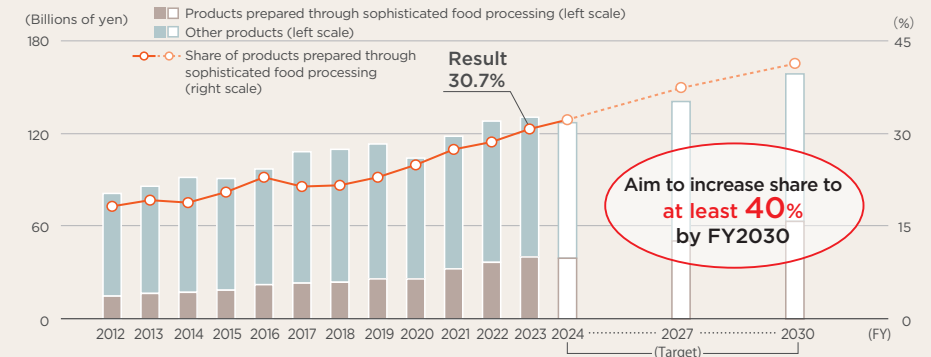
	Fisheries	Aquaculture	Processing/Trading
Improvement of ROIC =	<p>Operating profit after tax</p> <p>Cost reduction and adding higher value at our fishing company in Chile</p> <p>Our initiatives to increase sales and profit include increasing catch volumes by improving fishing nets, reducing costs by reducing expenses for repairs, and creating value by acquiring MSC certification.</p>	<p>Increasing the profitability of salmon farming in and outside Japan</p> <p>In Chile, we will increase production of high-value-added products and expand our sales area. In Japan, we will increase profit margins by expanding production in Iwate Prefecture (an area well suited to aquaculture).</p>	<p>Strengthening profitability by increasing the number of high-value-added products</p> <p>Japan We are acquiring new processing facilities to increase the range of sophisticated processed products we offer, as well as their share of our product lineup.</p> <p>Outside Japan Having added a company to the Group with European fresh fish procurement and processing capabilities, we will expand sales channels for our fresh fish business and increase added value, while also expanding exports of marine products from Japan. We intend to increase sales in both Japan and Europe and maximize synergies.</p>
	<p>Invested capital</p> <p>Intra-Group synergy with a fishing company in Japan</p> <p>Group aquaculture companies use short-cycle farming to raise large bluefin tuna caught in Japan that already weigh 80 to 150 kilograms, which helps to improve the Group's capital efficiency.</p>	<p>Improving CCC by promoting short-cycle farming of bluefin tuna in Japan</p> <p>Large bluefin tuna are raised for a period of three to six months and shipped. This approach to aquaculture results in a high survival rate and short growth period, which improves the cash conversion cycle (CCC) and reduces the risk of typhoons, red tide events, and fish diseases.</p>	<p>Continuing to implement rigorous inventory management</p> <p>We continue to manage inventory by making purchases in accordance with sales plans to prevent opportunity loss and excess inventory.</p>

HIGHLIGHT

Promoting More Sophisticated Food Processing

With customers increasingly emphasizing health, simplicity, and convenience, we have been implementing initiatives to create more sophisticated processed products, such as fillets, grilled fish, and marinated fish. We are carefully processing ingredients and leveraging our distribution capabilities to provide high-value-added products that address consumer needs, with the goals of enhancing profitability and reducing volatility in the performance of the Marine Products Business, which is sensitive to market conditions.

Progress in More Sophisticated Food Processing (Excluding surimi, oil for feed)



Business Strategy

Food Products Business

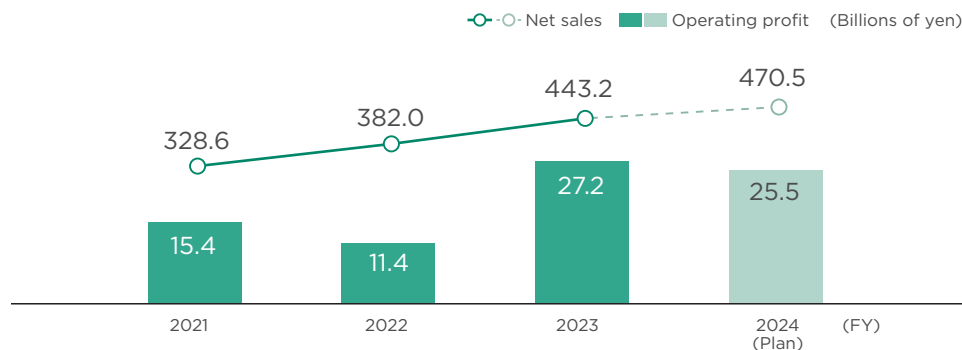


We have rolled out products globally that are tailored to local food cultures, including marine-derived products that make effective use of the Nissui Group's strong value chain and health category products. Going forward, we will continue to respond to customer's diverse needs, including the demand for new categories that explore business boundary areas and environmentally friendly products, by providing innovative food solutions that emphasize sustainability.

Koji Umeda

Director, Senior Managing Executive Officer
Chief Operating Officer (COO), Food Products Business
Operating Officer

Net Sales and Operating Profit



FY2023 in Review

In FY2023, the Food Products Business increased sales and profit by improving profitability through price revisions addressing rising raw material costs and by enhancing productivity.

In addition to accelerating international growth, which is a growth driver for realizing our long-term vision, the Food Products Business successfully addressed the long-standing challenge of increasing the profitability of its business in Japan.

Outside Japan, we expanded our sales area for chilled fried white-meat fish in Europe, and we successfully increased and grew categories in North America. In the chilled products business in Japan, freedom of movement after the pandemic, increased inbound tourism demand, and the addition of a new consolidated subsidiary supported robust growth.

SWOT Analysis

Internal environment	Strengths	Weaknesses
	<ul style="list-style-type: none"> • Products that leverage the strengths of the Nissui Group's value chain • The ability to develop products for a wide range of channels based on strong processing and quality assurance capabilities • New product development capabilities that leverage research including into functionality (of EPA and fast-twitch skeletal muscle protein, etc.), aroma, and taste • Product development capabilities that leverage the expertise of the chilled products business, which prepares products using a wide variety of techniques and ingredients • Powerful brands that include Gorton's, a top-ranked North American brand 	
External environment	Opportunities	Risks
	<ul style="list-style-type: none"> • Global demand for seafood driven by health consciousness • Growing demand for convenience and single-serving meals • Increased production efficiency resulting from advances in AI and the IoT • Increasing demand for environmentally responsible, sustainable products 	

Market Trends for the Next Mid-Term Business Plan

Demand for healthy foods and the need for single-serving meals and convenience are increasing worldwide.

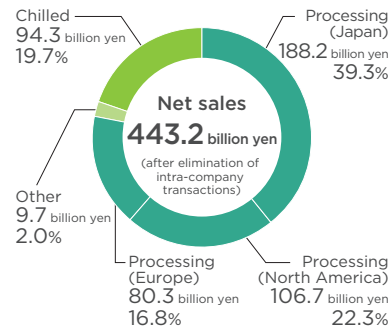
Internationally, we will leverage the strong brand power of Gorton's, a top-ranked North American brand, to expand sales of healthy foods such as Air Fried, which contains 50% less fat than conventionally prepared products. Furthermore, in Europe, we will expand the sales area for chilled fried white-meat fish and enhance our competitiveness in the European chilled market by strengthening our presence in the tapas category. In addition, we will meet increasing demand by investing a total of 17 billion yen in plant construction and expansion to increase production capacity.

In Japan, we will address diversifying market needs and grow our top line by deploying product development capabilities that leverage research including into functionality (of EPA and fast-twitch skeletal muscle protein, etc.), aroma, and taste. In addition, we will expand sales of products that meet needs for single-serving meals and convenience by creating new categories such as the Q-dish series of frozen/chilled deli foods and frozen bento (boxed lunch) products using our expertise in chilled and frozen food processing.

Businesses

Processed foods	Household use	Outside Japan Production and sales with an emphasis on frozen and refrigerated fried marine foods Japan Production and sale of frozen foods including rice, bento (boxed lunch) products, and noodles; surimi-based products such as fish cakes and crab-flavored surimi; and shelf-stable products such as canned goods
	Food service	Outside Japan Production and sale of frozen and refrigerated fried marine products Japan Production and sales with an emphasis on frozen foods for restaurants and other commercial customers
Chilled	As a convenience store vendor business, we produce products including deli foods and rice balls for convenience stores in Japan.	

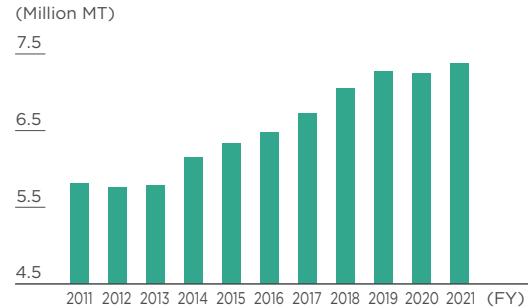
Breakdown of Net Sales (FY2023)



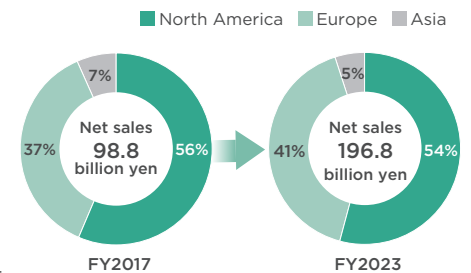
Global Processed Marine Product Manufacturing Volume and Nissui Group's International Food Product Net Sales

The Nissui Group is expanding net sales in North America and Europe in line with growth in global manufacturing of processed marine products.

Global Processed Marine Product Manufacturing Volume (Including Canned and Preserved Products)



Nissui Group's International Food Product Net Sales



Source: Compiled by Nissui based on statistics published by the Food and Agriculture Organization of the United Nations (FAO) Fisheries and Aquaculture Division

Measures to Improve ROIC



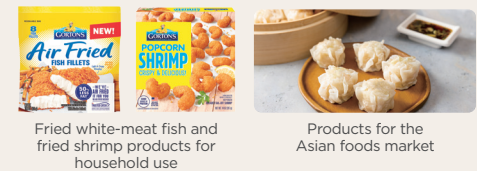
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HIGHLIGHT

Addressing Diverse Needs by Creating Health Foods and New Categories

North America

In addition to expanding product categories such as shrimp products for household use and white-meat fish products for food service, we are also aiming to increase sales of our new health-oriented product Air Fried and products for the Asian foods market.



Europe

Nissui will make use of typical European retail space layouts for refrigerated fried white-meat fish to strengthen its business in new areas by offering products in tapas sections that are adjacent to fresh fish sections.



Japan

We will increase sales of differentiated, high-value-added products, including products containing fast-twitch skeletal muscle protein and through the use of low-sodium technologies.



Business Strategy

Fine Chemicals Business

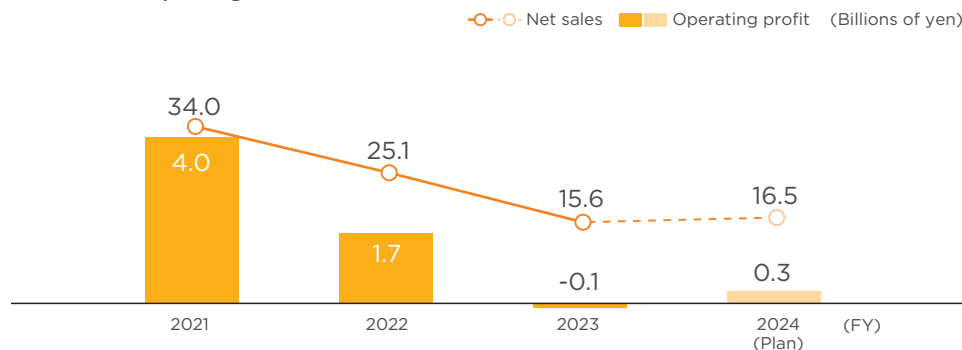


Using our advanced purification technology for the production of high-purity EPA (purity of 96.5% or more) for pharmaceutical use, we are addressing health issues relating to cardiovascular diseases, which are expected to become even more prevalent in the future. By growing our business in the EPA market, where demand is forecast to be high worldwide, we will continue to work toward achieving our mission.

Shinya Yamashita

Director, Managing Executive Officer
Fine Chemicals Business Operating Officer

Net Sales and Operating Profit



FY2023 in Review

In FY2023, the Fine Chemicals Business had to contend with sluggish international shipments of pharmaceutical raw materials and slower sales in the mail order and retail businesses as the demand related to the COVID-19 pandemic lockdown subsided. However, in FY2024 the EMA approved our application to sell EPA as a pharmaceutical raw material in Europe, which is one of our initiatives targeting future growth. Our upgraded sales organizations in both the U.S. and Europe will help us grow sales in the future.

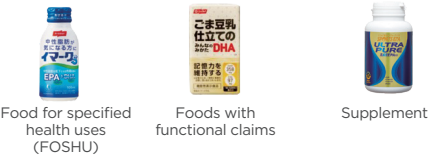

SWOT Analysis

Internal environment	<h3>Strengths</h3> <ul style="list-style-type: none"> A strong ability to procure raw materials for sardine oil, including in South America, effectively utilizing our global marine resources network EPA and DHA purification technology and production capability able to support a wide range of product specifications, from pharmaceuticals to infant formula World-class storage facilities for fish oil A track record of supplying pharmaceutical raw materials for over 30 years 	<h3>Weaknesses</h3> <ul style="list-style-type: none"> Procurement concerns due to reliance on raw materials derived from wild-caught marine products Delays in R&D to develop products that can follow EPA pharmaceutical raw materials as core future businesses
	External environment	<h3>Opportunities</h3> <ul style="list-style-type: none"> Increasing incidence of cardiovascular disease Demand relating to preventative healthcare (including supplements and functional foods) due to growing health consciousness

Market Trends for the Next Mid-Term Business Plan

Nissui expects demand for functional lipids (EPA and DHA) to remain strong due to the rise in health consciousness worldwide. We will strengthen sales of pharmaceutical raw materials in Japan and in international markets by taking advantage of the cost competitiveness we achieve by integrating functions from procurement of fish oil raw materials to production and sales. We will also transform our business structure for marketing raw materials for health foods by leveraging our strengths in refining and deodorization technologies, and by increasing the share in sales of processed products that are easier to add to food, rather than selling feedstock oils for industry-use.

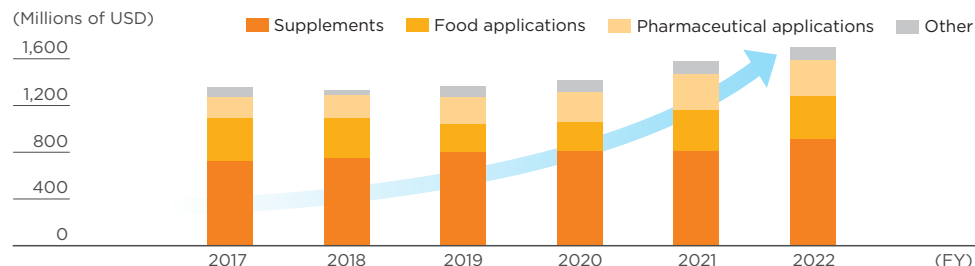
Businesses

	BtoB	BtoC
Pharmaceutical raw materials	We sell active pharmaceutical ingredients that we have refined and concentrated to an EPA purity of 96.5% or more to pharmaceutical manufacturers in Japan and internationally.	<p>Mail order We deploy the fish oil refining technology of our Fine Chemicals Business and the quality assurance expertise in our Food Products Business to make food products that contain refined fish oil, which we sell by mail order.</p>  <p>Food for specified health uses (FOSHU) Foods with functional claims Supplements</p>
Functional raw materials	<p>Raw materials for health foods</p> <p>We sell purified and concentrated EPA and DHA fish oil in accordance with customer needs as raw materials for health foods such as supplements.</p>	<p>Retail Nissui sells its products through channels including mass retailers and drugstores.</p>  <p>EPA and DHA gummies</p>
	<p>Ingredients for infant formula</p> <p>We sell DHA fish oil refined in accordance with customer needs as a raw material for infant formula.</p>	

Market Environment

The global market for omega-3 fatty acid* raw materials is expanding due to growing demand resulting from heightened health consciousness.

Global Market Size of Omega-3 Fatty Acid Raw Materials by Application



* Source: Compiled by Nissui based on Omega-3 Ingredient Market Report 2023, Global Organization for EPA & DHA (GOED)

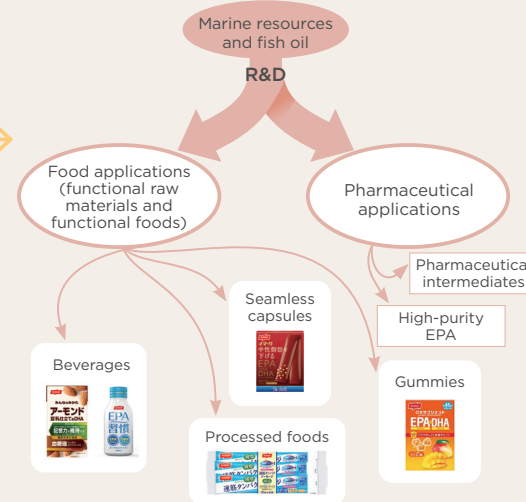
Measures to Improve ROIC

	Pharmaceutical raw materials	Functional raw materials	Functional foods
Operating profit after tax	<p>Feedstock oil diversification</p> <p>We will reduce costs by using more sardine oil from Japan to complement oil from South America.</p>		<p>Increasing the number of products that use storage stability technologies</p> <p>We will complement our advanced purification technology by using storage stability technologies to expand our product lineup through means including deodorization, emulsification, and the prevention of oxidation.</p>
Invested capital	<p>Optimizing inventory with accelerated sales</p> <p>We will optimize inventory of raw materials and finished products by accelerating sales.</p>	<p>Improving product mix</p> <p>We will evolve our product mix from conventional bulk sales of oil and fat to selling processed food products (such as gummies sold in bulk) to which we can easily add our oils.</p>	<p>Improving the cash conversion cycle (CCC) through inventory management</p> <p>We will improve CCC at our production plants in Japan by optimizing inventory of raw materials and products.</p>

HIGHLIGHT

EPA Food Additive Technologies

The Nissui Group has developed advanced purification technology that facilitates the use of fish oil in pharmaceuticals, as well as storage stability technologies for deodorization, emulsification, and the prevention of oxidation. Our technologies have removed barriers to adding fish oil to food, and have facilitated the production of functional foods such as beverages and gummies that make it easy for consumers to add EPA to their diet.

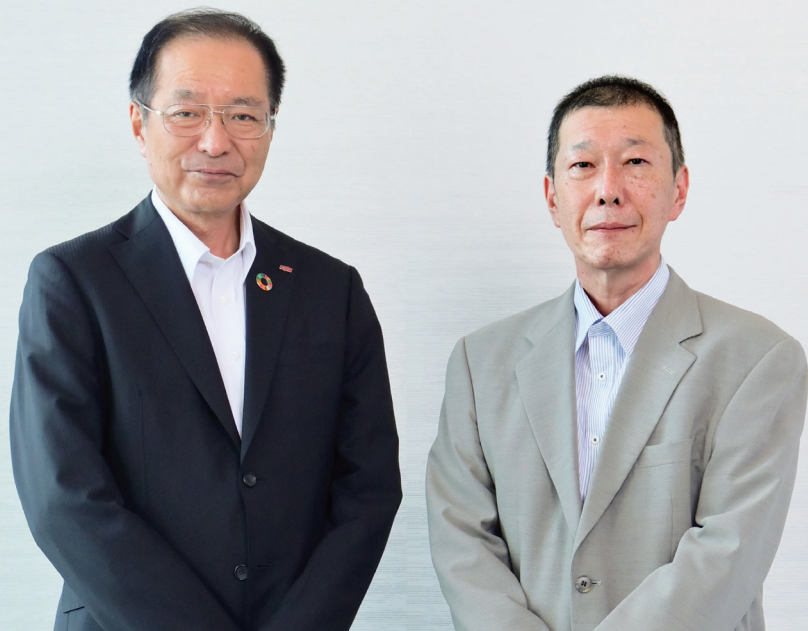


Barriers to Adding Fish Oil to Food

- (1) Easily oxidized**
The omega-3 fatty acids contained in fish oil oxidize easily. As oxidation progresses, the fish oil deteriorates and loses its flavor and quality.
- (2) Flavor and odor**
Fish oil has a distinctive fishy odor that affects taste.
- (3) Stability**
Fish oil deteriorates easily during cooking and storage, and maintaining its quality during food processing is challenging.

The market for preventing lifestyle-related diseases and frailty among the elderly is also expanding. We intend to expand sales of highly functional products that leverage our strengths in EPA and DHA fish oil purification technology.

Investor Engagement



A Conversation between an Institutional Investor and the President

Enhancing Corporate Value by Telling the Nissui Group's Value Creation Story: Connecting Strengths and Social, Human Capital, and Environmental Value to Financial Value

Shingo Hamada

Representative Director
President & CEO

Akihiro Shimoda

Senior Stewardship Officer
Stewardship operations team
Stewardship Development Department
Sumitomo Mitsui Trust Asset Management Co., Ltd.

Evolving into a Company That Can Demonstrate Strength in the Medium to Long Term

Hamada In FY2024, the Nissui Group published its integrated report for the third consecutive year. I know you read our report every year, and would like to hear your views on it.

Shimoda The first time I read Nissui's integrated report, it brought back memories of your first financial results briefing over 20 years ago. I recall being impressed that, even for the first time, the Company was well-prepared and gave a high-quality financial results briefing. Likewise, the Company's attitude of not cutting corners and of achieving high quality was also apparent in the integrated report.

Hamada We are committed to quality and execution in everything we do, so I appreciate that assessment. By the way, which sections of an integrated report do you look at most closely?

Shimoda When reading an integrated report, I first check what the president's message says about enhancing corporate value. Is performance trending upward over the medium to long term? Is there effective analysis of the factors and issues when efforts to achieve improved performance are successful/unsuccessful? Investors find reassurance when the content shows an accurate grasp of the current situation and anticipates future developments. At the same time, I also pay close attention to any messages from outside directors. I want to know what they perceive as the issues facing the company. I am reassured if the outside directors highlight specific aspects of governance that have improved; conversely, if such insights are missing, I feel their messages lack meaningful substance for the reader.

Moving to the main point, how about we look back on the results for FY2023? One thing that caught my eye in the financial results briefing materials is that the profit level is rising, with the Marine Products Business and the Food Products Business complementing each other, and the Company is achieving high-quality profit growth. The effects of the shift in business portfolio and stronger management are beginning to appear, and my impression is that this is leading to reduced volatility.

Hamada We have just finished the second year of our Mid-Term Business Plan "Good Foods Recipe1" (FY2022-FY2024), and our progress has already been better than we anticipated before the plan launched, and we expect to achieve all its targets. We do tend to be perceived as a company whose performance has high volatility, but as you said, we have been able to reduce volatility through the complementary relationship between operating profit in the Marine Products Business and Food Products Business. When the marine products market is in a downturn, lower selling prices push down profits for the Marine Products Business; conversely, in the Food Products Business, about 60% of our products use marine product raw materials, so the lower cost of raw materials is a factor that boosts profit.

Aside from having a complementary relationship between the Marine Products Business and Food Products Business, we are also continuing efforts to increase the profitability of each business. For example, in the Marine Products Business, we are strengthening purchasing and

inventory management, increasing added value through food processing, and differentiating ourselves from competitors in the aquaculture business. In the Food Products Business, we are undertaking product development to meet various needs, including health-focused products such as fast-twitch skeletal muscle protein from Alaska pollock that addresses customer health needs. Moreover, if we are able to unlock the true potential of the Fine Chemicals Business, we will have established a more stable foundation for management.

Shimoda You have said that one of your growth strategies is accelerating global operations, and you are actively pursuing M&As. However, Nissui has also experienced setbacks with overseas investments in the past. I am interested in how such successes/failures are assessed and analyzed. Explaining this process properly would help to win the trust of investors and their support for M&As aimed at business growth.

Hamada For any company to grow, it is crucial to not only reduce risk, but also to find opportunities and practice an appropriate risk appetite, so strengthening risk management and the governance system is crucial. The Group is aiming for global business expansion. As such, given the increasing variety and complexity of impacts from external changes and the risks we need to be prepared for, we have reorganized our risk management systems.

As you mentioned, we have experienced some regrettable setbacks with overseas investments in the past; however, it is also true that the core of our current international business originated from those investments. We gained a deeper understanding of the importance of risk assessment and analysis, along with a renewed awareness that our strengths are in the value chain. Today, when we consider a potential M&A, we make the decision only after fully discussing the opportunities and risks we should take on, from the various perspectives of all the Directors, including Outside Directors, as well as the Executive Officers, in some cases referring to the opinions of outside experts as well. Each year there are also opportunities to check and discuss the progress of the investments we have made. Going forward, we will practice appropriate decision-making and make the investments necessary for growth in order to make our value chain even more robust.

Shimoda In the Q&A session of financial results briefings, my impression was that responses focused too heavily on explaining short-term initiatives, and the Company was not effectively showcasing its medium- to long-term strategies. I think talking more about medium- to long-term initiatives in your own words as President would resonate with investors and have a positive effect on stock price. Could you go over again what the Company's long-term growth drivers are?

Hamada We have positioned our growth drivers for realizing the long-term vision as the international business, aquaculture business, and the supply of pharmaceutical raw materials for the international market in the Fine Chemicals Business. I believe the operating profit target of 32 billion yen in FY2024 (the last year of the current Mid-Term Business Plan) is reachable, and we will then aim for 50 billion yen in FY2030.

Shimoda Nissui was once a company that struggled to consistently generate operating profit of 30 billion yen, but as its business has expanded and gained ground, consistency has improved. However, judging from the stock price, this improvement has yet to be fully recognized. I encourage

you to use the integrated report to more effectively communicate your medium- to long-term strategies, which should help align the stock price with its true valuation—especially given that the integrated report is the best resource for investors looking at a company for the first time.

Hamada I agree. The way something is conveyed can make all the difference in whether your strengths are recognized and subsequently factored into valuation.

Shimoda Indeed. For example, Nissui's competitive advantages are in its unique value chain and R&D, which enable it to maximize the value of marine resources. These strengths will contribute to achieving the FY2030 operating profit target of 50 billion yen, but have the drawback of being difficult to understand from the viewpoint of investors. Can you explain these for readers now?

Hamada “Global Links & Local Links” is one of our strengths. It comprises a value chain that provides access to marine resources in Japan and around the world. We add value to these resources based on the results of our R&D (i.e., our research, development, production technology, and quality assurance capabilities), and then process and market them. We have Group companies around the world and by connecting and combining their various functions we can maximize the value that marine resources have to offer. In FY2030, we aim to have expanded our international net sales ratio to 50% and made our value chain even more robust to respond to needs in overseas markets, where growth is ongoing.

To give a specific example, UniSea, Inc. is a white-meat fish processor in the U.S. and an important source of access to resources in the Marine Products Business. It supplies high-quality white-meat fish raw ingredients to North America, Europe, and Asia. UniSea supplies Alaska pollock fillets to Gorton's, Inc. in North America and to Thai Delmar Co., Ltd. in Asia, and the fried white-meat fish processed by those two companies is sold to a major global hamburger chain. We have these kinds of vertically integrated value chains (i.e., Global Links & Local Links), which capitalize on our strengths in the functions of procurement, processing and sales, and leverage synergies in tandem with Group companies.

Elsewhere, our R&D departments are contributing strongly to improvement in the quality of white-meat fish raw materials and to the development of new usage applications such as fast-twitch skeletal muscle protein. In addition, in R&D for the aquaculture business, we strive to maintain our advantage over competitors with initiatives that include developing artificial seed stock and feed, securing a quality advantage through breeding, and establishing a proprietary health management system for farmed fish. We will continue to refine our supply chain and R&D.

Shimoda Global Links & Local Links is one of Nissui's unique characteristics that sets it apart from competitors. Having been an analyst for many years, I have a good understanding of how value chains operate, but investors tend to take a granular view. I believe it is a company's obligation to explain the big-picture connections in a way that is easy to understand.

Hamada We want to be able to tell investors not only about specific examples and individual business income and expenditures, but also how we are creating added value in the value chain as a whole.

Investor Engagement

Improving PER as an Issue for Enhancing Corporate Value

Shimoda I see that starting in FY2022, Nissui has introduced portfolio management using ROIC and cost of capital.

Hamada One example resulting from that was the divestment of Nissui Pharmaceutical Co., Ltd. (now Shimadzu Diagnostics Corporation) in November 2022. The reason for the divestment was that our Fine Chemicals Business planned to develop its business by specializing in functional lipids such as EPA and DHA, but this differed from the direction in which Nissui Pharmaceutical wanted to take its business, so synergy would be limited. This led to the conclusion that we were no longer the best owner for that company. In FY2024, we will categorize cost of capital by business segment and by area to better reflect the characteristics of each business in our analyses and assessments, and will evaluate our businesses using a four-quadrant analysis based on the two axes of net sales growth rate and ROIC spread.

Shimoda Investors are also interested in what perspectives and indicators will be used in business portfolio management, and the form and content of information disclosed for each business.

Hamada As for ROIC and WACC, the disclosure of which has been requested by investors at small meetings, before considering sharing this information, further work is needed for us to establish a sufficient grasp of our current status.

Shimoda In business-specific WACC, sharing with investors what metrics you are using to manage it is more important than the actual figures.



Hamada That is true. Recently, my thoughts are that evaluation based on the ROIC spread of individual businesses alone is not enough. We therefore evaluate our business portfolio using three indicators: measurement of affinity with the Nissui Group's mission, ROIC spread, and market growth potential. With this approach, we will not simply withdraw from a business just because ROIC is low, but will first consider whether we can increase profitability while retaining the business's special characteristics, also taking into account affinity with our mission and future potential. However, the challenge with businesses that have a small ROIC spread is that they are difficult to combine, and synergy is not easily generated. In formulating the long-term vision, we will also consider business withdrawals and divestments based on affinity with our newly defined mission.

Shimoda ROIC management will not become ingrained in the Company's operations unless employees factor it into decision-making within their own departments. Incidentally, which businesses have high affinity with your mission?

Hamada As I said before, besides the Marine Products Business, about 60% of products in the Food Products Business use marine product raw materials, so this area has a high degree of affinity with both the overall mission, which sets out to "create a healthier, more sustainable future through innovative food solutions," and specifically one of the thoughts behind the mission—"pioneering spirit natured, developed and honed by the ocean."

Shimoda From what you have said so far, I feel that improving PER is a greater issue for Nissui than portfolio management. What do you think will be the challenges ahead in enhancing corporate value?

Hamada Our PER is low compared with other companies in the food industry, and the fact that our stability and growth potential is relatively unrecognized by the capital markets is something I take very seriously. To enhance corporate value, we will continue working to reduce volatility, further strengthen the profitability of each business, and present a growth strategy that is compelling to investors. We are currently considering various aspects, including financial policy, as we look toward the next Mid-Term Business Plan that starts in FY2025.

Shimoda There are a number of food companies that have similar business characteristics, in that their businesses are affected by market fluctuations, but which have a higher PER. It would be beneficial for Nissui to hold discussions of the factors contributing to this difference in PER evaluation, as addressing these factors should lay the foundation for attaining a higher stock market valuation.

Telling a Story That Connects Social, Human Capital, and Environmental Value to Financial Value

Shimoda What are your thoughts on the non-financial capital that will support growth over the medium to long term? Also, in FY2023 the Company updated its material issues. Was any part related to reorganizing risk management systems?

Hamada We reviewed our material issues because the previous set of material issues was defined in FY2016. We saw the need to align them with our new mission and respond strategically to changes in the external environment. As for their relevance to risk management, in the process of identifying material issues, we extracted and analyzed the risks and opportunities associated with societal issues, and identified those with the potential to have a significant impact on our medium- to long-term priority issues and business strategies. Currently, we are transitioning to a system for the centralized management of responses to those priority risks from a Group perspective. By identifying which risks we should focus on first and incorporating them into management strategies, we will be able to precisely manage future growth risks and opportunities. Of the 10 material issues we identified, three involve human capital (developing human capital and empowering diverse personnel; securing a stable workforce and improving productivity; and embracing our mission and establishing our brand). I believe that human capital is vitally important for management, and we will take the time to work on improving diversity, including promoting women's empowerment, and employee engagement. If we cultivate a diverse team capable of thinking and acting on their own initiative, it will be a powerful advantage for us. Dynamic discussions among diverse people provide fertile ground for innovation, where we hope entrepreneurship will thrive.

Shimoda I also emphasize human capital management. It is important to link human capital strategy and management strategy. For example, I often see companies disclose that they changed their personnel systems, but most of them do not talk about the purpose of the changes, exactly what was changed, and how well the changes are going. It would be better to explain that as part of a cohesive narrative.

Hamada Our various measures each have a purpose, and we are gradually enhancing our disclosure. However, if asked whether we can explain them as a story, I feel our efforts are still insufficient.

Shimoda I will give the example of a company where, although their performance had declined, the stock price did not drop that much. The CFO said that this was the result of clearly explaining their human capital initiatives and medium- to long-term strategies. There was also another company, where they saw the correlation between higher employee engagement and rising profitability in their business, so they added that as a KPI for executive compensation to increase management's commitment to raising engagement. It would be easier to understand if you could identify the non-financial initiatives that link to future financial performance, and tell the story of how the Company will commit to those initiatives.



Hamada We have included raising employee engagement among our executive compensation KPIs, but I agree with you that the explanation of our rationale for doing so has been weak.

Shimoda It seems that setting material issue KPIs is being discussed in parallel with consideration of the next Mid-Term Business Plan, but not all the KPIs are directly connected to financial value. Which ones will lead to financial value, and how? If you choose those with a particularly strong connection as executive compensation KPIs, I think the relationship with corporate value will be clear to investors. Finally, in light of our conversation today, what do you think is necessary for the Company to enhance its corporate value and grow?

Hamada I think the key is human capital. We have excellent talent who possess deep-seated resilience. On the other hand, we cannot expect the Company to grow unless we increase the number of employees who are keen to take on new challenges. Human capital, environmental, social, and financial value are all interconnected—when our people generate environmental value and social value, that achievement is valued by consumers and financial value increases, which in turn will help us to attract talent. Through the creation of environmental value and social value that responds to various societal issues, employee engagement goes up, thereby increasing the value of human capital, and the success of that human capital leads to the generation of new ideas and ultimately financial value. In this way, I believe that value in human capital, environmental value, and social value interacting with each other will lead to greater financial value and corporate value. I hope to be able to present this as a story to investors at the next opportunity.

Shimoda I look forward to seeing greater things from the Nissui Group.