(2) Priority Risks

This section outlines the main risks associated with the execution of the Nissui Group's strategy, business, and other activities that may significantly affect investors' decisions. The risks described here are not all potential risks, and other unidentified risks may also affect investors' decisions. Unless otherwise stated, forward-looking statements in this section are based on assessments made as of the end of the current fiscal year.

(Strategy 1) Risks Concerning Human Capital Response

<Overview>

To achieve the Nissui Group's management plan, it is necessary to secure and develop human capital capable of business creation and planning, global talent for roles in Japan and overseas, professional expertise, and personnel who can achieve results at each production site. However, the declining birthrate, aging population, and shrinking population in Japan are making it increasingly difficult to secure excellent human capital domestically. In addition, failure to respond appropriately to diversity in the workplace may hinder the acquisition of necessary human resources.

Main Risks	・Productivity stagnation and slowdown in business expansion due to lack of professional human capital* (*Including global talent, DX talent, sustainability talent, R&D talent, etc.) ・Difficulties in retaining human capital due to declining employee engagement ・Productivity stagnation due to on-site labor shortages as the working-age population declines ・Stagnation in new business expansion and inability to respond to customer needs due to a lack of human capital.
Main Opportunities	・Contribute to business expansion by retaining and developing professional human capital ・Contribute to productivity improvement by retaining and developing professional human capital ・Improve productivity by securing the local workforce
Related Materiality	・Human capital development and active participation of diverse human capital ・Retaining workforce and improving productivity ・Mission alignment and branding

<Main Countermeasures>

The Nissui Group implements human capital strategies and development in conjunction with management strategies. While recognizing the urgent need to develop leaders for future business expansion, we also prioritize securing human capital with business-specific expertise. Respecting diverse values and career aspirations within the Company, we develop and appropriately reward individuals with a high level of externally recognized expertise. For our younger employees, we have introduced a "Development Rotation" to broaden perspectives, expand work scope, and enhance adaptability through exposure to different business areas and job functions. Since 2016, we have operated a "Global Personnel Registry System" to cultivate future global talent capable of thriving in international roles.

Employee engagement measurement has been ongoing since FY2021, promoting the improvement of organizational culture through the development and implementation of targeted action plans. To further internalize our mission and enhance employee engagement, we launched the "GOOD FOODS Talk" at all workplaces in FY2023. This initiative encourages all employees to discuss and share ideas on innovative food solutions, and we aim to extend this approach to our Group companies in Japan increase motivation for voluntary contributions and improve both organizational culture and working conditions.

In response to increasing labor shortages due to demographic shifts, we aim to become an employer of choice by

embracing diverse work styles and improving working environments and conditions. While focusing on talent retention, we are also building a human capital portfolio that is adaptable to change by increasing productivity through automation and operational improvements that reduce labor requirements and increase efficiency.

   * For details, see "Section 2: Business Status, 2. Approach and Initiatives Related to Sustainability (2) Thematic Issues: Human Capital Response."

(Strategy 2) Risks concerning climate change response

<Overview>

  Climate change has become increasingly severe worldwide, and its effects are becoming more pronounced. Extreme weather and natural disasters caused by global warming may significantly affect various business activities of the Nissui Group, including raw material procurement, production, logistics, and sales. Moreover, new regulations and changing market trends in response to climate change may threaten our business model.

Main Risks	・Loss of business opportunities and increased costs due to business interruptions caused by intensified typhoons, heavy rains, floods, etc. ・Decrease in catch of wild and farmed fish, increase in procurement costs due to abnormal weather and changes in the marine environment ・Loss of business opportunities and increased costs due to business interruption caused by reduction or depletion of water resources ・Increased costs due to the introduction of carbon pricing ・Increased costs due to stricter regulations on energy conservation, greenhouse gas emissions, etc.
Main Opportunities	・Mitigate the impact of carbon pricing by reducing GHG emissions ・Improve productivity and reduce costs by introducing energy-saving and high-efficiency equipment ・Expanding sales opportunities for marine products through increased demand for sustainable, low-carbon products
Related Materiality	Contribution to decarbonization and a recycling-oriented society

<Main Countermeasures>

  The Nissui Group has set a sustainability target of reducing CO_2 emissions by 30% by 2030 (compared with total volume in FY2018) and is actively working towards this reduction. At production sites, we are promoting CO_2 emission reduction through energy conservation, high-efficiency equipment replacement, fuel conversion (electrification, hydrogen, etc.), the use of fish oil and waste oil as fuel, as well as the proactive deployment of solar power generation equipment and conversion to renewable electricity.

  To address decreasing catch volumes and increasing procurement costs due to climate change, we are improving the resilience of our supply chain by diversifying production areas, building procurement networks, and developing alternative raw materials.

  In response to the risk of business interruption due to intensifying wind and flood damage and drought, we are reviewing our BCPs, conducting detailed risk assessments using hazard maps, and considering relocation or dispersion of sites.

* For details, please refer to "Section 2: Business Status, 2. Approach and Initiatives Related to Sustainability (2) Thematic Issues: Climate Change Response (Initiatives for TCFD Recommendations)."

(Strategy 3) Risks concerning biodiversity response

<Overview>

  A decline in marine resources may lead to increased regulations such as catch limits, which could affect the Nissui Group fisheries and raw material procurement. A decrease in the volume of seafood products distributed throughout

the seafood industry could lead to price increases, causing consumers to shift away from marine products and potentially shrinking the marine products market. Furthermore, the impact of food and beverage containers, packaging, and business-related plastics on the marine environment has emerged as a social issue. Marine pollution caused by plastic debris can lead to the destruction of ecosystems and the reduction of marine life, potentially affecting raw material procurement and food safety in the food and fisheries businesses.

Main Risks	・Depletion of marine resources ・Decrease in catches and increase in procurement costs due to changes in the marine environment (unsuitability of traditional fishing grounds and marine aquaculture sites, etc.) ・Tightening of catch limits in fisheries and environmental regulations in aquaculture ・Mortality of farmed fish due to fish diseases ・Loss of reputation among stakeholders due to delayed response
Main Opportunities	・Supply chain stabilization through sustainable procurement of marine products ・Increased sales due to changes in consumer purchasing behavior (increased demand for products that take sustainability into account) ・Build business resilience and establishing competitive advantage through sustainable aquaculture technology development ・Enhance reputation with stakeholders by promoting countermeasures
Related Materiality	Mainstreaming marine biodiversity

<Main Countermeasures>

From FY2023, the Nissui Group is utilizing the TNFD's LEAP approach (Note 1) to understand its dependence and impact on nature, and working to avoid and mitigate negative impacts from its business activities.

With regard to the sustainable use of marine resources, we have set a sustainability target of achieving 100% sustainable procurement by 2030 and conduct a "Resource Status Survey of Handled Marine Products" every three years. By analyzing the survey results and implementing measures such as reviewing procurement and increasing the proportion of certified products, we are promoting the sustainable use of marine products.

In aquaculture, we are reducing marine environmental burden by moving aquaculture sites offshore and using automatic feeding control systems. We are also expanding the range of species for full-life cycle aquaculture, which is not dependent on natural resources, and reducing marine environmental burden through land-based aquaculture.

Many marine sustainability challenges cannot be solved by a single company. That is why we work with domestic and international stakeholders through industry initiatives such as SeaBOS (Note 2).

(Note 1) The LEAP ("Locate, Evaluate, Assess, Prepare") approach is an analytical process developed by the TNFD to serve as a guide on evaluating nature-related risks and

opportunities

(Note 2) SeaBOS: Seafood Business for Ocean Stewardship. An initiative that seeks to create a sustainable seafood industry.

* For details, see "Section 2: Business Status, 2. Approach and Initiatives Related to Sustainability (2) Thematic Issues: Biodiversity Response (Initiatives for TNFD Recommendations)."

(Strategy 4) Risks concerning environmental and human rights in the supply chain

<Overview>

As business activities have become more globalized, the negative environmental and human rights impacts of these activities within supply chains have become more apparent, leading international organizations and nations to promote the creation of standards and the development of regulatory frameworks.

As a Group, we must thoroughly understand and address the risks that our business activities may violate inherent human freedoms and rights. Failure to address environmental or human rights issues in our supply chain could not only make sourcing more difficult, but could also result in lawsuits, fines, reputational damage and possible boycotts.

Main Risks	・Increased response costs due to mandatory environmental and human rights due diligence ・Increased procurement costs and instability in procurement due to supply chain review ・Loss of reputation if the company is the direct cause of, or is indirectly involved in, environmental problems or human rights violations ・Risk of litigation and administrative fines in the event of direct or indirect involvement in environmental problems or human rights violations
Main Opportunities	・Achieving stable procurement, production, and supply and improvement of competitiveness through promotion of countermeasures ・Expanding sales opportunities (new transactions or market share transfer from other companies) through promotion of countermeasures ・Improve reputation among stakeholders by promoting countermeasures ・Enhancement of global brand value by promoting countermeasures
Related Materiality	Building a sustainable supply chain

<Main Countermeasures>

The Nissui Group emphasizes minimizing negative impacts on rights holders (human rights entities that companies should respect) by identifying potential human rights risks in the value chain and addressing those risks. We recognize the need for greater collaboration with suppliers to reduce environmental and human rights risks at all stages of the supply chain. Through our "Supplier Guidelines," we specifically require the prohibition of forced labor, child labor, and the non-handling of marine products and raw materials caught in IUU (illegal, unreported, and unregulated) fishing. For each of Nissui's Tier 1 suppliers, we have distributed and explained the guidelines, collected signed confirmation forms, and are confirming compliance with the guidelines through SAQs (self-assessment questionnaires) and dialogues. We will prioritize raw materials and regions for confirmation and conduct more detailed audits.

Within the Group, we strive to prevent and mitigate negative human rights impacts on foreign workers at each business site through an annual "Survey on the labor conditions of foreign workers." As a grievance mechanism, in addition to the Group's internal reporting system, we have established a consultation desk for foreign workers using an external platform. We have also established a similar external platform-based consultation desk for suppliers and other stakeholders.

(Strategy 5) Risks concerning overseas business expansion

One of the Nissui Group's main strategies is to accelerate overseas expansion, including further growth in North America and Europe and building a business foundation in Asia for the Marine Products and Food Products businesses, as well as overseas expansion of pharmaceutical raw materials in the Fine Chemicals business. However, if country-specific risks, such as changes in the economic environment and regulations, materialize in the countries in which we operate, they may affect our fundamental business strategy and financial performance.

Main Risks	・Changes in direction due to political decisions in each country regarding taxation, catch quotas, wages, regulations, etc. ・Occurrence of misconduct due to governance failures or inadequate internal management at overseas subsidiaries ・Impact on overseas subsidiary performance due to sudden currency fluctuations ・Impact of other regional peculiarities and sudden changes in these factors
Main Opportunities	・Sales channel expansion and market development ・Strengthen supply chain resilience through improved access to resources ・Enhance global brand value by promoting countermeasures
Related Materiality	Accelerate global expansion

<Main Countermeasures>

The Nissui Group aims to achieve an international net sales ratio of 50% by 2030 and is further strengthening its Group governance initiatives. Specifically, one of the Group's strengths is "Global Links," a network of enterprises in Japan and overseas tasked with functions from resource access to production and sales. Global Links generates powerful Group-wide synergies by bringing together the unique strengths of each company. However, food culture and values differ widely from region to region. From the perspective of speed of decision-making, we believe it is important to delegate discretion to local management where appropriate. Conversely, from a risk control and capital efficiency perspective, it is critical to maintain a firm centralized grip to strengthen global governance.

To improve governance effectiveness, it is essential not only to formulate rules and strengthen management and control systems, but also to share the mission of creating innovative food solutions and the determination to achieve it. Therefore, we are continuously building a Group-wide understanding of our mission and long-term vision. In FY2023, we updated the Global Links logo. We hope that the new logo will help share the mission, promote Group solidarity, and serve as a unifying force.

(Strategy 6) Risks concerning geopolitical issues
<Overview>

In recent years, there has been a growing recognition of the need to consider potential geopolitical impacts on business. Factors such as developments regarding Taiwan, U.S.-China relations, and Japan's position in this context may lead to specific risks in the Nissui Group's areas of operation. These risks could include disruptions related to Taiwan, trade restrictions, discriminatory measures, consumer boycotts, technological fragmentation, and data regulations. Should these risks materialize, they could have a significant impact on the implementation of the Group's medium- to long-term management policies and performance.

Main Risks	Loss of business opportunities due to delays, interruptions or disruptions in the supply of products or services as a result of political, military or social changes in the supply chain
Main Opportunities	Strengthening the resilience of the supply chain by increasing resilience through the promotion of countermeasures
Related Materiality	Building a sustainable supply chain

<Main Countermeasures>

The Nissui Group will continue to gather and analyze information on geopolitical risk trends, develop risk scenarios, identify risks, and consider appropriate countermeasures. We have already begun to diversify procurement sources by strengthening access to resources and establishing a multi-site product supply system based on country risk assessments and information gathering in our operating regions. We will continue to monitor the situation and strive to improve the resilience of our supply chain to minimize the impact on our operations.

<<Business Foundation Risks>>

(Foundation 1) Risks concerning product safety, security, and quality

<Overview>

As consumer interest in safety and quality control continues to grow, there is a strong demand to provide safe and secure products both domestically and internationally. The Nissui Group, which deals with food products, recognizes the need for even greater safety and quality control. Events that threaten customer safety and security, such as product quality incidents or quality fraud such as false labeling, could damage trust in the entire Group, significantly affect brand value, and have a serious impact on business continuity.

Main Risks	・Economic losses due to product liability, recalls, voluntary recalls ・Loss of customer confidence (brand damage) due to quality incidents or problems ・Expansion of quality risks in new businesses or expanding businesses (health-oriented products, etc.) ・Inadequate management of quality assurance standards for non-Nissui branded products in Group companies (domestic and overseas)
<Main Countermeasures>	Building a sustainable supply chain

<Main Countermeasures>

  The Nissui Group has established a Quality Assurance Code that outlines the quality assurance philosophy, quality policy, and action guidelines to ensure that all officers and employees act in alignment. Under this code, we have established various standards related to quality assurance.

  To ensure product safety and quality, we have established various "Nissui Quality Assurance Standards" that are stricter than relevant laws and regulations. These standards include the Nissui Plant Certification Standards based on the HACCP (Note 1) concept, as well as standards for water usage, chemical management, pest control, resin parts, raw materials, packaging materials, allergen contamination prevention, and food defense.

  Nissui brand products are produced exclusively at factories certified according to the Nissui Factory Certification Standards. Even after certification, the Quality Assurance Department conducts regular audits and provides guidance to factories. We also hold regular meetings with factory management and factory quality control managers to share information and resolve issues between factories

  Furthermore, we are working on obtaining FSSC22000 (Note 2) certification for production plants, establishing a centralized management system for raw material information, developing a global inspection system, and improving inspection accuracy through the Excellent Lab program. We will continue to strengthen quality education for employees and promote a culture of food safety.

(Note 1) HACCP: The acronym for Hazard Analysis and Critical Control Point. This is a sanitation management technique to manage critical processes from the arrival of raw materials to shipping products. It aims to remove or reduce hazards such as contamination with food-poisoning bacteria and incorporation of foreign substances, which have been identified in advance, thereby securing the safety of products. The Codex Alimentarius Commission, jointly established by the Food and Agriculture Organization (FAO) and the World Health Organization (WHO) of the UN, issues HACCP and recommends that countries adopt it.

(Note 2) FSSC 22000: Food Safety System Certification. This is a food safety management system standard developed by the Foundation FSSC 22000, and approved by the Global Food Safety Initiative (GFSI), a non-profit organization mainly focused on the food retail industry, as one of the food safety certification schemes.

(Foundation 2) Risks concerning information security

<Overview>

As the efficiency of system integration in production, logistics, and sales increases in the future, the impact of system shutdowns on business activities is expected to increase. System shutdowns can be caused by various factors such as hardware failures, software bugs or vulnerabilities, and human errors. In recent years, information security risks posed by external cyber-attacks have become the most concerning factor. If an information security incident occurs, it may not only have a direct impact by shutting down systems, but may also result in reduced reliability and significant costs such as damages, which could have a serious impact on the Group.

Main Risks	・External threats (targeted attacks, hacking, impersonation, DDoS attacks, phishing, etc.) ・Internal negligence (loss/theft, use of personal PCs or external storage media, unauthorized access, system failures, etc.) ・Internal malicious intent (unauthorized operations, information leakage, etc.)

<Main Countermeasures>

As we promote group management, data leakage or system destruction within the Group could significantly affect the business of the entire Group.

To address this, our domestic Group has been working to prevent the leakage or loss of important information related to personal data, management, business, research, and other areas. We have been standardizing our approach by thoroughly implementing regulations and rules such as the "Basic Policy on Information Security," strengthening system management structures, and enhancing human resources measures including education and training. We are achieving this by specifically formulating performance points and holding regular meetings of the Nissui Group IT Department.

Furthermore, from FY2024, we will introduce a service for all Group companies, including overseas companies, to detect vulnerabilities in external public servers that are at high risk of cyber-attacks. We will develop a system to notify Group companies and encourage corrective action when risks are identified.

We will continue to regularly confirm that the information security measures of Group companies are working effectively and strive for continuous improvement and enhancement of information security assurance.

(Foundation 3) Risks concerning compliance

<Overview>

The Nissui Group is subject to various legal regulations in Japan and overseas where it conducts business. If the Group violates laws or acts against social norms, it may be subject to legal penalties, lawsuits, social sanctions, and the cost of regulatory compliance may increase significantly. In addition, loss of customer and other stakeholder confidence could significantly damage the Group's reputation and brand value, which could have a serious impact on the Group's ability to continue as a going concern.

Main Risks	・Adverse effects on operations, suspension of business, etc., due to misconduct by officers and employees, legal violations, etc. ・Economic losses, social sanctions, stock price decline, etc., due to legal liabilities such as criminal penalties, claims for damages, etc. ・Reputational damage due to inadequate or delayed response

<Main Countermeasures>

To fulfill its corporate responsibilities, the Nissui Group has established a Code of Ethics and is working to thoroughly implement compliance, including adherence to domestic and international laws and internal regulations.

We have established an Ethics Subcommittee to formulate and implement these compliance improvement

measures for the Group. We have also established an internal reporting system to enable Group officers and employees to report suspected violations of laws and regulations (with contact points established both internally and externally). The Ethics Subcommittee is responsible for the proper functioning of this internal reporting system.

Through the operation of the internal reporting system and the use of compliance questionnaires, we identify suspected violations of laws and regulations and compliance issues at an early stage. We work with the relevant officers and departments to correct individual cases and, if necessary, consider and implement measures to prevent recurrence. As a measure to improve compliance, since fiscal 2020 we have been holding individual compliance workshops with the Group's subsidiaries to share the ideal state of compliance and discuss each company's compliance issues and measures, thereby promoting compliance improvement throughout the Group.

(Foundation 4) Risks concerning large-scale natural disasters and accidents

<Overview>

The risks associated with large-scale natural disasters such as earthquakes, tsunamis, typhoons, and floods are increasing year by year, with major disasters becoming a reality worldwide, both domestically and internationally. They are expected to continue and possibly increase in magnitude in the medium to long term. The occurrence of such large-scale natural disasters could seriously affect the Group's business continuity through employee casualties, factory damage, equipment failures, production stoppages due to disruption of utilities (electricity, gas, water), disruption of logistics functions preventing raw material procurement and product shipment, as well as damage to office facilities and inability of employees to commute due to transportation system paralysis.

Main Risks	Loss of business opportunities due to delays, interruptions, or stoppages in the supply of products or services caused by natural disasters (earthquakes, volcanic eruptions, tsunamis, wind disasters, water disasters, etc.) or fire/explosion accidents

<Main Countermeasures>

The Nissui Group promotes business continuity plans under the "Post-Disaster BCP Subcommittee" based on the "Basic Policy for Post-Disaster BCP" to continue necessary support and services for employees, customers, and stakeholders while prioritizing human life even in the face of large-scale disasters.

In recent years, there have been high-probability predictions of large earthquakes such as those directly under the Tokyo metropolitan area and in the Nankai Trough. To enable the disaster response headquarters to quickly gather information from each site and Group company in the event of a large-scale disaster, and to make accurate judgments and responses, we are developing information gathering systems for safety confirmation and site damage reports. We regularly conduct training for disaster response headquarters to strengthen initial response capabilities. For employees, we conduct system operation confirmation training and disaster prevention e-learning to raise disaster awareness and confirm initial actions in disaster events.

In addition, climate change due to global warming tends to increase the frequency and intensity of natural disasters such as typhoons and floods. In response, we are conducting quantitative impact assessments of natural disaster risks (earthquakes, wind and flood damage, etc.) and considering revisions to an all-hazards BCP (Note 1).

(Note 1) All-hazard BCP: A business continuity plan that considers response actions based on the impact of consequence events when necessary management resources are damaged for any reason, regardless of the risk (cause event).

(Foundation 5) Risks concerning occupational safety and health

<Overview>

We believe that "human capital" is the most important element in enhancing corporate value, and we recognize that maintaining and improving the work environment has a significant impact on management strategy. We must

strive to maintain and improve a comfortable workplace environment that respects diversity. However, if various measures do not progress as planned and occupational accidents, health hazards, harassment, etc., occur, it could lead to deterioration in work performance, workers' compensation claims, damage to brand value, and have a serious adverse impact on the Group's business continuity.

Main Risks	・Increase in occupational accidents due to aging workforce (including accidents involving younger workers with insufficient skills)
	・Incidence of illegal overtime, deaths due to overwork, harassment, etc.
	・Negative impact on productivity and mental health due to deterioration of work environment and workplace conditions

<Main Countermeasures>

The Nissui Group formulates priority issues and action plans for each fiscal year, regularly reports progress to the Occupational Safety and Health Subcommittee, and strengthens the management system by horizontally deploying initiatives.
The main initiatives for FY2024 are as follows:

<Labor Safety>

With basic safety behaviors, risk assessment and PDCA, and the development of common rules as priorities, we will focus on the following key areas:
1. New employee education and reinforcement of safety awareness
(Incorporating "improving safety awareness of new employees" into the annual plan's priority items for each business site, and redefining, clarifying targets, and promoting necessary education for leaders who provide guidance)
2. Focus on measures against serious accidents
(Promoting measures against falls, slips, and collisions, which have a high severity rate, to reduce lost-time accidents, strengthening fall risk checks, pointing and calling, and training of risk assessment practitioners)
3. Improving safety levels in each business
(Collecting information for establishing common safety rules across the Group)

<Harassment and Working Hours>

With a focus on creating opportunities to explore ways to comply with laws and regulations and to disseminate information within the Group, we will address the following key areas:
1. Implementing training and expanding to Group companies
(Considering content from a "what to do" perspective in addition to understanding unacceptable behaviors along with the basic principles of harassment and mental health)
2. Strengthening cooperation among companies, including Group Human Resources and Labor Affairs Meetings
(Conducting hearings, providing guidance and exchanging information on general labor issues, including site visits as necessary)