

## Message from the President

Pursue the possibilities  
of **“food”** and open the  
way to the unknown

*S. Hamada*

Representative Board Member,  
President & CEO



## To be a corporate group that seeks global growth with **“food”**

### Our thoughts behind the rebranding and new corporate name

In April 2022, Nippon Suisan Kaisha, Ltd. (Nissui) formulated its long-term vision, “Good Foods 2030,” to clarify our vision toward 2030 and took a new step forward with the announcement of the three-year Mid-term business plan, “Good Foods Recipe 1,” as “the first recipe” to realize that vision. At the same time, we redefined our mission and introduced a new brand symbol and tagline. For the logotype, we used the word “Nissui” to make it easily recognizable outside Japan.

This represents our intention to aim for growth by pursuing new possibilities of “food” together with our Group companies around the world.

We also plan to change our corporate name from “Nippon Suisan Kaisha, Ltd.” to “Nissui Corporation” in December 2022.

We are a corporate group that started business as a fishery, but we now develop not only the fishery business, but also a wide range of businesses such as the food business and the fine chemicals business. In the course of our deliberations on the rebranding and long-term vision, we held numerous discussions about

what our stakeholders and society expected of us and what we should offer. Ultimately, we reached the conclusion that the essence of our Group is “the provision of foods” that are not confined to marine products, and that offering the good taste and abundance of those “foods” will lead to good health and a sustainable future. Our new mission expresses our continuing commitment toward the future, in addition to our global outlook and attitude toward innovation that we have nurtured throughout our history of over 110 years, as a corporate group that continues to pursue the possibilities of “food.”

On the other hand, we will never lose our gratitude toward and respect for the oceans. It is Fisheries Business that has built the foundations of our present global business, from access to marine resources to R&D, production and quality control, and marketing. We want to create the kind of synergies and value that only Nissui Group can realize, by leveraging those business foundations to deliver innovative food solutions. Sharing

this aspiration as our new mission, we hope to globally develop innovative food solutions globally which can enrich our lives and help solve social issues.

So, what do we mean by the innovative food solutions that we will deliver? They are “innovative food solutions,” even by us. We do not mean the emergence of foods that have never been seen before. We see it as “discovering new possibilities of food,” such as adding value to existing foods from new perspectives and initiatives that will lead to a new food culture.

The President, I will speak to our Group companies and share these thoughts with employees to help them to fully understand and take in our vision. In doing so, I will lay the groundwork for all of us to create innovative food solutions together. To this end, together with all our employees, we will think about and take on this challenge of innovative food solutions.

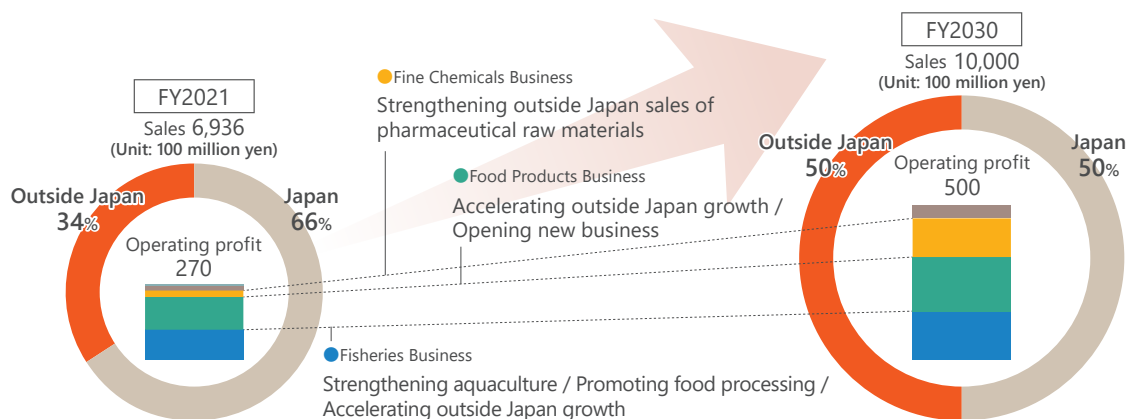
## Enhance corporate value with business portfolio management and sustainability management

### Business portfolio management to win in the world

In our long-term vision, “Good Foods 2030,” we aim to create four types of value, namely financial value, environmental value, social value, and value in human capital. The reinforcement of business portfolio management and the acceleration of sustainability management are the core pillars of our efforts to

achieve this aim. I will now discuss our concrete strategies for the creation of these four types of value.

The key theme in financial value is our aim of building the capital strength to compete in the world. To this end, we have set targets of 1 trillion yen in sales, 50 billion yen in operating income, and a global sales ratio of 50% in FY2030. Pursuing the improvement of capital efficiency through a “selection and concentration” approach by concentrating investment in growth areas,



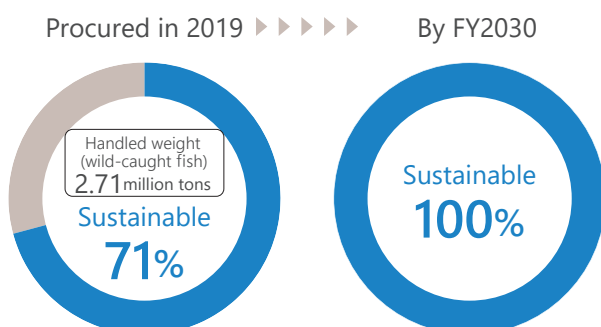
## Message from the President

we will improve the profitability of each business and strengthen their capacity to generate cashflow.

To achieve this, we added two new indicators, ROIC and cash conversion cycle (CCC), to our Group-wide KPIs, which we will use to clearly identify the “growth areas” for further investment and “areas requiring further strengthening.” These areas will be divided into four quadrants, namely “Growth Focused,” “Growth Potential,” “Improvement Required,” and “Core,” based on the two axes of growth potential and capital efficiency. We will use this information in our deliberations and management decisions in the Company’s Board of Directors. At the same time, we will also strengthen screening prior to investment execution and monitoring after investment execution.

I believe that the weighted allocation of assets to Growth Focused areas will lead to more efficient asset management and, in turn, to the enhancement of profitability as a company. We will endeavor to achieve optimal cash allocation through ongoing investment of cash generated into Growth Focused areas for sustainable growth and through the return of profits to shareholders. In this process of selection and concentration, we may be forced to withdraw from some businesses and to close certain plants. This will have a significant impact on our Group employees working in those plants. For this very reason, I believe that it is my role as President to indicate clear directions for growth and the business areas that we will focus on and, through the appropriate allocation of management resources, that is, people, goods, money, and information, give energy and care to achieving those aims.

Results of Survey of Procured Marine Resources Sustainability and Targets



### Sustainability that is important in terms of both risks and opportunities

Given the Nissui Group’s high dependence on natural capital, themes related to environmental value are critical in terms of both risks and opportunities, and we need to maintain a sense of crisis in our approach to them.

Regarding actions on climate change, in November 2021, Nissui declared its endorsement of the TCFD (Task Force on Climate-related Financial Disclosures) recommendations. A cross-divisional project was formed in which many discussions have been held on climate change risks and opportunities and their financial impact. According to estimates for 2030, although transition risks and physical risks such as carbon tax and capital investments will have a certain degree of financial impact, we are growing increasingly confident that we will be able to maintain growth by taking measures against risks and capturing opportunities. Going forward, the steady implementation of measures with the aim of consistent resilience will be key to advancing decarbonization throughout the entire value chain. In our long-term vision, we have set the 2030 target of reducing our CO<sub>2</sub> emissions (Scope 1 & 2) by 30% (in total compared to the FY2018 level). We have also made the major decision to achieve carbon-neutral (Scope 1 & 2) in 2050. Realistically, achieving carbon neutrality will be an extremely difficult task for the fisheries industry. Fishing vessels, for example, will need to move away from heavy oil to alternative fuels. To achieve this goal, technological breakthroughs as well as cooperative initiatives by government, private sector and academia will be crucial. We will keep our eyes peeled for new opportunities in this regard.

Another major challenge for environmental value is initiatives to enhance the sustainability of marine resources. For this, we have set the 2030 target of 100% procurement of sustainable marine resources. In 2017, Nissui was the first large fishery companies worldwide to conduct a resource status survey on wild-caught marine products procured by Group companies both in Japan and outside Japan. In our second such survey, conducted in 2020, we confirmed that resources controls were being conducted on 71% of wild-caught marine products procured. With the aim of raising this ratio to 100% by 2030, we will commence surveys of species that have never even been surveyed before. For any species of concern, where possible, we plan to replace them with

other species that can be confirmed as sustainable, such as certified products. For species that will be difficult to replace, we will participate in activities to improve their marine resource status. Even with individual companies making their hardest solo efforts, this will not be enough to resolve marine resource issues completely. It will be essential for stakeholders to cooperate with each other to establish a platform for ensuring the soundness of procurement. Nissui Group will actively contribute to the building of such a platform. The business of the Group both depends greatly and has a tremendous impact on natural capital. Going forward, we will work on identifying risks and opportunities through our responses to the TNFD (Taskforce on Nature-related Financial Disclosures) and on enhancing the resilience of our business by reflecting those risks and opportunities in our management. The use of plastic has a major impact on marine environmental conservation, as exemplified by the problem of marine plastics. We will address this issue by working toward the 2030 target of reducing our usage of plastic by 30% (compared to FY2015, per unit).

The first key theme of social value is the solution of health issues. We have set a goal of expanding our sales

in the health category products (compared to FY2021) by 300% by FY2030. Our definition of “health category products” is products and raw materials that have clear evidence that they contribute to health, including EPA, foods that are certified as health functional food products, such as food for specified health uses (FOSHU), and products that are sold as health-promoting foods using certain evidence, such as protein of fast-twitch skeletal muscles. Under this definition, we will work on expanding markets for such products.

Further, alternative proteins have the potential to lead to a new food culture by contributing to health as well as reduction in carbon footprint, and we expect this area to grow going forward. We ourselves will also actively work on this area.

There have been criticisms that IUU fishing, which is a problem unique to the fisheries industry, has been linked to human rights issues. We believe that respect for human rights in the supply chain will lead to the creation of social value as well as environmental value. To this end, we have set a target of assessing 100% of the Group’s primary suppliers as another target of our social value goals.

## Our innovation gene that has continued since the company’s establishment

Nurture a robust corporate culture that enables diverse human capital to flourish and take on challenges

We view each and every one of our employees as a valuable asset that supports Nissui Group’s sustainable growth, and we will strive to create value through the active participation of our diverse human capital. Such ways of thinking are essential to the enhancement of medium- to long-term corporate value. At the same time, they are themes in which I sense some concerns. It is for this reason that we decided to set goals for value in human capital in the long-term vision.

R&D has been a focus of the company since its establishment, and we have produced many outcomes since our establishment of Japan’s first private fishery research organization (Hayatomo Fishery Research Institute) in 1920. Even when business has been tough, we have maintained our stance of not cutting R&D expenses and have continued to invest in it. This has

allowed us to build a significant advantage. It is my ambition to turn the R&D Group into an organization that moves more aggressively. Getting out of the lab, seeing and hearing external ideas about design thinking, open innovation, and the like, and communicating with people outside the company are bound to give our researchers a great deal of stimulation. Such initiatives will offer junior employees opportunities to grow and flourish, and we hope to continue them going forward. On the other hand, I do not think that simply increasing investment in R&D alone is enough to generate innovation. For example, Nissui, the core company of the Group, began calling for new business ideas within the company two years ago, and a number of very impressive ideas have come from employees outside the R&D Group since then.

I believe that an important factor in laying the groundwork for the generation of innovation is that diverse human capital plays an active role throughout the company. In particular, active participation by female

## Message from the President

and foreign-national employees will be a critical factor in the growth of the Nissui Group. To this end, as for promotion of active female participation, we set a target of the ratio of female managers for 20% or more by FY2030 (Nissui only) in the long-term vision.

Human capital development is also key. Throughout its history, the Company has overcome many difficulties, such as the Pacific War and the 200-nautical miles issue. However, compared with the past, I have the impression that the willingness to take on new challenges among today's employees has weakened. As a launchpad for human capital development, we established the Business Development Department and began calling for new business ideas from within the company, as mentioned above, with the intention of fostering an entrepreneurial spirit. However, both of these initiatives have only just begun, and it will be some time before they start to produce outcomes. Nevertheless, once the percentage of employees with that entrepreneurial spirit starts to increase to 10% or 30% as a result of these initiatives, the atmosphere of the company as a whole will likely change significantly. Indeed, I have great expectations of that happening.

In the Mid-term Business Plan, one of our key themes contains the phrase "business boundary areas." There is no denying that the vertically segmented business structure of the Fisheries Business Group, Food Products Business Group, and Fine Chemicals Business Group, has had its problems in the past. I have experienced the rebuilding of loss-making businesses numerous times in the past, and this has given me a real sense that the key to business management and improvement of earnings lies in employees working actively across the organization. The experience of

strengthening ties among employees and drawing out the collective strengths of the organization has become a major asset for me personally. For this reason, I want to make our company one that is open and in which people can discuss things freely without the barriers of position or department. There are employees among us who are able to think creatively in a well-balanced manner that is not constrained by boundaries between businesses. If we can create mechanisms that enable the abilities of such people to be put to use, they are certain to contribute greatly not only to business boundary areas but also to the creation of new businesses and innovation.



Examples of new businesses

We have declared a 20% improvement in our employee engagement score as a goal for value in human capital, and the initiatives I have mentioned so far will likely help to increase employee engagement. To this end, I believe that we need to re-examine our various systems, including our human resources systems.

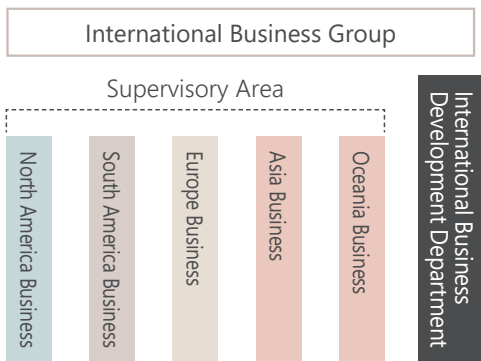
## Moving up toward higher level

### Building a platform for new growth

For the new Mid-term Business Plan, we set our targets and formulated growth strategies by backcasting from the vision set out in the long-term vision. In past mid-term business plans, we were unable to break free from thinking that was bound by actual results. This time, by first clarifying our goals for FY2030, I believe that we have been able to change our thinking by asking ourselves how we should proceed to achieve those goals and what

we should do to compensate for areas where not enough is being done. I also feel that we have become much more serious about initiatives for new businesses.

We have declared six strategies in the Mid-term Business Plan. Among those six strategies, the acceleration of global expansion strategy is, as one would expect, particularly important for the Nissui Group to achieve growth toward higher level. In March 2022, we established international business departments to oversee the outside Japan business overall, and for the FY2030 target of a global sales ratio of 50%, in the



International Business Departments Organization



Mid-term Business Plan, we will aim to achieve a ratio of 38% in FY2024.

We are targeting the American and European markets in particular, with plans to enter the Spanish, German, and Benelux markets and to expand our share in the North American market. In addition, while keeping an eye on changes in the external environment, we will build a platform for sustainable growth on a global basis through outside Japan M&As and the restructuring of our outside Japan locations.

Amid the likelihood of various cost rises going forward, “innovating productivity” another theme that we will continue to pursue without sanctuary, and there is much room for improvement in this regard. There are still many analogue operations on the ground in production and in our administrative divisions, so digital transformation (DX) and the use of IT will be key. Refining our aquaculture business model with DX, improving the efficiency of SCM operations, and making use of AI for demand forecasting are some of the issues that need to be addressed, and we intend to work on them steadily.

In addition to sharing and embedding our newly defined mission and long-term vision throughout the Group, in the area of governance, we will proceed with reforms of the composition of the Board of Directors and a review of the executive compensation structure. The reinforcement of Group governance will be essential for accelerating global growth in particular. We will reconstruct the Nomination and Compensation Committee of our Group companies and dispatch officers of Nissui to Group companies as Board Members in an effort to improve the effectiveness of their Boards of Directors and strengthen their risk management.

We will also see a need to strengthen the auditing of outside Japan subsidiaries and, in addition to adding

more people, elevate our knowledge of the regulations in the individual countries. Understanding of outside Japan cultures and values is also necessary for the identification of potential risks, so in that respect as well, diversity and human capital development will be crucial. We will share examples of success stories in the different areas and pursue Group synergies. The reinforcement of Group governance will, I believe, further elevate the superiority of our global and local links, which are our strength.

### Aim for sustainable enhancement of corporate value

With 2030 as a waypoint, the Nissui Group will start on our journey toward our next 100 years. We possess a manufacturing spirit cultivated on the ocean and pride as a manufacturer. While passing that spirit and pride onto the next generation, we will transcend the frameworks of the past to deliver innovative food solutions to more people around the world and contribute to rich, healthy lives and to the realization of a sustainable society. To this end, we will enhance our four values (economic value, environmental value, social value, and value in human capital) to enhance our corporate value.

A year and a half has passed since I had the honor of being appointed Representative Board Member and President. I am deeply conscious that there is no one behind me, and the fact that I have now prepared for that has been a major change for me. I will place importance on governance for the sake of making appropriate management decisions, and I want to create more opportunities to engage with our shareholders and investors. I hope our stakeholders will look forward to the Nissui Group’s next leaps ahead, and I ask for your kind guidance and support.

## Message from the CFO

Without easing investment for growth, we will improve capital efficiency and enhance **cash generation.**



### Shinya Yamamoto

Board Member, Managing Executive Officer  
Chief Financial Officer  
In charge of Corporate Administration Group

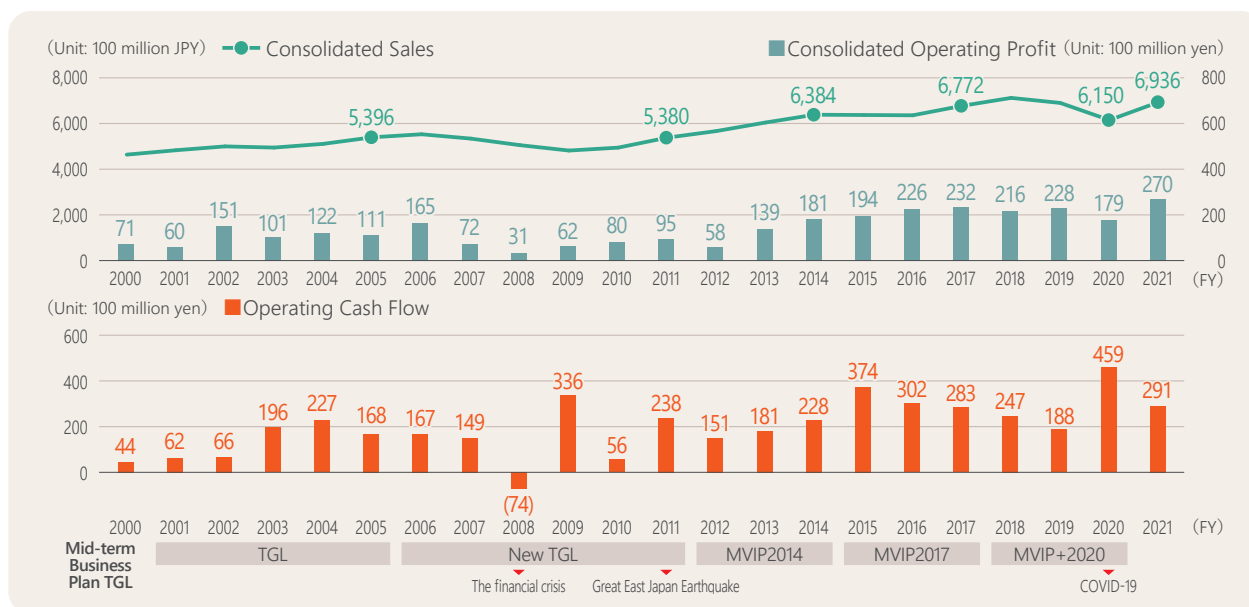
## Toward the realization of the long-term vision

In the long-term vision, “Good Foods 2030,” the Nissui Group has set financial value targets of 1 trillion yen in sales, 50 billion yen in operating income, and 50% for the ratio of global sales. To realize this vision, in addition to the organic growth and profitability improvement of our existing businesses, we will need to pour management resources into Growth Focused areas proactively and effectively. Looking back on our past, we can see that, although the Nissui Group actively invested outside Japan after 2000 for the sake of growth, some investments were made ahead of expectations, and there were times when earnings were not stabilized. Since 2010, in addition to winding up those unprofitable businesses, we have raised our capacity to handle governance and risk management and strived to grow

our core businesses while strengthening our corporate constitution. Through these efforts, we have made dramatic, stable improvements in our consolidated earnings.

While earnings have improved, there has been no significant improvement in operating cash flow. Increases in taxes paid have been a factor, but I do believe that we still have ample room to enhance our cash flow generation. To further enhance our cash flow generation and also make effective use of management resources, spreading and strengthening business portfolio management within the Group will be critical. Alongside sustainability management, we will promote this for the realization of the long-term vision.

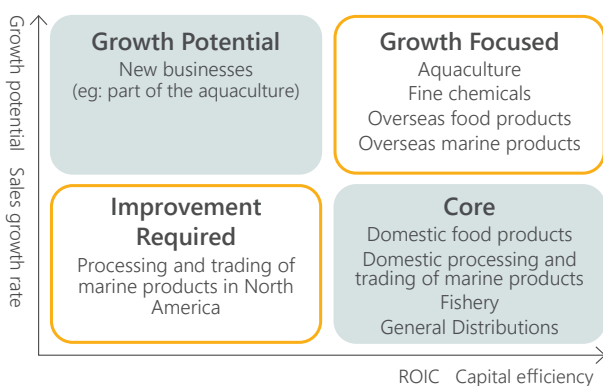
## FY2000-2021 Changes in Sales, Operating Profit, and Operating Cash Flow



## Reinforcing of business portfolio management

From FY2022, we have introduced ROIC as a KPI of capital efficiency, and we are extending it to our various locations. Business portfolio management involves evaluating existing businesses with analysis of 4 quadrants on the two axes of sales growth rate and ROIC. This is being shared and discussed among all Executive Officers.

## Evaluation of Existing Businesses through Analysis of 4 Quadrants



For businesses categorized as having low growth and low investment efficiency in this analysis, in addition to the analysis, we will comprehensively evaluate them from various angles, including their vision alignment, inter-business synergy, sustainability, and best-owner

perspectives. We will then discuss future directions, such as rebuilding, business restructuring, and withdrawal, and take action accordingly. At present, the ROIC hurdle rate is set uniformly for all businesses based on our WACC, but we will consider possibilities such as setting separate hurdle rates by business and/or area, in the hope of evolving to better management.

Specifically, toward 2030, we intend to make priority allocations of management resources to the "aquaculture business," "outside Japan marine products and food products business," and the "fine chemicals business." As well as being areas with market growth potential, these businesses are domains in which we will be able to demonstrate our strengths in the technologies and expertise we have cultivated to date. On the other hand, in this fiscal year, we sold our listed subsidiary, NISSUI PHARMACEUTICAL, whose synergy with the Nissui Group was limited. By proceeding with action such as the sales of businesses that have little potential synergy with the Group, we will pursue the transformation to a more appropriate business portfolio.

At the same time, I believe it is important to promote "selection and concentration" of the items, categories, and other constituent elements of each business for efficient management.



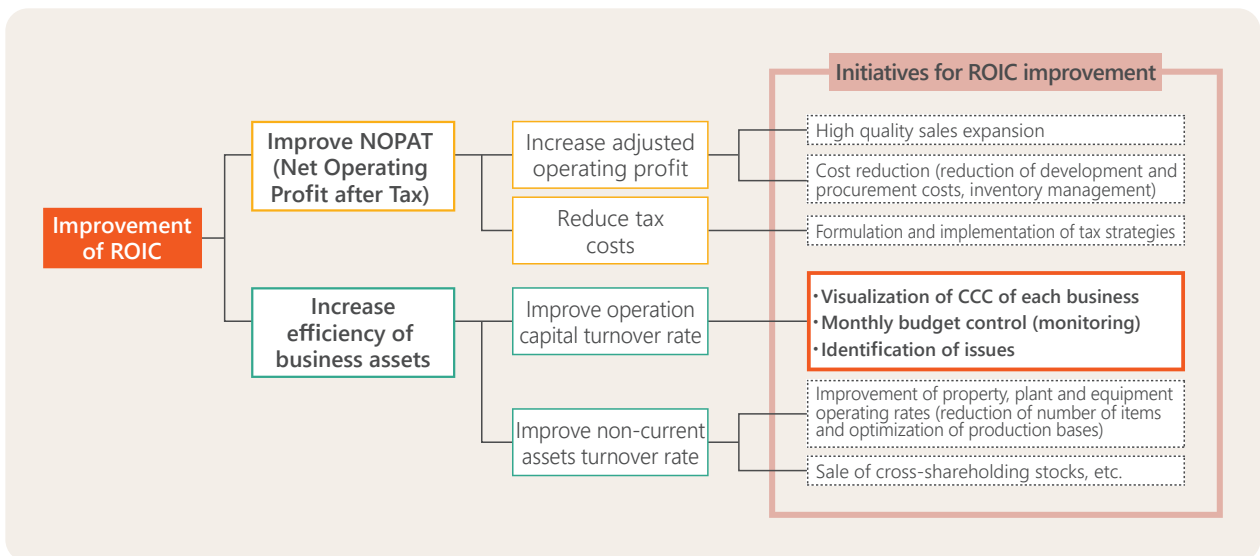
## Message from the CFO

### Internal penetration of ROIC

In an effort to extend ROIC to our various locations, we have focused particularly on operation capital and launched an initiative that aims to improve the cash conversion cycle (CCC) as an internal KPI. As mentioned above, although earnings have been improving in recent years, the improvement of operating cash flow has been limited. We hope to enhance cash flow generation by increasing the turnover rate of operation capital. Our first step has been to make the CCC of the individual businesses visible and to identify any issues, after taking the characteristics of each business into account. For example, in the aquaculture business, long stocking periods tend to result in a longer CCC, but we will give

concrete consideration to what can and should be done to improve CCC without losing profitability, including comparing our operations with those of other companies engaged in aquaculture. This process has only just begun, but the CCC of each business is monitored on a monthly basis, and we will work to promote internal penetration through activities such as holding explanatory meetings to deepen understanding of ROIC and CCC, and sharing the details of initiatives of each business and group company at regular meetings. In addition to operation capital, we will also undertake asset-lightening efforts, such as cutting back on items and categories, optimizing production bases, and selling cross-shareholding stocks.

Enhancing cash flow generation through internal penetration of ROIC



## Promotion of sustainability management

In the long-term vision, "Good Foods 2030," besides financial value, we have set KPIs for the creation of environmental value, social value, and value in human capital. One important perspective in this regard will be how each business contributes to the creation of these types of value. In the belief that businesses that create not only financial value but also social value, environmental value, and value in human capital are the businesses that will be able to achieve sustainable growth, we intend to actively inject management resources into such businesses.

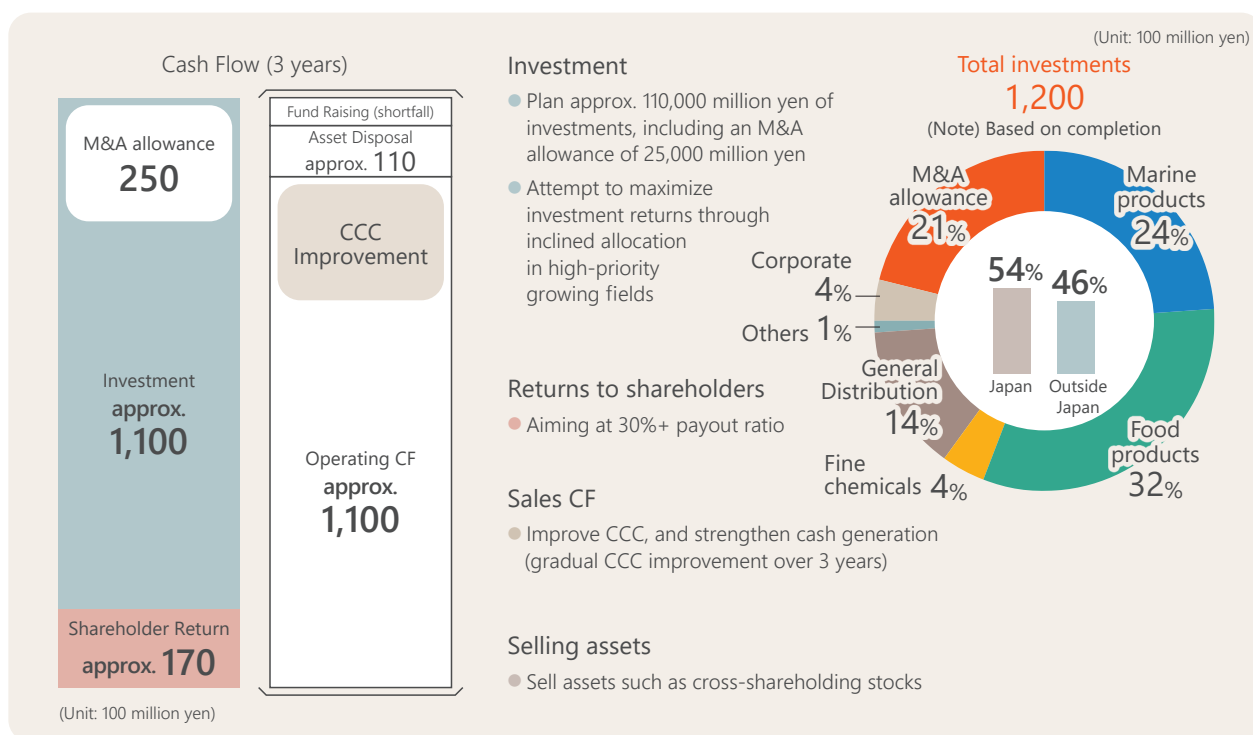
For example, we believe that sustainable procurement of marine resources will not only lead to the continuity and sustainability of the Nissui Group, but it will also set us apart from our competitors. In this context, we believe that, in our approaches to CO<sub>2</sub> reduction (climate change response), reduction of plastics, and verifiably sustainable marine resources, ROIC should be assessed from medium- to long-term perspectives. We also view efficient aquaculture that is considerate of the marine environment and contributions to health using the functions of fish in a similar light.

## Cash allocation and returns to shareholders

Regarding cash allocation, we will strive for a balance between growth and financial security and actively conduct the growth investments needed to realize our long-term vision without significantly increasing our borrowing levels. Under the Mid-Term Business Plan “Good Foods Recipe1,” we will generate just over 120 billion yen in cash over three years, including through CCC improvement and the sale of assets such as cross-shareholding stocks, and allocate it to investment and the returns to shareholders. We are planning investments of around 120 billion yen based on completion (110 billion yen on a cash basis), 25 billion yen of which will be allocated to M&A, primarily for the growth of the outside Japan business. Other than business investments, we will invest in human capital, R&D, sustainability actions, and branding, in our aim to

build up a stronger Nissui Group. To achieve these aims, flexible financing at stable low interest will be key. To this end, we are considering obtaining an external credit rating. A certain level of owned capital is essential to the process of obtaining a credit rating, and we hope to deepen our discussions on our optimal capital structure, including our capacity to respond to business risks.

Regarding returns to shareholders, during the period of the Mid-Term Business Plan “Good Foods Recipe1,” we will raise our payout ratio to 30% or more and conduct stable dividends. In the medium to long term, we will consider additional returns to shareholders, such as share buybacks, taking the expectations of the capital markets into account.



The world has become increasingly uncertain and unpredictable, due to environmental problems, Russia’s invasion of Ukraine and other world affairs, and economic developments such as the weakening yen and inflation. Under such circumstances, the Nissui Group has taken a new step forward by formulating its mission and long-term vision and renewing its brand. To enhance our

corporate value through the creation of innovative foods, we will work to concentrate our management resources on areas in which we can leverage our strengths and realize a sustainable society, and in doing so, respond to the expectations of our stakeholders.