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Outside Director, Audit & Supervisory Committee Member

Sunao Hirata
Outside Director, Audit & Supervisory Committee Member

Shinya Aoki
President, Representative Director Chairperson of the Board of Directors

Ninjo Akashi
Outside Director, Audit & Supervisory Committee Member

Yumiko Yoshie
Outside Director, Audit & Supervisory Committee Member

Nichimo aims to be one of a kind, so it should emphasize its own value more.

The Nichimo Group has launched a new Medium-Term Management Plan, marking the beginning of new challenges. Outside Directors Tatsuya Kikuchi, Sunao Hirata, Ninjo Akashi, and Yumiko Yoshie spoke with Chairperson of the Board of Directors and President Shinya Aoki, about the challenges and expectations for achieving sustainable growth and increasing Nichimo's corporate value going forward.

Short- to medium-term results and issues

Nichimo's IR activities and ability to disseminate information have improved markedly

Kikuchi: The Fiscal 2023 Medium-Term Management Plan (the "previous medium-term plan"), which ran through the fiscal year ended March 2024, was a three-year period of rapid change from the beginning of the COVID-19 pandemic to the post-COVID era. During this time, society and the economy underwent dramatic changes that have had a major impact on business operations. It's very impressive how Nichimo managed to overcome this difficult environment.

In the Food Business, the Company secured profits by shifting from its traditional business targeting restaurants to new channels such as mail-order sales. In the Machinery Business, Nichimo accurately captured the need for capital investment accompanying the expansion of mail-order demand. The other day, at a Board of Directors meeting, I proposed that we thoroughly analyze how the Company has been able to achieve good results despite the harsh business environment. On the other hand, **Nichimo was a little slow in responding to new changes in the environment, and there were times when it was unable to keep up with the rapid changes in society.** This is an issue that needs to be addressed in the future.

Hirata: I would like to talk about two points regarding the Company's initiatives during the previous medium-term plan. The first is that information dissemination, especially in the area of investor relations, has improved markedly. Improvements to the Company's website have greatly increased its appeal, and the Company also participated in the planning of a television drama. In the past, Nichimo's products had few opportunities to be seen by consumers, but we have seen a dramatic increase in brand recognition and in Nichimo's ability to disseminate IR information.

The second point is that while expanding business in growth areas, the Company also changed direction to address problematic businesses and policies, achieving better results through sound judgment. In terms of capital policy, Nichimo has taken risks and boldly implemented capital increases and stock splits with an eye toward increasing individual shareholders, and achieved great results.

On the other hand, the Company's lack of a clear idea of its target profit level remains an issue. The idea of improving capital efficiency, such as what level of return is required on invested capital, **has not yet been fully entrenched, and has been carried over to the Fiscal 2026 Medium-Term Management Plan (the "new medium-term plan").**

Kikuchi: As Mr. Hirata pointed out, Nichimo is currently engaging in proactive IR activities. These results have earned us positive recognition from the capital markets. The share price has been performing well, but it seems to have hit a plateau. Looking at these share price movements, I feel that the market is keeping a close eye. The capital markets may be waiting to gauge Nichimo's next move. In order to meet market expectations, **what actions is Nichimo planning to take regarding the marine industry and marine environmental conservation? Surely the Company needs to provide an answer to that question quickly.**

Akashi: Looking back over the past three years, I would like to comment mainly on the sales side of things. Nichimo is a rare company that is both a manufacturer and a trading company. It leverages the core technologies it has cultivated over more than 100 years and applies them to meet modern needs. For example, the Company has brought marine materials made from biomass and biodegradable plastics to the market as products that will help achieve the SDGs, and the Company has received a certain amount of recognition from the capital market as a noteworthy manufacturer.

However, being a trading company comes with its own challenges. Going forward, **sales personnel should be more active and demonstrate their capabilities.** One of the issues that needs to be resolved in particular is the shortage of human resources. There is also much room for improvement in the limited opportunities for women to actively participate. As a manufacturer, the Company has excellent core technologies, so I would like it to strengthen sales capabilities and actively promote the appeal of those technologies. I would also like to see Nichimo demonstrate its presence as a corporate group that continues to provide environmentally friendly marine materials.

Yoshie: It has been one year since I was appointed as an Outside Director. During that time I have learned a lot about Nichimo's business, including touring processing plants and witnessing the fierce price negotiations with supermarkets. I also learned about the Company's efforts in mail-order sales, which I find very interesting. As Mr. Hirata pointed out, there has certainly been an improvement in the dissemination of information. This is especially evident when looking at the efforts made over the past six months. That being said, I also feel there is still a lot of room for improvement. There are additional avenues we can go down to make Nichimo more widely known among the general public.

One of the most important issues for Nichimo today is **to actively appeal to the government and government agencies**. In order to further develop Japan's marine industry, concrete proposals need to be put forward. By improving the Company's ability to disseminate information in this way, more people will become aware of Nichimo, which will ultimately increase corporate value.

Break away from the "wait-and-see sales attitude" and actively confront adversity

Aoki: Thank you all so much for all the valuable advice. One of the successes of the previous medium-term plan was that we chose to list on the Tokyo Stock Exchange Prime Market and were able to satisfy the listing criteria. Thanks to this decision, a mindset that embraces change has rapidly spread within the Company over the past year or two. There had been desire for change within the Company for some time, but we lacked the ability to actually see it through. The market restructuring helped to establish an awareness of the need for change, and I believe we have gained a lot from these past three years.

On the other hand, new issues have come to light. One is our **lack of speed**. As Mr. Akashi pointed out, while the Company prides itself on having high technological capabilities as a manufacturer, I feel that in sales we tend to be more of a "wait-and-see" type of company. Over the past three years, it has been difficult to adapt to the sudden changes in our business environment. We may not have had enough determination to overcome these powerful headwinds.

The much anticipated aquaculture business also did not proceed as originally planned. However, in our new medium-term plan, we are drawing up a new grand design using this experience as a springboard for growth. Since its founding, the Company has been focused on the marine products industry as the core of our business. The marine products industry is closely tied to national policy and has the advantage of being able to receive support for industrial development, but there is also a tendency to dependence on the government and constantly waiting for instructions. As Ms. Yoshie pointed out, **we need to be more proactive in proposing to government agencies what we can do**. We are aiming to increase our corporate value in the long term by taking all possible measures, including addressing environmental issues.

We will also be putting more effort into disseminating information, as pointed out by Mr. Hirata. Through dialogue with investors, we receive a wide range of advice, particularly regarding our approach to environmental issues. Our Outside Directors have long pointed out that **Nichimo's name recognition is still lacking**. We will always be mindful of the importance of branding and continue to devote our efforts to promoting ourselves widely.

Thoughts about the new Medium-Term Management Plan

Increasing capital efficiency, with a strong commitment to environmental issues

Kikuchi: Over the next three years covered by the Company's new medium-term plan, we expect society to undergo even greater changes. In this environment, Nichimo must **continue to grow while fulfilling its mission**. I hope that all employees are aware of Nichimo's mission as a company with deep knowledge of the sea in Japan, a maritime nation, and demonstrate their capabilities.

There are three areas that must be taken considered. The first is the conservation of the marine environment. Providing recycled and biodegradable materials and developing a business that protects the future of the ocean is a mission unique to Nichimo, and one that is sure to lead to new business opportunities.

The second is to promote fishing that adapts to environmental changes. As catches of saury and other fish continue to decline, it is important to utilize aquaculture technology to ensure a stable supply of fish that Japanese people enjoy. The aquaculture business will undoubtedly become a major pillar of Nichimo.

The third is the challenge of harnessing the power of the sea. There are many possibilities in the marine energy field, including offshore wind power generation. I expect Nichimo to work in cooperation with fishing companies to demonstrate its sales skills and develop new business ventures.

Nichimo carried out a large-scale organizational reform in April 2025, and it is important to use this as a step forward into fresh air.

These three themes are specified in the new medium-term plan, and the Company has begun town hall-style meetings across its business sites in Japan to advance dialogue between management and employees. I look forward to seeing all Nichimo employees facing the future and taking on new challenges together.

Hirata: There are three areas where I have high hopes for in the Company's new medium-term plan. First, **it establishes ROIC as a profit indicator**. In the past, the awareness of ROIC was low, and there was a lack of in-depth discussion about investment projects, such as how much return could be obtained or how many years it will take to recoup the investment. Going forward, each department will need to be strictly aware of the return on invested capital and steadily pursue results.

The second is the town hall-style meetings that Mr. Kikuchi also mentioned. I hope that by providing a forum for direct dialogue between employees and management, Nichimo will be able to put in place a system that can resolve the variety of issues found in its workplaces. Among these, **female participation is particularly important**. It is essential to establish systems and continue to make improvements to create a workplace where women can play active roles. I have learned from my own experience that **human resource issues cannot be resolved without solid policies put in place from the top down.**

And the third is thorough support for management. I have always tried to convey advice at Board of Directors meetings in a straightforward way, even when making points that are hard to hear. Outside Directors have a responsibility to convey their respective knowledge to management and are expected to be proactive in making suggestions without fear of backlash. I hope that this advice will inspire new challenges and that it will be put to good use by the Company's management.

Akashi: Regarding environmental issues, as Mr. Kikuchi mentioned, it is clear that the situation has become more serious compared to ten or even five years ago. Particular attention is being paid to issues concerning the atmosphere and oceans. During the period of the new medium-term plan, we will closely monitor how we are addressing these issues and look to make improvements.

The new medium-term plan uses the word "paradigm shift," and **organizational management also requires a transformation that takes into account the paradigm shift in society.** Even in sales and technology, the Company tends to be trapped in traditional vertical thinking. We must emphasize horizontal connections between departments and break down barriers. Doing so will surely lead to new ideas and innovation.

By first considering what customers want and acting on that, Nichimo should be able to see the path that will bring it closer to where it wants to be in three and ten years' time.

Yoshie: Over the past six months, I have been closely monitoring the progress of the new medium-term plan. This new medium-term plan has been drawn up with a view to the newly formulated Purpose and Vision, and also clearly sets targets for 10 years ahead.

As Mr. Hirata pointed out, promoting female participation in the workforce will become increasingly important in the future. As the Company continues to create a more comfortable work environment, the number of employees taking maternity leave, childcare leave, and family care leave will increase. These efforts need to include making sure that employees are seamlessly reintegrated upon returning to work after having been away for periods up to several years. **Nichimo should foster a corporate culture where employees can return to work after several years with confidence, knowing that they will be able to make an impact after coming back**.

In addition, strengthening the ability to disseminate information, which has already been mentioned, is an important theme that will help alleviate labor shortages. There is still much to be done, including enhancing communication targeted at students and actively utilizing internship opportunities.

I want employees who maintain and expand the blessings of the sea to internalize a sense of mission

Aoki: When considering female participation, we are of course very conscious of this and have put in place the necessary systems. However, operational issues have yet to be resolved, and I feel that we need to speed up our efforts in this area. I can really sympathize with the issues also pointed out by Mr. Kikuchi. Particularly in areas related to the Marine Business, there is an increasing number of points of contact with companies with different business formats, and unless we concentrate management resources in these areas, I believe we will not be able to make progress in building new businesses for the paradigm shift.

Our success is predicated on the bounty of the sea, and I believe that Nichimo's mission is to maintain and expand these blessings. I strongly hope that all employees will take this sense of mission to heart and proactively take on various challenges.

Message to stakeholders

Proactive information dissemination and enrichment of human capital supports growth

Kikuchi: Nichimo is a company that aims not to be number one, but to be the only one. That is why I think it needs to dig deeper into the value of being the only one. It is very important for the Company to share this value with employees and hold it in common, as well as communicate it to society with confidence. If this value can be communicated to stakeholders, it will lead to increased corporate value, and the day will surely come when all of Japan will recognize Nichimo's strengths and value.

Hirata: Japan's marine products industry finds itself in a crisis. Looking at Japan's White Paper on Fisheries, global aquaculture production is steadily increasing, and neighboring Asian countries are also increasing production, but Japan's production is not. With issues such as rice shortages, I think Japan needs to give more thought to what it eats every day. Nichimo is a company that has the power to lobby and influence government regarding the marine products industry. Fulfilling its social responsibilities through such efforts will also help Nichimo to gain the trust of stakeholders.

Akashi: The key to Nichimo's sustainable growth is human resources. In the current situation, recruitment is urgently needed to alleviate the labor shortage. On the other hand, I am keenly aware of our employees' advanced capabilities. While this is not a cause for concern, what is crucially lacking is enthusiasm. The challenge is that many employees do not seem to have the drive to try things beyond their own boundaries. If we have the three elements of workforce, ability, and enthusiasm, we should be able to expand our business even more.

Yoshie: As a company that plays an indispensable role for Japan, Nichimo has access to central government agencies and I believe a strong voice. However, the reality is that this value has not been adequately communicated to the outside world. I think Nichimo needs to be more proactive in promoting the social value that it generates. This will also be useful in recruiting and developing personnel.

Aoki: I appreciate all of your valuable feedback. Nichimo is now moving on to a new stage where it will take on major challenges with an eye on the paradigm shift in society. We will continue to actively incorporate your opinions and those of others outside the Company and do our utmost to achieve sound growth. Thank you for today's discussion.