Maruha Nichiro | 1333 (TSE Prime)

Company Report

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Strategy Advisors Inc.
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Record Operating Income for H1 With Financial Strength & Governance Systems in Place, Full-Scale Growth Investment Begins

Maruha Nichiro reported consolidated results for the first-half interim period (H1) of the FY ending March 2026: net sales of ¥536.7 billion (+0.9% YoY) and operating income of ¥18.7 billion (+16.6% YoY). This marks the highest operating income for the first half since the business integration in 2007. The primary driver of the YoY profit increase was the Marine Resources Business, turning from an operating loss of ¥2.3 billion to a profit of ¥1.0 billion. Whilst ordinary income for H1 was ¥18.3 billion (+16.8% YoY), profit attributable to owners of parent was ¥12.5 billion (-9.8% YoY). This decrease was primarily due to a reduction in gains on sales of investment securities, which fell from ¥7.1 billion in H1 of the previous year to ¥3.8 billion, resulting from the sale of strategically held shares.

The company revised its full-year operating income forecast upward to ¥30 billion during its Q1 earnings announcement, and that full-year forecast was maintained at the time of the current H1 results. The operating income progress rate for H1 was 62.5%, indicating steady progress toward full-year targets.

The first-half interim result for this first year of the current Mid-term Management Plan represents record-high earnings. Multiple growth investments, primarily in operations outside of Japan, have commenced, suggesting a solid start toward achieving the FY ending March 2028 targets. However, the company's valuation remains low, with a PBR of only 0.8x, still below peers. Six months of results appear insufficient to change the stock market's perspective.

We believe that an equity story is composed of both a feasible and meticulous management strategy and an exciting, inspiring vision.. When external investors seek to understand the Mid-term Management Plan, what the company will do is important, but understanding the background of why it is achievable is equally crucial. The timing of the formulation and announcement of this Mid-term Management Plan carries the following background. If the stock market gains a deeper understanding of this context, confidence in its feasibility could increase, potentially becoming a factor for valuation adjustment.

The current Mid-term Management Plan was announced in March 2025. This timing coincided with the alignment of multiple conditions, including the following 3 points, marking the moment when substantial growth investments could finally commence: 1) The net D/E Ratio reached 1.0x by the end of March 2025, completing the improvement of the financial

Stock Price and Trading Volumes (Past Year)

Source: Strategy Advisors

Key Indicators

Stock Price (12/12/25)	3,711
52-Week High (11/28/25)	3,806
52-Week Low (1/17/25)	2,890
All-Time High (6/28/18)	4,510
All-Time Low (5/19/14)	1,500
Number of Shares Issued (mln)	50.4
Market Capitalization (¥bln)	187.0
EV (¥bln)	473.4
Equity Ratio (FY3/25, %)	33.7
ROE (FY3/25 Actual, %)	10.7
PER (FY3/26 CoE, x)	10.7
PBR (FY3/25 Actual, x)	0.8
Dividend Yield (FY3/26 CoE, %)	3.0

Source: Strategy Advisors

structure and establishing a business state where investments could be supported financially. 2) During the period of Mid-term Management Plan from the FY ended March 2023 to the FY ending March 2025, ROIC-focused management was implemented throughout the company, and a review of unprofitable businesses commenced. And finally, 3) In June 2025, the governance structure was changed, resulting in independent outside directors constituting a majority of the board. Therefore, this is not merely a routine, once-every-three-years update, but rather an ambitious Mid-term Management Plan launched at a significant juncture. The company's management has set raising the PBR above 1x as a key objective. Following the company's founding in 1880 (First Founding) and the business integration in 2007 (Second Founding), they are positioning the planned name change to Umios and the shift to becoming a solutions company as the "Third Founding", aiming for significant transformation. Generally, when the stock market's perception of management changes, a revaluation may occur. We should pay close attention to the company's future new investments and messaging.

Japanese GAAP - Consolidated

FY	Net Sales (¥mln)	YoY (%)	Operating Income (¥mln)	YoY (%)	Ordinary Income (¥mln)	YoY (%)	Net Income (¥mln)	YoY (%)	EPS (¥)	DPS (¥)
3/2025 H1	532,134	4.9	16,070	-4.1	15,689	-25.0	13,810	26.8	274.2	50.0
3/2026 H1	**536,697**	**0.9**	**18,740**	**16.6**	**18,332**	**16.8**	**12,455**	**-9.8**	**247.2**	**50.0**
3/2024	1,030,674	1.0	26,534	-10.3	31,106	-7.1	20,853	12.1	413.6	85.0
3/2025	1,078,631	4.7	30,381	14.5	32,254	3.7	23,264	11.6	461.9	110.0
3/2026 CoE (Old)	1,080,000	0.1	27,000	-11.1	26,000	-19.4	17,500	-24.8	347.4	110.0
3/2026 CoE (New)	1,080,000	0.1	30,000	-1.3	29,000	-10.1	17,500	-24.8	347.4	110.0

Note: Both EPS and DPS figures exclude the impact of the stock split effective January 1, 2026.
Source: Company Data, Compiled by Strategy Advisors.

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1) Achieved Highest H1 Profit Since Business Integration, Marking a Strong Start to the Mid-Term Plan

H1 Performance Highlights & Profit Growth Drivers

Consolidated results for H1 of the FY ending March 2026 showed net sales of ¥536.7 billion (+0.9% YoY) and operating income of ¥18.7 billion (+16.6% YoY), marking the highest operating income for H1 since the 2007 business integration. The primary driver of the YoY profit increase was the significant improvement in the Marine Resources Business Segment, which shifted from a YoY operating loss of ¥2.3 billion to a profit of ¥1.0 billion.

Within the Foodstuff Distribution Business Segment, the Marine Products Trading Unit saw increased profits, particularly in its European Operations. However, the Foodstuff Distribution Business Unit and the Agricultural Foods & Meat and Products Unit recorded decreased profits. Consequently, the segment's overall operating income remained at the previous year's level.

The Processed Foods Business Segment saw increased revenue driven by strong sales in its core pet food business and the effect of price revisions. However, due to increased costs and other factors, the segment's overall operating income decreased by 6.9% YoY. Nevertheless, as the cost increases were anticipated from the beginning of the period, there appears to be no deviation from the plan.

Figure 1. Maruha Nichiro: FY ending March 2026 H1 Financial Results Summary

(¥mln)	Mar/25 H1	**Mar/26 H1**	YoY (%)	Mar/26 CoE (Initial Plan)	Mar/26 CoE (Revised Plan)	Change	YoY (%)
Net Sales	532,134	**536,697**	0.9	1,080,000	1,080,000	0	0.1
Operating Income	16,070	**18,740**	16.6	27,000	30,000	3,000	-1.3
Ordinary Income	15,689	**18,332**	16.8	26,000	29,000	3,000	-10.1
Profit Attributable to Owners of Parent	13,810	**12,455**	-9.8	17,500	17,500	0	-24.8

Source: Company Data. Compiled by Strategy Advisors.

Net Profit Declined Due to Extraordinary Gains/Losses

H1 ordinary income was ¥18.3 billion (+16.8% YoY), with the company securing a YoY increase similar to that of operating income. However, interim profit attributable to owners of parent decreased to ¥12.5 billion (-9.8% YoY). This was primarily due to a reduction in gains on sales of investment securities, which fell from ¥7.1 billion in H1 of the previous year to ¥3.8 billion.

Smooth Start to New Mid-Term Management Plan

These interim results, in the first year of the Mid-term Management Plan, mark record-high profits. Multiple growth investments, primarily in operations outside of Japan, have commenced. This can be considered a solid start toward achieving the targets for the FY ending March 2028.

2) Full-Year Forecast Maintained at Q1 Revised Level

The Full-Year Operating Income Forecast Remains Unchanged at ¥30 Billion, as Revised Upward in Q1

The company revised its full-year operating income forecast upward to ¥30 billion during its Q1 earnings announcement, and this full-year forecast was maintained at the time of these H1 results. The operating income progress rate for H1 was 62.5%, and it was stated at the company's analyst briefing that performance for the current fiscal year is progressing steadily.

Segment Performance & Outlook

The Marine Resources Business Segment has already exceeded its full-year company forecast of ¥600 million operating income, reporting ¥1 billion for H1. The company stated its full-year forecast is conservative, as it anticipates potential challenges in H2, including persistently low fish prices for tuna and skipjack in the Fishery Business Unit and the possibility of high costs persisting in the Aquaculture Business Unit and the North America Operations Unit.

The Foodstuff Distribution Business Segment is progressing steadily. H1 operating income reached ¥9.2 billion (54.1% of full-year target), against a full-year company forecast of ¥17.0 billion. This strong performance is driven by the continued robust performance of the European business, plus the profit contribution from the VDL Group, a subsidiary consolidated from Q2 (contributing ¥0.6 billion to full-year operating income).

For the Processed Foods Business Segment, the decline in H1 operating income mentioned earlier was within expectations. Therefore, the company's full-year forecast for this segment's operating income remains unchanged at ¥13.6 billion. The segment's H1 operating income progress rate is 55.1%, which is also considered acceptable.

Excluding One-Time Expenses, the Revised Full-Year Outlook Represents a Real YoY Increase in Profit

During the first year of the current Mid-term Management Plan, the FY ending March 2026, one-time expenses totaling ¥5 billion are planned. These expenses are related to the head office relocation (scheduled for March 2026), Corporate Identity (CI) branding associated with the company name change (scheduled for March 2026), and product packaging revisions. The full-year operating income forecast of ¥30 billion represents a surface-level 1.3% decrease compared to the previous fiscal year. However, excluding these one-time expenses, the actual operating income forecast is ¥35 billion and the actual ordinary income forecast is ¥34 billion. Both figures exceed the previous fiscal year's levels, indicating a plan for increased profitability based on underlying strength.

2. Segment Overview: Signs of Progress Toward Mid-Term Management Plan Objectives

1) Marine Resources Business Segment

FY Ending March 2026 H1 Results Show Significant Profit Improvement

For the FY ending March 2026 H1 results, the Marine Resources Business Segment saw net sales decrease 0.6% YoY to ¥61.6 billion. Operating income improved significantly by ¥3.3 billion, as the segment shifted from an operating loss of ¥2.3 billion YoY to an operating profit of ¥1.0 billion.

Fishery Business Unit Achieved Profitability by Exiting Unprofitable Operations

The Fishery Business Unit saw reduced net sales due to lower skipjack catches in Micronesia and depressed fish prices. However, increased catches of snapper (Australia) and horse mackerel (New Zealand), higher prices for Greenland halibut off Canada, and withdrawal from the Indian Ocean Alfonsino Business contributed to operating income growth, shifting from a loss in H1 of the previous year to a profit.

Factors requiring caution in H2 include the potential for low fish prices for skipjack, sardines, and tuna as well as reduced vessel utilization in New Zealand following the end of the season.

Aquaculture Business Unit: Increased Revenue & Profit

The Aquaculture Business Unit saw firm sales prices for yellowtail and amberjack. Although production costs (material, labor, logistics, etc.) remain elevated, increased revenue and improved yield led to higher sales and profits. The company expects prices for yellowtail and amberjack to remain firm due to low domestic stock levels.

Although the surge in feed prices has shown some signs of easing recently, the company anticipates prices will remain elevated in the long term. It plans to address this by focusing on developing feed that improves feed conversion ratios and developing faster-growing fry.

The North America Operations Unit Achieved Profitability Due to Manufacturing Improvements

The North America Operations Unit returned to profitability in H1. While net sales were on par with the previous year, operating profits turned positive, driven by firm market prices for its mainstay product, Alaska pollock, and cost reductions from production base consolidation. In the downstream (higher-value processing) segment, sales of imitation crab products performed well.

Before the production base consolidation, it was difficult to efficiently share and process raw Alaska pollock among the 3 plants. However, the consolidation enabled raw material sharing, making productivity improvements possible. This has reportedly led to cost reductions through decreased plant overhead expenses, personnel numbers, and fishing vessel landing during the waiting times. Additionally, improvements in raw material freshness and enhanced production efficiency through landing timing control have been observed. Furthermore, in the downstream imitation crab Business, an expansion investment for the imitation crab plant is underway, scheduled for completion in December. The imitation crab plant is currently operating near full capacity, and additional sales contributions are expected once the expanded line begins operation.

2) Foodstuff Distribution Business Segment

Segment Operating Income for H1 of the FY Ending March 2026 Was Nearly Flat YoY

For H1, the Foodstuff Distribution Business Segment recorded net sales of ¥370.8 billion (+0.1%) and operating income of ¥9.2 billion (+0.9%), with the segment as a whole achieving figures nearly on par with the previous year. Breakdown: While the Marine Products Trading Unit performed well both domestically and internationally, the Foodstuff Distribution Business Unit saw a decline in profit due to rising production costs. The Agricultural Foods & Meat and Products Unit experienced a 20.6% decrease in revenue due to the impact of its profit structure review, which is an initiative anticipated in the current Mid-term Management Plan.

Marine Products Trading Unit Performed Well Both Domestically and Internationally

In the Marine Products Trading Unit, domestic sales saw higher unit prices for all marine products, including scallops and shrimp, in H1. The market is expected to remain firm going forward.

European operations saw increased net sales and operating income, driven by improved profitability of core products and contributions from the European subsidiary acquired in May 2025 (VDL Group, expected to contribute ¥0.6 billion to full-year operating income).

Foodstuff Distribution Business Unit Saw Reduced Operating Income Due to Increased Costs

The Foodstuff Distribution Business Unit saw increased net sales in H1 by expanding sales channels through strengthened intra-group collaboration. However, it recorded a YoY operating income decline as efforts to improve operational efficiency and productivity could not fully offset rising costs. Regarding intra-group collaboration, the company is promoting its expansion not only within the unit but across the entire group. Initiatives such as processing raw materials procured by the Marine Products Trading Unit and selling them to the prepared food sections of GMS/SM (Supermarkets) are also being strengthened.

Agricultural Foods & Meat and Products Unit: Decreased Net Sales and Operating Income Due to Business Restructuring

The Agricultural Foods & Meat and Products Unit is implementing fundamental business structure reforms to achieve the significant profit improvement outlined in the new Mid-term Management Plan. While the unit has traditionally focused on raw materials, it is shifting its strategy toward processed goods closer to end-users. This shift resulted in a significant 20.6% decline in net sales for H1, though this was within expectations. Additionally, price fluctuations for imported frozen pork in the domestic market appear to have contributed to the profit decline in H1.

3) Processed Foods Business Segment

YoY Decrease in Operating Income Due to Cost Increases Remained Within Plan

The Processed Foods Business Segment reported net sales of ¥93.9 billion in H1, a 4.7% increase, while operating income decreased 6.9% to ¥7.5 billion. Although operating income declined YoY, the increase in costs was anticipated from the beginning of the period and the profit results were largely in line with expectations.

Pet Food Business for North America Shows Strong Sales

The Processed Foods Business Unit saw increased net sales due to strong sales of its Pet Food Business (Thailand), primarily to North America, and the effect of price revisions in its Japan business. However, operating income decreased YoY due to persistently high raw material costs and increased production costs.

The Fine Chemical Unit saw increased net sales due to steady demand for Heparin and pharmaceutical materials, maintaining operating income at the previous year's level.

Aiming to Expand the Domestic Pet Food Business "AIXIA" under its Own Brand

The H1 earnings presentation materials provide detailed explanations regarding the Pet Food Business. Beyond its North America-focused pet food operations in Thailand (OEM manufacturing and sales), the company operates its own branded pet food business in Japan under the "AIXIA" brand. The Processed Foods Business Unit's total pet food net sales were approximately ¥49.9 billion. While the standalone figure for AIXIA is unclear, profits have been stable in recent years. In the wet cat food segment, AIXIA holds the second-largest Japan market share. The company established a new Pet Food Business Promotion Office this fiscal year (announced in a June 16 press release) and plans to actively expand sales of the AIXIA brand.

Figure 2. Operating Income by Segment for FY ending March 2026 Q1 (Unit: ¥bn)

Segment	Unit	Mar/25 H1	Mar/26 H1	YoY (%)	Mar/25	Mar/26 CoE		
						Initial Plan	Revised Plan	Change
Marine Resources	Fishery	-8	1	-112.5	-12	10	-1	-11
	Aquaculture	-1	2	-300.0	-11	-2	4	6
	North America	-14	7	-150.0	-16	-1	3	4
	Segment Total	**-23**	**10**	**-143.5**	**-39**	**6**	**6**	**0**
	(Domestic)	-12	-4	-66.7	-24	-13	-6	7
	(Overseas)	-12	15	-225.0	-15	19	12	-7
Foodstuff Distribution	Marine Products Trading	54	66	22.2	111	93	111	18
	Foodstuff Distribution	28	25	-10.7	54	54	54	0
	Agricultural Foods & Meat and Products	9	1	-88.9	15	5	5	0
	Segment Total	**91**	**92**	**1.1**	**180**	**152**	**170**	**18**
	(Domestic)	68	61	-10.3	123	98	106	8
	(Overseas)	23	31	34.8	57	54	64	10
Processed Foods	Processed Food	75	71	-5.3	127	117	125	8
	Fine Chemicals	5	4	-20.0	12	11	11	0
	Segment Total	**80**	**75**	**-6.3**	**139**	**128**	**136**	**8**
	(Domestic)	30	25	-16.7	53	51	54	3
	(Overseas)	50	50	0.0	86	77	82	5
Others		13	11	-15.4	23	-16	-12	4
Total		**161**	**187**	**16.1**	**304**	**270**	**300**	**30**
(Domestic)		92	90	-2.2	164	110	132	22
(Overseas)		69	98	42.0	140	160	168	8

Source: Company Data. Compiled by Strategy Advisors.

3. Factors Prompting a Valuation Adjustment Are Beginning to Emerge

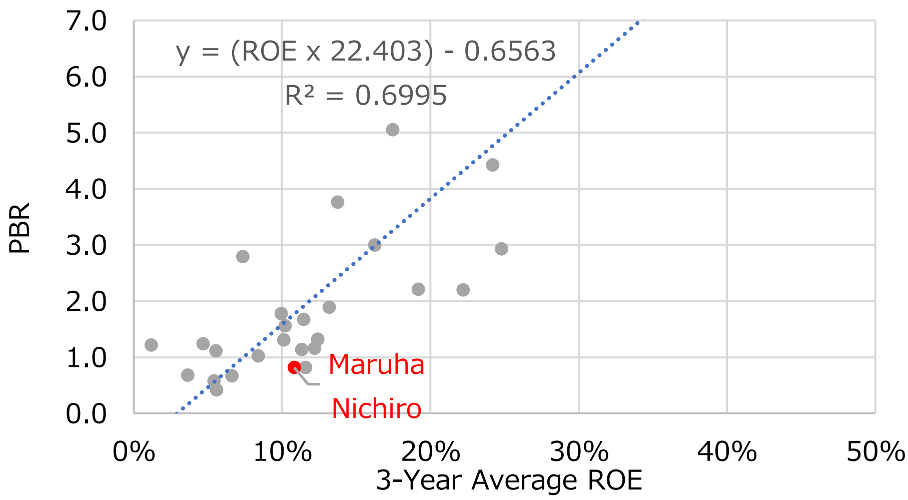
1) Valuation Remains Relatively Low

ROE & PBR Relationship: PBR is Relatively Low Relative to Peers

For 27 major global protein supply-related companies, excluding those with negative ROE or those for which 3-years of ROE data are unavailable, a general correlation can be seen between ROE (3-year average) and PBR. According to the regression model, there is a nearly proportional relationship, with PBR = (ROE x 22.403) – 0.6563. Furthermore, the coefficient of determination (R^2) is 0.6995, close to 0.7, which is considered a high level of fit for the model (Figure 3). A list of these global companies is shown in Figure 6.

Maruha Nichiro is located well below the approximation line and this analysis suggests that it is relatively undervalued. The company's 3-year average ROE is 11% and if a company with an ROE of 11% were to be on the approximation line, its estimated PBR would be 1.8x, which is about 2x the current PBR of approximately 0.8x.

Figure 3. Relationship Between ROE (3-Year Avg) & PBR



Source: Company Data. Compiled by Strategy Advisors.

Valuation is Low Compared to Domestic Peers

The group of global companies above includes 8 Japanese companies. Maruha Nichiro's valuation is relatively low compared to these Japanese companies (Figure 4). Its PBR is the lowest among the 8 companies and its PER is 3rd lowest.

Figure 4. Comparison of Profitability and Valuation with Japanese Domestic Peers

Company	Code	FY	Stock Price (Dec.12, ¥)	Market Cap. (¥mn)	ROE (Actual)	ROIC (Actual)	Equity Ratio	PBR (Actual, x)	PER (CoE, x)
Maruha Nichiro	**1333**	**03/2025**	**3,711**	**187,007**	**10.7%**	**4.3%**	**33.7%**	**0.8**	**10.7**
Nissui	1332	03/2025	1,202	364,534	9.6%	4.7%	43.6%	1.3	14.6
NICHIREI	2871	03/2025	1,848	463,018	9.6%	7.4%	52.1%	1.8	16.5
KYOKUYO	1301	03/2025	4,605	54,695	10.7%	5.8%	36.5%	0.8	6.7
YOKOREI	2874	09/2025	1,380	81,412	2.5%	1.0%	38.6%	1.0	27.1
KIBUN FOODS	2933	03/2025	1,041	23,766	13.1%	6.5%	28.7%	1.1	7.9
NH Foods	2282	03/2025	6,710	652,954	5.1%	3.5%	55.2%	1.3	19.2
ITOHAM YONEKYU HD	2296	03/2025	5,630	319,507	4.6%	4.0%	61.2%	1.1	17.7

Source: SPEEDA & Company Data. Compiled by Strategy Advisors

Stock Markets: Trust in Management Policies are the Keys to Improving Valuations

Comparing with peers, the stock valuation is deemed cheap relative to the company's profitability. One reason for this may be that the stock market has not yet fully recognized the company's difficult-to-imitate characteristics and its strategy for turning those into profits. For example, in the Alaska pollock business, the company’s difficult-to-imitate quotas may not be recognized as a strength at present due to its performance over the past 2 years. Resolving this perception gap will likely be the key to improving the company's stock price and valuation going forward.

The current Mid-term Management Plan outlined a path to converting these difficult-to-imitate characteristics into profits, but given that the stock price valuation remains at a discount compared to peers even after the plan was announced, we believe that the stock market has not yet fully come to understand the direction the plan is heading. We believe that, as the measures outlined in the Mid-term Management Plan progress and are gradually reflected in reported figures, the company's management policy will gain confidence from the stock market as a result of these measures being accurately explained to the stock market, which will then be a factor in adjusting the valuation.

Focus on the Company's Equity Story Based on the Difficulty of Imitation

In our initiation report dated May 1, 2025, (Maruha Nichiro is One of The World's Largest Marine Products Suppliers. Founded 145 Years Ago, it Will Change its Name to Umios in 2026. It Aims to be a GLOBAL TOP 10 Fishery and Food (incl. Meat) Company by Market Capitalization.), we listed the following 3 elements of its equity story.

1) Global stock investors who have high expectations for the company's new long-term vision will choose the company's stock as an investment target in the food sector.

2) Expand sales globally of processed foods manufactured by leveraging the company's global procurement capabilities and fishing quotas for marine products, thereby improving operating income margins and reducing the impact of profit volatility in the Marine Resources Business Segment.

3) Transforming into a stable growth company by entering the algae-derived DHA market, etc.

2) Now Ready for Full-Scale Growth Investment

Equity Story (1) for Investors to Choose

The first element of the equity story—Equity investors considering Maruha Nichiro as an investment target—means that investors who are not currently invested need to review their perspective and consider the company's stock as an investment target. For this to happen, the stock market needs some reason or catalyst to change its view of the company.

The Context Enabling the Mid-Term Management Plan's Goals to Be Achievable is Also Crucial

When external investors seek to understand a Mid-term Management Plan, the plan's achievement aims are important, but understanding of the background that makes those aims achievable is equally crucial. We believe that an equity story is composed of both a feasible and meticulous management strategy and an exciting, inspiring vision. Merely articulating a vision is not enough to earn the trust of the stock market.

However, in this company's case, as shown below, it has implemented various reforms over the past several years. These have strengthened its financial structure, established ROIC management systems and improved governance frameworks, thereby completing preparations for realizing substantial growth investments going forward. If the stock market gains a deeper understanding of this point, confidence in the feasibility of these plans should increase, potentially becoming a factor driving a valuation adjustment.

Positioning the Name Change as a Third Founding to Enhance Corporate Value

On March 24, 2025, the company announced its New Long-term Vision for the Next 10 Years and Mid-term Management Plan, alongside the decision to change its name to Umios Corporation. The company positions this planned name change to Umios and the transformation into a solutions company as its "Third Founding", following the commencement of operations in 1880 (First Founding) and the business integration in 2007 (Second Founding). The integrated report issued on October 29 introduced this concept of the "Third Founding" and stated that the company will further strengthen its efforts to maximize corporate value based on its newly established purpose and mission.

Timing When Progress Has Been Made on Various Challenges, Including Financial Structure

From a financial perspective, it is noteworthy that the company's net D/E ratio is projected to reach exactly 1.0x by the end of March 2025. This marks the completion of its financial restructuring, securing a financial foundation capable of supporting substantial growth investments. Additionally, as shown in Figure 5, the disposal of non-core assets—initiated during the structural transformation following the forced withdrawal from high-seas fishing operations due to the 200-nautical-mile limit issue of 1977—was completed 3 years ago.

The company also began reviewing unprofitable businesses and instilling ROIC-focused management throughout the organization during the Mid-term Management Plan from the FY ending March 2023 to the FY ending March 2025. It also coincides with the completion of various reforms, including changes to the governance structure made effective from June 2025.

Now, the Company is Poised to Embark on Full-Scale Growth Investment

Against this backdrop of a sound financial structure, ROIC-based management principles and a new governance framework, the current Mid-term Management Plan has been formulated at the opportune moment to embark on substantial growth investments. Understanding this context reveals that this is not merely a routine once-every-three-years Mid-term Management Plan update, but an ambitious Mid-term Management Plan launched at a highly significant juncture. During the preparation of the aforementioned integrated report, the editorial team reportedly approached their work with the mindset that this marked the starting line, indicating a shared awareness within the company that it is embarking on a new stage.

Such a Significant Moment of Change Can Become a Point of Focus for Equity Investment

In this Mid-term Management Plan, the company's management has set raising the PBR to over 1x as a key objective, aiming for a major transformation they themselves position as a "Third Founding". Generally, when the stock market's perception of management undergoes significant change, valuation shifts can occur. We should keep an eye on the company's future moves, such as new investments.

Figure 5. Conditions for a New Start Are in Place

200-nautical-mile limit legacy issues resolved	Disposal of non-core assets completed three years ago as part of structural transformation
ROIC-focused management	ROIC introduced for the first time as a financial KGI in the Mid-term Management Plan announced in 2022
Previous Mid-term Management Plan achieved as scheduled	All financial KGIs achieved under the previous Mid-term Management Plan (Mar/23–Mar/25)
Financial restructuring completed	Net D/E ratio: 3.2x at Mar/16 ⇒ 1.0x at Mar/25
Review of unprofitable businesses initiated	Exited Indian Ocean alfonsino fishing business in mar/25; reviewing other operations
Governance system reform	Transitioned to an Audit and Supervisory Committee Company in June 2025, with independent outside directors forming a majority

Mid-Term Management Plan "For the ocean, for life 2027": Financial Targets (Announced March 2025)

Operating Income: **40 billion JPY**	R&I Rating: **Maintain A- rating**
ROIC: **5%**	Dividend Payout Ratio: **30% or more (progressive dividend)**
Growth Investments: **140 billion JPY or more**	PBR: **1x or higher**

Source: Company Materials.

We Also Want to Keep an Eye on the Development of Inorganic Investments

Progress in inorganic investments is also important in terms of the exciting, inspiring vision that make up an equity story. The Mid-term Management Plan announced in March 2025 calls for growth investments of ¥140 billion, broken down into ¥70 billion for organic investments and ¥70 billion for inorganic investments. Since inorganic investments involve a counterparty, even if an investment quota is set, it may not progress as expected. However, appropriate inorganic investments can add growth stories that the stock market did not anticipate, which is thought to have an effect on valuations.

In May 2025, the company acquired VDL Group. The disclosure documents at the time of the acquisition explained that the acquisition funds would be provided by a capital increase of €40 million (approximately ¥6.5 billion at the time) in the European holding company, so it is assumed that this amount was invested. If such investments increase, this could be another catalyst for changing the stock market's perception.

3) Recognition Gap Regarding North American Operations Also Deserves Attention

Equity Story (2): North American Operations as a Positive Example

The second element of the equity story—"Leveraging global marine products procurement capabilities and fishing quotas to expand global sales of processed foods manufactured from these resources, thereby improving profit margins and reducing the impact of profit volatility in the Marine Resources Business"—is exemplified by the North American Alaska pollock business turning profitable in this H1 earnings report. Simultaneously, this fiscal period saw expansion investments in the North American imitation crab plant, a downstream operation using Alaska pollock as raw material. This initiative contributes to stabilizing profits across the entire value chain.

The transformation of a business like the North American Alaska pollock operation—previously perceived as having profitability challenges—into rare, difficult-to-imitate assets that contribute to enhancing corporate value through the Mid-term Management Plan's key initiative of strengthening the value cycle, perfectly aligns with our definition of an equity story.

Furthermore, the gap between the stock market potentially not recognizing the value of the North American Alaska Pollock Business due to its challenging profitability until last fiscal year, while the company itself recognizes this value, is a particularly interesting point. Such recognition gaps can be a source of excess returns in the stock market.

Figure 6. Comparison of Actual and Calculated PBR's for Major Companies Involved in the Fishing, Meat, Marine Products Processing and Frozen Food Industries

Company Name	Ticker	Country	Net Sales (¥mln)	3yr Average ROE	PBR (X)	PER (x)	PBR (Calculated)	Actual - Calculated
JBS NV	JBS	USA	13,461,795	19%	2.2	7.6	3.6	-1.4
Tyson Foods	TSN	USA	8,121,950	1%	1.2	16.5	-0.4	1.6
Marfrig Global Foods	MRFG3	Brazil	4,200,616	39%	11.3	-	8.2	3.1
WH Group	00288	Hong Kong	3,935,044	12%	1.3	9.0	2.1	-0.8
Kraft Heinz	KHC	USA	3,920,634	5%	0.6	9.7	0.6	0.0
CJ CheilJedang	097950	South Korea	3,268,037	6%	0.4	7.7	0.6	-0.2
General Mills	GIS	USA	2,940,159	25%	2.9	12.8	4.9	-2.0
Muyuan Foods	002714	China	2,914,195	14%	3.8	13.5	2.4	1.3
Pilgrim's Pride	PPC	USA	2,711,995	22%	2.2	7.7	4.3	-2.1
Charoen Pokphand	CPF	Thailand	2,497,901	4%	0.7	5.7	0.2	0.5
Wens Foodstuff	300498	China	2,216,578	7%	2.8	15.3	1.0	1.8
Smithfield Foods	SFD	USA	2,145,229	-	1.5	9.5	-0.7	2.2
Hormel Foods	HRL	USA	1,794,647	11%	1.7	17.8	1.9	-0.2
Conagra Brands	CAG	USA	1,752,152	8%	1.0	10.1	1.2	-0.2
Nippon Ham	2282	Japan	1,370,553	5%	1.2	19.2	0.4	0.9
Henan Shuanghui	000895	China	1,261,514	24%	4.4	17.9	4.8	-0.3
Maruha Nichiro	**1333**	**Japan**	**1,078,631**	**11%**	**0.8**	**10.7**	**1.8**	**-1.0**
Dongwon Industries	006040	South Korea	995,606	7%	0.7	6.5	0.8	-0.2
ITOHAM YONEKYU HD	2296	Japan	988,771	6%	1.1	17.8	0.6	0.5
Mowi	MOWI	Norway	913,168	16%	3.0	33.2	3.0	0.0
Nissui	1332	Japan	886,126	10%	1.3	14.6	1.6	-0.3
NICHIREI	2871	Japan	702,080	10%	1.8	16.5	1.6	0.2
Thai Union Group	TU	Thailand	595,426	-	1.0	11.2	-0.7	1.7
Japfa Comfeed	JPFA	Indonesia	535,848	13%	1.9	9.5	2.3	-0.4
Austevoll Seafood	AUSS	Norway	498,887	12%	1.2	24.5	2.1	-0.9
Leroy Seafood	LSG	Norway	439,046	10%	1.6	64.7	1.6	-0.1
SalMar	SALM	Norway	371,252	17%	5.1	58.8	3.3	1.8
KYOKUYO	1301	Japan	302,681	12%	0.8	6.7	1.9	-1.1
YOKOREI	2874	Japan	125,563	-	1.0	27.1	-0.7	1.7
KIBUN FOODS	2933	Japan	108,912	11%	1.1	7.9	1.9	-0.7

Note: Net sales are calculated using the exchange rate at the end of each company's fiscal year.
Source: Company Data. Compiled by Strategy Advisors.

Figure 7. Consolidated Income Statement (¥mln)

FY	3/20	3/21	3/22	3/23	3/24	3/25	3/26 CoE
Net Sales	**905,204**	**809,050**	**866,702**	**1,020,456**	**1,030,674**	**1,078,631**	**1,080,000**
Cost of Sales	787,135	700,505	746,206	885,202	896,856	933,033	
Gross Profit	**118,069**	**108,544**	**120,496**	**135,254**	**133,818**	**145,598**	
Gross Profit Margin	13.0%	13.4%	13.9%	13.3%	13.0%	13.5%	
SG&A Expenses	100,989	92,372	96,677	105,678	107,284	115,216	
Operating Income	**17,079**	**16,172**	**23,819**	**29,575**	**26,534**	**30,381**	**30,000**
Operating Income Margin	1.9%	2.0%	2.7%	2.9%	2.6%	2.8%	2.8%
Non-Operating Income	5,207	4,293	6,040	7,324	8,683	6,932	
Non-Operating Expenses	2,386	2,371	2,263	3,400	4,111	5,059	
Ordinary Income	**19,901**	**18,093**	**27,596**	**33,500**	**31,106**	**32,254**	**29,000**
Ordinary Income Margin	2.2%	2.2%	3.2%	3.3%	3.0%	3.0%	2.7%
Extraordinary Income/Losses	1,166	-7,568	-79	-1,955	4,785	9,691	
Extraordinary Income	4,915	194	2,164	4,378	9,560	11,922	
Extraordinary Losses	3,749	7,762	2,243	6,333	4,775	2,231	
Profit Before Income Taxes	21,067	10,525	27,518	31,545	35,891	41,945	
Pre-Tax Profit Margin	2.3%	1.3%	3.2%	3.1%	3.5%	3.9%	
Income Taxes	6,296	1,626	7,196	7,059	11,168	12,119	
- Current Period	5,526	3,711	4,519	7,597	9,848	10,306	
- Deferred	770	-2,085	2,677	-538	1,320	1,813	
Profit Attributable to Non-Controlling Interests	2,232	3,145	3,422	5,890	3,868	6,560	
Profit Attributable to Owners of Parent	**12,537**	**5,753**	**16,898**	**18,596**	**20,853**	**23,264**	**17,500**
Net Profit Margin	1.4%	0.7%	1.9%	1.8%	2.0%	2.2%	1.6%

Source: Company Data. Compiled by Strategy Advisors.

Figure 8. Consolidated Balance Sheet (¥mln)

FY	3/20	3/21	3/22	3/23	3/24	3/25
Cash and Deposits	21,782	31,579	24,952	33,679	37,944	49,240
Notes and Accounts Receivable - Trade, and Contract Assets	106,077	102,644	115,391	131,769	138,418	133,259
Inventories	164,307	156,141	172,690	216,697	215,332	218,005
Other	9,824	10,147	11,271	10,494	13,291	14,072
Current Assets	**301,990**	**300,511**	**324,304**	**392,639**	**404,985**	**414,576**
Land	46,533	45,439	42,982	42,417	42,189	41,925
Construction in Progress	13,859	10,220	3,896	3,905	6,901	5,685
Other	87,814	92,243	93,371	102,673	103,130	110,601
Tangible Fixed Assets	**148,206**	**147,902**	**140,249**	**148,995**	**152,220**	**158,211**
Goodwill	6,899	7,914	7,965	8,868	7,529	5,728
Other Intangible Fixed Assets	12,140	11,997	14,067	22,860	24,530	25,593
Intangible Fixed Assets	**19,039**	**19,911**	**22,032**	**31,728**	**32,059**	**31,322**
Investments and Other Assets	**58,827**	**64,541**	**62,016**	**63,864**	**82,537**	**77,101**
Total Fixed Assets	**226,073**	**232,354**	**224,298**	**244,587**	**266,816**	**266,635**
Total Assets	**528,063**	**532,866**	**548,603**	**637,227**	**671,801**	**681,211**
Notes and Accounts Payable - Trade	32,797	34,270	36,226	41,701	43,734	44,972
Accounts Payable - Other	25,896	29,446	30,926	30,659	36,694	31,543
Short-Term Borrowings	122,510	135,920	138,467	174,228	167,509	133,069
Other	27,695	42,508	42,237	46,684	51,622	0
Current Liabilities	**199,528**	**213,968**	**221,544**	**265,448**	**272,969**	**236,915**
Long-Term Borrowings	139,204	123,917	112,136	121,910	98,841	99,842
Bonds Payable	-	-	-	5,000	18,000	33,000
Retirement Benefit Liabilities	20,951	19,383	18,515	19,091	21,761	22,495
Fixed Liabilities	**169,556**	**152,237**	**139,162**	**159,255**	**153,352**	**168,899**
Total Liabilities	**369,085**	**366,206**	**360,707**	**424,704**	**426,321**	**405,815**
Capital and Surplus	59,756	61,758	61,766	56,634	56,313	56,309
Retained Earnings	73,069	76,406	91,611	107,313	123,113	141,324
Treasury Shares	-77	-83	-87	-308	-556	-542
Shareholders' Equity	**132,747**	**138,081**	**153,291**	**163,639**	**178,870**	**197,090**
Total Accumulated Other Comprehensive Income	-119	4,415	6,883	14,672	28,258	32,477
Non-Controlling Interests	26,350	24,163	27,721	34,210	38,351	45,827
Total Net Assets	**158,978**	**166,660**	**187,895**	**212,522**	**245,480**	**275,396**
Total Liabilities and Net Assets	**528,063**	**532,866**	**548,603**	**637,227**	**671,801**	**681,211**

Note: Short-term borrowings incl. long-term borrowings to be repaid within 1 year.

Source: Company Data. Compiled by Strategy Advisors.

Figure 9. Consolidated Statements of Cash Flow (¥mln)

FY	3/20	3/21	3/22	3/23	3/24	3/25
Profit Before Income Taxes	21,067	10,525	27,518	31,545	35,891	41,945
Depreciation & Goodwill Amortization	16,639	17,168	17,750	16,695	17,893	18,968
Increase/Decrease in Trade Receivables	8,145	3,082	-9,942	-9,836	-4,041	7,945
Increase/Decrease in Inventories	1,459	9,558	-14,647	-35,235	6,465	2,270
Increase/Decrease in Trade Payables	-1,275	-1,026	2,704	1,650	31	-899
Others	-6,857	-5,946	-4,134	-4,843	-2,635	-31,050
Cash Flows from Operating Activities	**39,178**	**33,361**	**19,249**	**-24**	**53,604**	**39,179**
Purchase of Investment Securities	-692	-152	-234	-149	-3,090	-52
Proceeds from Sales and redemption of Investment Securities	157	202	1,209	3,227	1,333	15,215
Purchase of Tangible Fixed Assets	-21,835	-22,323	-10,185	-15,712	-15,602	-17,511
Purchase of Intangible Fixed Assets	-	-	-	-9,384	-1,757	-1,316
Purchase of shares of subsidiaries and associates	-	-	-1,527	-1,618	-1,470	-387
Purchase of shares of subsidiaries resulting in change in scope of consolidation	-98	-2,312	-1,574	-3,299	-	-775
Interest and Dividends Received	2,013	1,432	1,757	1,654	1,935	2,653
Others	-1,990	11,157	296	1,421	-276	287
Net Cash Provided by (Used in) Investing Activities	**-22,445**	**-11,996**	**-10,258**	**-23,860**	**-18,927**	**-1,886**
Net Increase/Decrease in Short-Term Borrowings	-6,100	-2,323	1,018	25,582	-13,907	-21,081
Increase in Long-Term Borrowings	30,317	28,370	33,853	66,187	45,023	56,170
Repayments Long-Term Borrowing	-25,794	-29,112	-46,481	-48,360	-51,646	-57,053
Purchase of Treasury Shares	-5	-5	-4	-5,381	-266	-6
Dividend Paid	-2,098	-2,096	-2,097	-2,883	-5,038	-5,037
Dividends Paid to Non-Controlling Interests	-1,164	-1,625	-1,505	-2,159	-2,138	-2,517
Interest Paid	-1,747	-1,509	-1,427	-2,204	-3,457	-4,156
Others	-541	-2,512	-557	-494	-1,514	4,328
Net Cash Provided by (Used in) Financing Activities	**-7,132**	**-10,812**	**-17,200**	**30,288**	**-32,943**	**-29,352**
Free Cash Flow	**16,733**	**21,365**	**8,991**	**-23,884**	**34,677**	**37,293**

Source: Company Data. Compiled by Strategy Advisors.

Figure 10. Key Indicators

FY	3/20	3/21	3/22	3/23	3/24	3/25	3/26CoE
EPS (¥)	238.2	109.8	321.1	363.7	413.6	461.9	347.44
BPS (¥)	2,520.3	2,714.3	3,044.0	3,534.4	4,112.7	4,557.7	
DPS (¥)	40	40	55	65	85	110	110
Dividend Payout Ratio	16.8	36.4	17.1	17.6	20.5	23.8	31.7
Closing Price (¥)	2,258	2,625	2,397	2,375	2,974	3,261	
PER (x)	9.5	24.0	7.5	6.4	7.2	7.1	
PBR (x)	0.9	1.0	0.8	0.7	0.7	0.7	
Number of Shares Issued (‘000)	52,657	52,657	52,657	50,579	50,579	50,579	
Treasury Stock (‘000)	32,290	34,758	36,389	128,003	215,068	209,805	
Number of Shares of Treasury Stock Excluded (‘000)	52,625	52,622	52,621	50,451	50,364	50,369	
Market Capitalization (¥mln)	118,826	138,133	126,131	119,821	149,757	164,253	
Equity Ratio	25.1	26.8	29.2	28.0	30.8	33.7	
Interest-Bearing Debt (¥mln)	266,008	263,710	254,466	304,941	287,891	277,286	
D/E Ratio	2.0	1.8	1.6	1.7	1.4	1.2	
Net D/E Ratio	1.8	1.6	1.4	1.5	1.2	1.0	1.0
EV (¥mln)	389,402	394,427	383,366	425,293	438,055	438,126	
EBITDA (¥mln)	33,718	33,376	42,593	47,449	45,963	51,580	50,000
EBITDA Margin	11.5	11.8	9.0	9.0	9.5	8.5	
ROE	9.7	4.2	11.2	11.0	10.8	10.7	7.5
ROIC	3.2	3.0	4.3	4.8	4.2	4.3	4.0
Number of Employees	11,107	13,117	12,352	12,843	12,531	12,454	

Note: ROIC is defined by the company as "(operating income + interest paid - interest received) x (1 - effective tax rate) ÷ average of working capital and fixed assets at the beginning and end of the fiscal year".
Source: Company Data. Compiled by Strategy Advisors.

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