

Investment in Industrial Pesquera Santa Priscila (IPSP)



August 8, 2023
MITSUI & CO., LTD. (Security code: 8031)

I am Yoichiro Endo of Food Business Unit of Mitsui & Co., Ltd.

I would like to thank you for joining us today following the Nutrinova briefing held in June.

Project Overview



Overview

Investment in **Industrial Pesquera Santa Priscila (IPSP)**

Acquisition Price

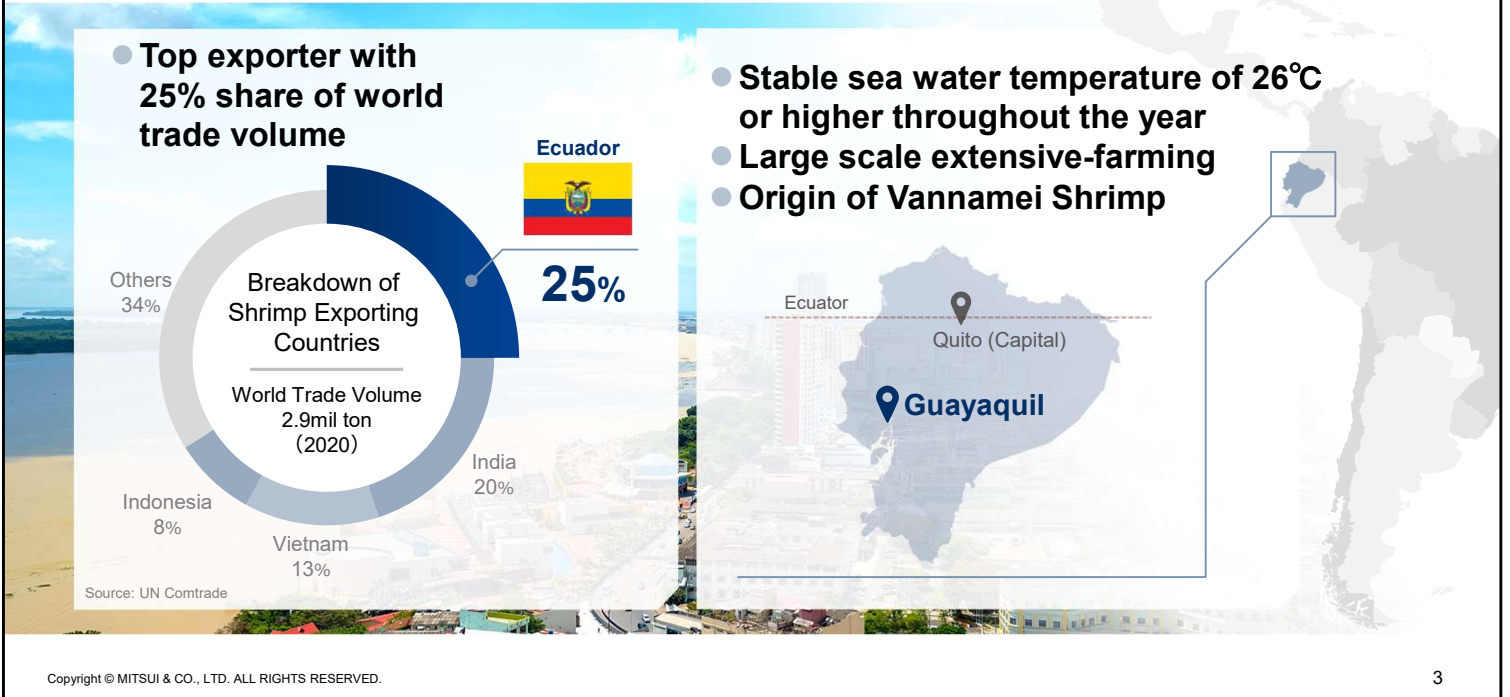
USD 360mil (approx. JPY 50bil)

Closing Date

During FY March 24

We have decided to make an investment in Ecuador-based IPSP, which is the largest shrimp farming company in the world, and today I would like to brief you on the investment.

Ecuador: World's No.1 Shrimp Exporter



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First, I will talk about Ecuador, where IPSP operates its business.

Ecuador is a country in South America with an area of 260,000 sq. km and a population of 18 million.

It faces the Pacific Ocean and stretches from the Andes Mountains to upstream Amazon.

The per-capita GDP of the country is around USD 6,000 and its major exports are shrimp, petroleum and banana.

In particular, it accounts for 25% of the global trade in shrimp and ranks as the No.1 shrimp exporter in the world.

One of the important conditions for shrimp farming is water temperature, and the coast of Ecuador has a stable seawater temperature of above 26 degrees Celsius throughout the year.

Ecuador has a vast land area that enables large-scale, extensive shrimp farming. Moreover, it also boasts an optimum environment for shrimp farming, as the Eastern Pacific Coast including Ecuador is the habitat of the vannamei shrimp that currently accounts for a major share of shrimp trade.

Type of Shrimp



This slide shows various types of shrimp.

Vannamei shrimp is by far the most widely distributed shrimp in the world.

Black tiger shrimp live on the bottom of ponds, whereas vannamei shrimp swim in the water, that enables more efficient use of ponds.

Outline of IPSP



| | | | |
|---|---|---|--|
| Company Name Industrial Pesquera Santa Priscila S.A. | Location Guayaquil, Ecuador | Established 1976 | Representative Santiago Salem Founder / Executive Chairman |
| Number of Employees Approx. 16,000 | Financials (FY22 actual) Sales: USD 1,400mil (Approx. 196bil yen) | Main Products Frozen Shrimp Processed Shrimp | Main Market China, US, Europe, Ecuador |

Next, let's take a look at IPSP.

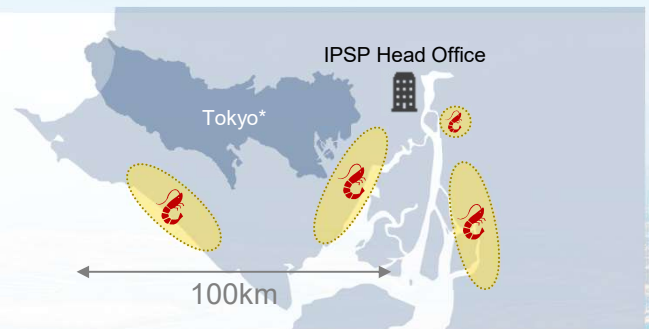
IPSP is headquartered in Ecuador's largest city Guayaquil, where it also has its shrimp farming ponds as well as production and processing facilities. The company has around 16,000 employees.

IPSP had sales of 1.4 billion USD (approx. 196 billion yen) in FY2022.

Outline of IPSP

World's largest shrimp farmer

18,000 hectare of farming ponds
 Stable operations with 100% traceability
 through in-house farming



*For size comparison

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The most prominent feature of IPSP is that it is the largest shrimp farming company in the world.

It has a few thousand ponds spread across 18,000 hectares of land in the suburbs of Ecuador's largest city Guayaquil, and has achieved high production efficiency with its proprietary aquaculture technologies and quality improvements.

Another hallmark of the company is that it boasts an operation that can ensure stable production with 100% traceability as it owns most of the ponds. These photos show shrimp farming ponds. The size of a single pond is about 200 meters by 300 meters, though the bigger ones are more than three to four times that area.

IPSP carries out its low-density aquaculture business in an expansive environment that closely mimics a shrimp's natural habitat, which makes the shrimp less susceptible to diseases.

Stages of Shrimp Farming



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This slide depicts the process behind the shrimp farming business.

Shrimp farming starts with nurturing and selecting superior strains of parent shrimp in an indoor facility, harvesting eggs from the parent shrimp, and hatching the eggs to produce baby shrimp. These baby shrimp are then farmed and harvested over about 90 days in a pond as seen in the photo. After harvesting, the shrimp are taken to the processing plant, where they are sorted according to size, etc., and then processed, packed, and shipped.

IPSP carries out all these processes itself, and by providing a one-stop service, enhances quality and cost-competitiveness.

Outline of IPSP

Their frozen and processed shrimp products are sold globally, including China, US, Europe, and Ecuador.



Flagship Products of IPSP



Head-on shell on



Head-less shell on



Peeled



Cocktail shrimp



Fried Shrimp

Low

Degree of processing

High

Next, I will explain IPSP's products.

The main products of the company are frozen shrimp and processed shrimp products, which are exported to China, US, Europe, and other markets.

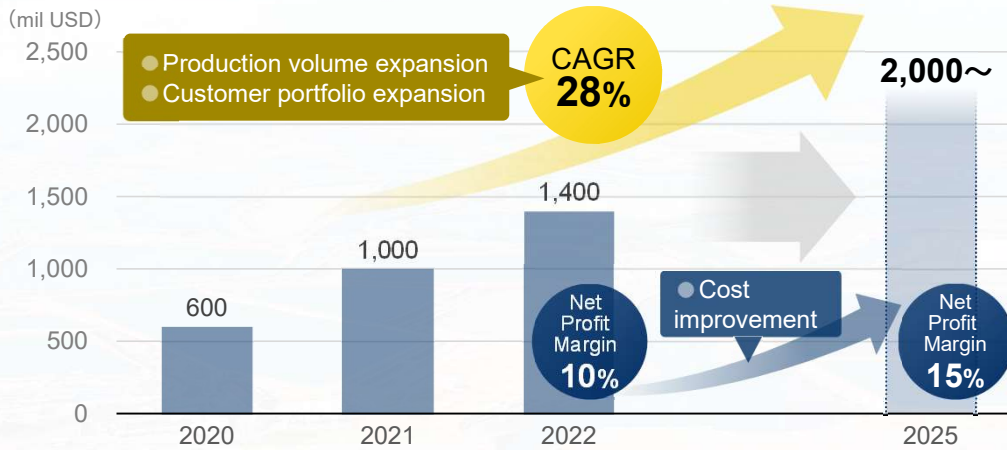
Shrimp with their heads and shells intact, known as head-on shell-on, are the mainstay products especially for the Chinese market.

At the same time, IPSP is also focusing on products that require a bit of higher-level processing such as headless shell-on shrimp and shelled shrimp, demand for which is rising especially in the US market.

The company has been able to build a solid revenue base without missing business opportunities by capturing the various market needs, and producing, processing, and selling products that suit the respective markets.

Outline of IPSP

Trend of Net Sales in IPSP (non-consolidated)



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From the quantitative aspect, as you can see from the graph, IPSP's sales have been strong in the past three years, and the company is anticipating 2 billion USD (approx. 280 billion yen) in sales in 2025.

The graph shows an average annual growth rate of 28%, which the company achieved thanks to its pursuit of expansion of its ponds and strengthening its processing capacity in response to market requirements, among others.

As for the target profit margin, the company's net profit margin against net sales for 2022 was approx. 10%, and it aims to achieve a margin of 15% in 2025. This increase will come from the improvement in feed efficiency utilizing an auto feeding system and AI technology.

Outline of IPSP

IPSP's share of global shrimp trade volume



Source: Internal research

Trade volume of major global producers

| | 2018 | 2019 | 2020 | 2021 | 2022 |
|-------------|------------|-------------|-------------|-------------|-------------|
| IPSP | 7.7 | 10.9 | 11.2 | 14.7 | 17.7 |
| No.2 | 6.2 | 7.8 | 8.8 | 9.7 | 9.5 |
| No.3 | 3.7 | 5.2 | 6.4 | 7.1 | 9.3 |

Source: Internal research

The graph here shows the trend in global shrimp trade volume and IPSP's share.

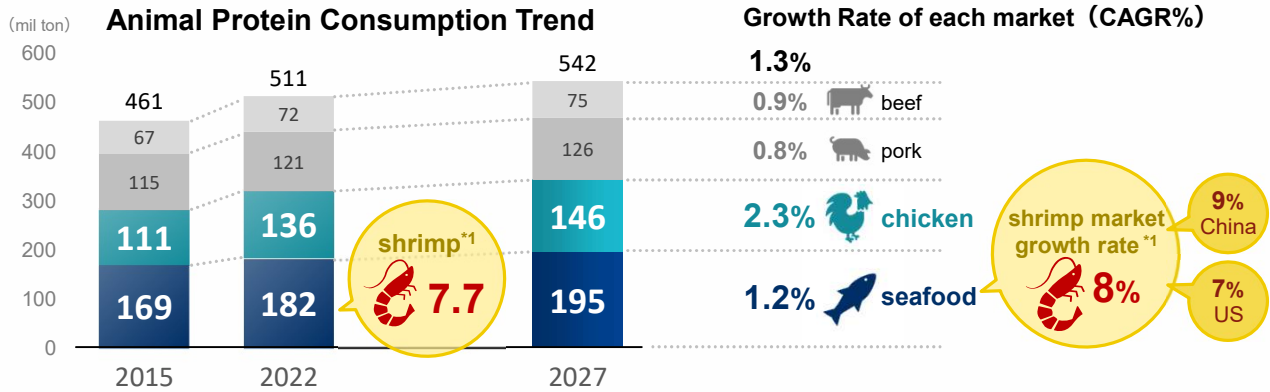
The global shrimp trade volume hovers around 3 million tons. In that, IPSP has increased its share from 2% in 2018 to 6% in 2022.

Positioning of Animal Protein Business Cluster in Mitsui's business strategy



Global Animal Protein Demand

Animal protein demand continues to increase worldwide, with **shrimp and chicken** being the two species with the highest growth rates.



Source: OECD-FAO; Agricultural Outlook 2017-2018
*1: Internal research

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Next, I will explain Mitsui's animal protein business cluster.

The consumption of animal protein is continuously increasing globally and consumption reached 510 million tons in 2022 and is expected to climb to 540 million tons in 2027.

Looking at growth by CAGR, while chicken shows the biggest growth of 2.3% in the livestock category, seafood is expected to grow 1.2% which doesn't seem that high, but this number is the average for seafood overall. Out of the 200 million tons of seafood consumption, shrimp only accounts for 7.7 million tons, only 4%, but the growth of the shrimp market is expected at a high rate of approx. 8%. China, the world's largest shrimp consumer, is expected to grow at 9%, and the US the second largest, at 7%.

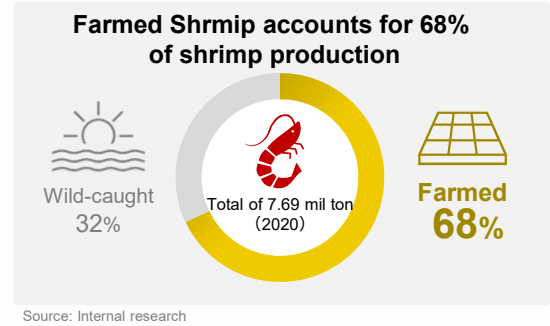
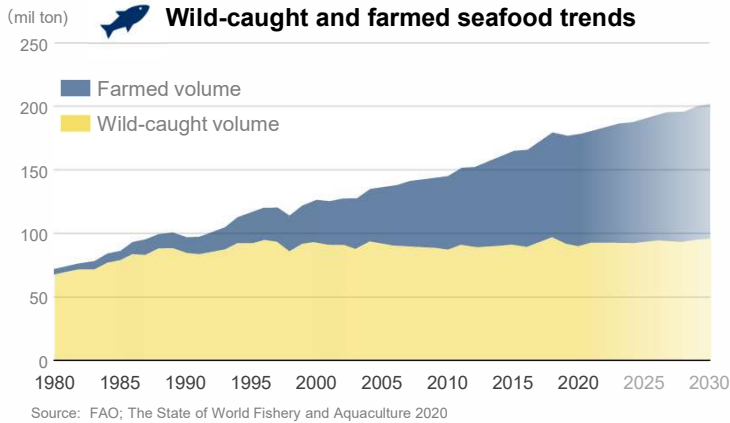
Chicken and shrimp have shorter production periods, high feed efficiency, and are more resilient against the economic fluctuations compared to other sources of animal protein. Moreover, considering the world's demographics in the future, the potential growth of chicken and shrimp consumption is promising in terms of their use across various cuisines and relative lack of constraints from a religious perspective too. Together with the fact that they are low in fat and calories and suit the diets of health conscious consumers, Mitsui positions chicken and shrimp industry as areas of focus.

Positioning of Animal Protein Business Cluster in Mitsui's Business Strategy



Potential of Farming Business

Production expansion through farming continues to flourish, while wild-caught as a source of seafood protein have reached a plateau.

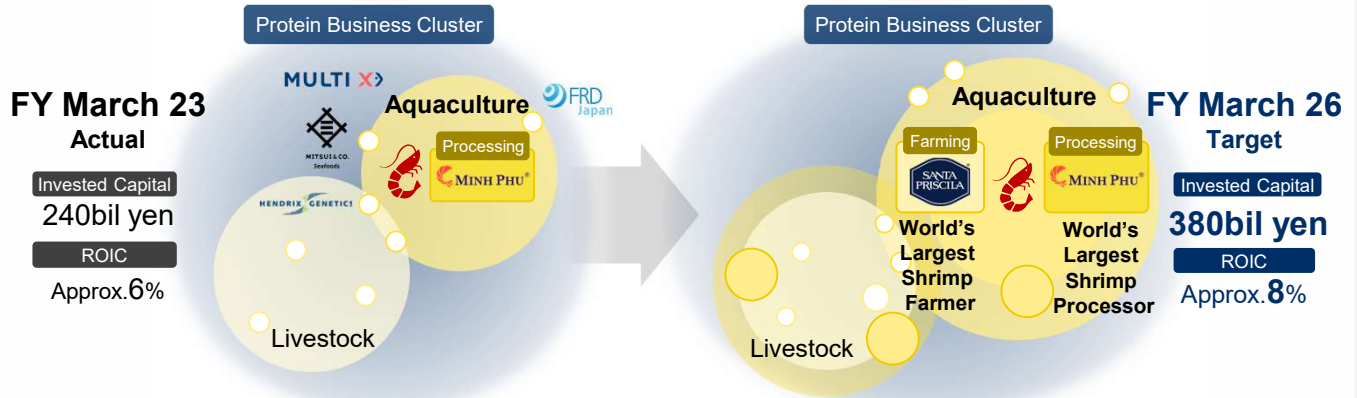


There are two types of seafood as sources of protein – wild-caught and aquaculture, and seafood as a source of protein is expected to grow through the expansion in production of aquaculture.

In particular, with respect to shrimp, some 70% of recent production is already through aquaculture and growth prospects for the shrimp farming business is expected to be significant going forward.

Forming of Protein Business Cluster

Investment in value chain of growing areas (shrimp and chicken) and pursuit of synergies among the businesses



To conclude, I would like to talk about Mitsui's animal protein business cluster.

In the animal protein business cluster as of the previous fiscal year ended March 2023, shown on the left side, invested capital is 240 billion yen and ROIC is about 6%. We plan to grow this into a highly profitable business cluster with invested capital of 380 billion yen and ROIC of approx. 8% by the end of March 2026, the final fiscal year of the current Medium-term Management Plan.

Mitsui has been engaging in shrimp trading and business. In addition, in 2019, Mitsui invested in Minh Phu, the world's biggest shrimp processing company with strengths in products that require higher level of processing such as shrimp for sushi and fried shrimp, giving us experience in the shrimp industry.

We are positioning shrimp farming major IPSP, in which we are investing, and Minh Phu together as the core of our animal protein business cluster to further expand the value chain.

As you can see on the left side, we invested in Hendrix Genetics in 2021, a livestock and fishery genetics and breeding development company that also possesses shrimp breeds.

Compared to salmon and other seafood product businesses, we believe there is significant scope for technological innovation, efficiency improvement and industry restructuring in shrimp farming, which is still young as an industry. There is still significant room for improvement in its profitability and scale, and we will continue to demonstrate our comprehensive strengths to enhance the value of the entire business cluster.

That concludes my presentation. Thank you very much.

360° business innovation.

