

March 25, 2025

To whom it may concern

Company: Nichirei Corporation
Representative: Kenya Okushi,
Representative Director, President & Chief
Executive Officer
(Securities Code: 2871, Tokyo Stock Exchange, Prime Market)
Contact: Public Relations & Investor Relations
(TEL 03-3248-2235)

Notice Regarding Misconduct by Former Employee at Our Chinese Subsidiary

We hereby notify you that misconduct by a former employee of Nichirei Foods Inc. has been discovered at Nichirei Corporation Shanghai Ltd., a Chinese subsidiary of Nichirei Foods, our subsidiary.

We view the occurrence of this misconduct with utmost gravity and wish to extend our deepest apologies to all our stakeholders, including customers and shareholders, for the significant inconvenience and considerable concern this has engendered.

1. Summary of this misconduct

In March 2024, we became aware of suspicions that a former employee in the position of Chairman and General Manager of Nichirei Corporation Shanghai had established his own company without authorization. Following an initial investigation to ascertain the circumstances, we discovered that the former employee had engaged in unauthorized activities, such as making agreements with clients involving financial burdens and debt guarantees, without following due internal procedures such as institutional decision-making.

Subsequently, an investigation committee headed by an external director, and including external experts, was established, and a thorough investigation to determine the facts of the matter was conducted.

Today, the Board of Directors approved the release of the "Investigation Report (Public Version)" following its receipt from the Investigation Committee.

2. Investigation Committee's findings

Please refer to the attached "Investigation Report (Public Version)" for the Investigation Committee's findings. This report contains redactions for the purpose of safeguarding personal and confidential information. Your understanding is appreciated.

3. Impact on consolidated financial results

Losses attributed to this misconduct reached approximately 90 million yen, which is expected to have a limited impact on our consolidated financial results.

4. Action plan for future responses based on the Investigation Committee's findings

We solemnly accept the results of this investigation and will formulate and implement measures to prevent recurrence in accordance with the recommendations for the prevention of recurrence.

Specific measures to prevent recurrence, etc., will be announced as soon as they are determined.

End

Investigation Report (Public Version)

Nichirei Corporation
Investigation Committee

March 25, 2025

The Board of Directors of Nichirei Corporation

Investigation Committee of Nichirei Corporation

Chairman: Kenji Hamashima

Member: Yuhiko Saito

Member: Kenya Okushi

Member: Tatsushi Kato

Member: Atsushi Nishitani

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Abbreviations and Terms

Investigation Report (hereinafter referred to as the “Report”) uses the following abbreviations. Please note that the alphabets used in the abbreviations are mechanically assigned and bear no relation to the original names.

<Company Name>

| Abbreviations | Official name of company and company profile |
|--|--|
| Nichirei Corporation Shanghai | Nichirei Corporation Shanghai Ltd. |
| Nichirei Enterprise Management Consulting (Shanghai) | Nichirei Enterprise Management Consulting (Shanghai) Co., Ltd. |
| Nichirei Foods | Nichirei Foods Inc. |
| Nichirei | Nichirei Corporation |
| Company X | The company established by Individual X. |
| Company A1 | Parent company of Company A2 |
| Company A2 | A manufacturing subcontractor of Nichirei Corporation Shanghai Ltd. and a subsidiary of Company A1, specifically mentioned in the misconduct described in Section III 3.1 below. |
| Company A1/2 | The collective term of Company A1 and Company A2 |
| Company A3 | A subsidiary of A1 and a fellow company of A2, which owns land where Company A2 is located. |
| Company B1 | A company of the B Group, which extended a loan to Company A2, specifically mentioned in the misconduct described in Section III 3.1 below. |
| Company B2 | A company of the B Group, the stake of which was transferred to Company X, specifically mentioned in the misconduct described in Section III 3.2 below. |
| Company B3 | A company of the B Group, Individual Y1's controlling company and a shareholder of Company B2. |
| Company C | A customer to whom products manufactured by Company A2 are delivered. |
| Company D | A manufacturing subcontractor for Company C's products prior to a business partnership with Company A2. |
| B Group | An umbrella term for a corporate group, comprising Company B1, Company B2, and Company B3, effectively controlled by Individual Y1. |

<Name of person>

| Abbreviations | Company / Position |
|---------------|--|
| Individual X | Former Chairman and General Manager of Nichirei Corporation Shanghai Ltd., Former Employee of Nichirei Foods Inc., Chairman and General Manager of Company B2, Executive Director of Company X |
| Individual Y1 | The effective controller of the B Group |
| Individual Y2 | Former Shareholder (2%) and Former Auditor of Company B2 |
| Employees Y3 | Former Employee of Nichirei Corporation Shanghai Ltd., Former Chief Financial Officer of Company X, Auditor of Company B2 |
| Employee Y4 | Former Employee of Nichirei Corporation Shanghai Ltd., Former Auditor of Company X |

| | |
|-------------|--|
| Employee Y5 | Former Employee of Nichirei Corporation Shanghai Ltd., Former Auditor of Company A2 |
| Employee Z1 | Former General Manager of Finance Department, Nichirei Enterprise Management Consulting (Shanghai) Co., Ltd. |
| Employee Z2 | Member of the International Business Division, Nichirei Foods Inc. |

<Agreements entered into in connection with the misconduct outlined in Section III 3.1 below>

| Abbreviations | Name of contract | Date of agreement | Parties to the agreement |
|---|--|---|---|
| Company A1 Business Alliance Agreement | (i) Business Alliance Agreement (ii) Supplementary Agreement to Business Alliance Agreement | (i) October 14, 2020 (ii) June 30, 2024 | <ul style="list-style-type: none"> Nichirei Corporation Shanghai Company A1 |
| Company A2 Manufacturing Cooperative Agreement | (i) Manufacturing Cooperative Agreement (ii) Supplementary Agreement to "Manufacturing Cooperative Agreement" | (i) October 14, 2020 (ii) June 1, 2023 | <ul style="list-style-type: none"> Nichirei Corporation Shanghai Company A2 |
| A2 Development Commission Agreement | Development Commission Agreement | October 14, 2020 | <ul style="list-style-type: none"> Nichirei Corporation Shanghai Company A2 |
| Letter of Acknowledgement Regarding A2 Manufacturing Cooperative Agreement and Development Commission Agreement | Letter of Acknowledgement Regarding Manufacturing Cooperative Agreement and Development Commission Agreement | October 14, 2020 | <ul style="list-style-type: none"> Nichirei Corporation Shanghai Company A2 |
| Official Agreement of Company A1/2 Business Alliance | Collective term for Company A1 Business Alliance Agreement, Company A2 Manufacturing Cooperative Agreement, A2 Development Commission Agreement, and Letter of Acknowledgement Regarding A2 Manufacturing Cooperative Agreement and Development Commission Agreement | | |
| A1 Supplementary Agreement dated October 14, 2020 | Supplementary Agreement | October 14, 2020 (actual conclusion in mid-December of the same year) | <ul style="list-style-type: none"> Nichirei Corporation Shanghai Company A1 |
| Agreement of Company A1/2 Business Alliance | Collective term of Official Agreement of Company A1/2 Business Alliance and Company A1 Supplementary Agreement dated October 14, 2020 | | |
| 20 million yuan loan agreement dated March 13, 2023 | Loan Agreement | March 13, 2023 | <ul style="list-style-type: none"> Company B1 Company A2 Nichirei Corporation Shanghai |
| 5 million yuan loan agreement dated November 15, 2024 | Loan Agreement | November 15, 2024 | <ul style="list-style-type: none"> Company A2 Company A1 Nichirei Corporation Shanghai |
| Company A1's agreement on investment amount dated November 15, 2024 | Agreement on investment amount | November 15, 2024 | <ul style="list-style-type: none"> Company A1 Nichirei Corporation Shanghai |

<Major agreements entered into in connection with the misconduct outlined in Section III 3.2 below>

| Abbreviations | Name of contract | Date of agreement | Parties to the agreement |
|---|---|-------------------|--|
| B2 Stake Transfer Contract dated October 17, 2023 | Agreement of B2's Stake Transfer and Alliance | October 17, 2023 | <ul style="list-style-type: none"> • Company B2 • Company B3 • Individual Y2 • Company X • Nichirei Corporation Shanghai • Individual Y1 • Individual X |
| Supplementary Agreement to B2's Stake Transfer Contract dated March 9, 2024 | Supplementary Agreement to B2's Stake Transfer and Alliance | March 9, 2024 | <ul style="list-style-type: none"> • Company B2 • Company B3 • Individual Y2 • Company X • Nichirei Corporation Shanghai • Individual Y1 • Individual X |

* Unless otherwise stated, all Japanese yen equivalents for Chinese yuan amounts appearing in the Report are based on the People's Bank of China's official median rate (TTM) for the day, published on March 24, 2025, at a rate of 100 Japanese yen = 4.8247 Chinese yuan.

Section I Summary of Investigation

1. Background of the establishment of the Investigation Committee

Around the end of March 2024, an employee of Nichirei Corporation Shanghai, a Chinese subsidiary of Nichirei Foods, made a query about Company X to Nichirei Enterprise Management Consulting (Shanghai), which is also a Chinese subsidiary of Nichirei Foods and is responsible for financial and accounting operations of Nichirei Corporation Shanghai. Prompted by the query, Nichirei Foods and Nichirei Corporation Shanghai initiated internal investigations. The investigation revealed that Individual X established his own company without Nichirei Food's authorization, in violation of Nichirei Foods' internal regulations, and that Nichirei Corporation Shanghai employees were assigned to tasks related to both Company X and Company B2, with Nichirei Corporation Shanghai bearing the associated expenses. Individual X also assumed the position of Chairman of the Board of Company B2.

Consequently, on December 10, 2024, Nichirei Foods and Nichirei Corporation Shanghai dismissed Individual X from his position as Chairman and General Manager of Nichirei Corporation Shanghai, and on the same date, terminated Individual X's employment for disciplinary reasons. Consequently, the investigation revealed a strong possibility that Individual X engaged in misconduct, including unauthorized agreements with clients regarding financial obligations and debt guarantees, without proper internal authorization, as discussed further below.

In response, Nichirei, deeming it necessary to conduct a more specialized and objective investigation, including forensic data analysis, email review, and subsequent interviews and analysis by external experts, established an investigation committee including external experts on December 18, 2024, to clarify the existence, nature, and extent of any unauthorized contract execution or other misconduct by Nichirei Corporation Shanghai.

2. Purpose of the Investigation

The purposes of this investigation are as follows:

- (i) To determine the existence and nature of the alleged misconduct by Individual X, as well as to investigate the existence and nature of any comparable misconduct
- (ii) Clarification of the factors that led to the misconduct of Individual X
- (iii) Recommendations for the prevention of recurrence

3. Composition of the Investigation Committee

The members of the Committee are as follows (titles omitted):

| | | |
|----------|---|-------------------|
| Chairman | Outside Director of Nichirei Corporation | Kenji Hamashima |
| Member | Nichirei Corporation Outside Auditor | Yuhiko Saito |
| | Nichirei Corporation Representative Director, President and Chief Executive Officer | Kenya Okushi |
| | Nichirei Corporation Full-time Corporate Auditor | Tatsushi Kato |
| | Attorney at Law, Anderson Mori & Tomotsune | Atsushi Nishitani |

The Investigation Committee was initially chaired by Kenya Okushi, Representative Director, President and Chief Executive Officer of Nichirei. However, in light of the nature of the matter, and to conduct a more impartial investigation, on February 4, 2025, Kenji Hamashima, an outside director of Nichirei, was appointed as the chairman.

4. Investigation period

The period of the investigation by the Committee is as follows:

From December 18, 2024 to March 24, 2025

5. Investigation method, etc.

5.1 Investigation period (from 2020 to December 2024)

Given that the initial misconduct by Individual X was determined to have occurred on October 14, 2020 as a result of internal investigations performed by Nichirei Foods and Nichirei Corporation Shanghai, we launched an investigation spanning from January 2020 to December 2024, the date of Internal X's disciplinary dismissal and removal. However, for individual events, earlier data are also verified as necessary.

5.2 Companies investigated

The companies covered by this investigation include Nichirei, Nichirei Foods, and Nichirei Corporation Shanghai, as well as Nichirei Enterprise Management Consulting (Shanghai), which is contracted to handle Nichirei Corporation Shanghai's finance and accounting back-office operations.

5.3 Investigation method

The investigation was conducted based on: (i) analysis and review of contracts and other related documents and internal regulations disclosed by Nichirei, Nichirei Foods, Nichirei Corporation Shanghai, Nichirei Enterprise Management Consulting (Shanghai), and their related parties; (ii) interviews with current and

former officers and employees of Nichirei, Nichirei Foods, Nichirei Corporation Shanghai, Nichirei Enterprise Management Consulting (Shanghai); (iii) forensic analysis and review of emails and data; (iv) questionnaires distributed to Nichirei Corporation Shanghai and Nichirei Enterprise Management Consulting (Shanghai) officers and employees; and (v) review of publicly available information.

The specific procedures for this investigation are as follows:

5.3.1 Investigations to determine the facts of the misconduct uncovered

(1) Analysis and inspection of contracts and other pertinent evidentiary documentation, and internal regulations and related materials pertaining to the misconduct

The Committee undertook a review and analysis of pertinent contracts, agreements, memoranda, and other documentation in the possession of Nichirei, Nichirei Foods, and Nichirei Corporation Shanghai, and Nichirei Enterprise Management Consulting (Shanghai), within the scope deemed necessary. Furthermore, we compared the contents of contracts and other documents held by Nichirei Corporation Shanghai with those shared and reported by Individual X to Nichirei Foods to confirm whether and what unauthorized contracts Individual X had entered into with Nichirei Foods.

(2) Interviews with executives and former officers and employees of Nichirei, Nichirei Foods, and Nichirei Corporation Shanghai, and Nichirei Enterprise Management Consulting (Shanghai)

In pursuit of achieving the objectives of this investigation, the Committee conducted interviews with a total of 39 persons who were judged to potentially possess information or knowledge pertinent to the inquiry, selected due to their perceived significance to the investigation.

(3) Forensic investigation

The Committee conducted the preservation and collection of information or data potentially held by relevant Nichirei Corporation Shanghai personnel on company-provided personal computers (including tablets) and email data¹ stored on the email server, for the purposes of this investigation. After processing this collected data, we performed a review of a total of 25,786 standalone data files and emails and attachments of a total of five personnel, filtered by search terms related to the investigation period and the subject of this investigation.

¹Since the mobile electronic devices such as the relevant parties' mobile phones were all personally owned, they were excluded from the scope of preservation and collection in this investigation.

(4) Implementation of questionnaire

To investigate Individual X's involvement and awareness of the misconduct, as well as involvement and awareness in similar incidents, the Committee distributed a questionnaire to a total of 42 officers and employees from Nichirei Corporation Shanghai and Nichirei Enterprise Management Consulting (Shanghai).

5.3.2 Investigation to confirm the existence of similar cases

(1) Investigation to confirm the existence of similar cases at Nichirei Corporation Shanghai

To confirm the existence of similar cases at Nichirei Corporation Shanghai, the Committee conducted the following investigation, in addition to the investigation described in 5.3.1 above.

a. On-site investigation

For the purpose of confirming the absence of comparable transactions or improper expenditures at Nichirei Corporation Shanghai, associated with the alleged misconduct of Individual X detailed in Section III 3.2.7 hereunder, we performed an on-site audit of Nichirei Corporation Shanghai's financial documentation and accounting books.

The scope of the investigation spanned from January 2024 to December 2024 (with the review of Individual X's expense processing, etc., covering the period from January 2017 to December 2024). The investigative procedures included: (i) verifying the effectiveness of internal control workflows within Nichirei Corporation Shanghai relating to procurement, payments, invoicing, and collections, as well as fixed assets; (ii) confirmation of Nichirei Corporation Shanghai and Nichirei Enterprise Management Consulting (Shanghai) operational workflows for official seal/stamp control; (iii) physical verification of asset management practices at Nichirei Corporation Shanghai and Nichirei Enterprise Management Consulting (Shanghai); (iv) expense analysis within Nichirei Corporation Shanghai (for identification of kickbacks and embezzlement through inappropriate expense claims); and (v) review of Individual X's handling of expense processing, vendor payments, and employee payroll.

b. Investigation facilitated by information sharing with suppliers

Upon disseminating information regarding the change of Chairman at Nichirei Corporation Shanghai to 10 suppliers to Nichirei Corporation Shanghai, we verified handover matters, and conducted a review with

each supplier to ascertain the absence of any analogous transactions.

(2) Investigation to confirm the existence of similar cases at comparable overseas subsidiaries

As detailed in 2.2 of Section V below, the following have been identified as contributing factors to Individual X's misconduct: the prolonged term of office of Individual X as Chairman and General Manager of Nichirei Corporation Shanghai, resulting in amplified influence and the centralization of power within the organization; and the ineffectiveness of governance, legal compliance, and auditing/monitoring frameworks in the PRC (hereinafter referred to as "China").

"To check for similar cases, we reviewed all Nichirei overseas subsidiaries (a total of 43 companies), focusing on the length of service of their representatives, their concurrent positions (including Chairman and General Manager and other officer roles), the composition of their Board of Directors, Nichirei's regular audit and monitoring practices, and whether they were audited by major audit firms. We also investigated the following companies (hereafter "comparable overseas subsidiaries") to confirm if any misconduct similar to the incident had occurred.

- RIZHAO MAI LENG FOOD TRADING COMPANY LIMITED
- NICHIREI Fresh Hong Kong, Limited
- Shanghai Fresh Line Express Co., Ltd.
- Nichirei Australia Pty. Ltd.
- Nichirei Suco Vietnam Co., Ltd.

The following investigations were undertaken:

a. Interviews directed to responsible departments at comparable overseas subsidiaries

In order to gain an understanding of the communication practices with each subsidiary, the management and operation of official seals/stamps within each subsidiary, the existence/absence and reporting channels of internal reporting systems, and reporting results, interviews were conducted with the responsible departments of five comparable overseas subsidiaries.

b. Interviews and questionnaire surveys directed to representatives of comparable overseas subsidiaries

To ascertain the extent of concurrent positions involving conflicts of interest, the presence of related-party transactions, and the frequency of expense claims where the applicant and approver were identical, a

questionnaire survey was administered to a total of 6² representatives or individuals seconded from Nichirei to five comparable overseas subsidiaries.

Moreover, on-site interviews were conducted with a total of two representatives from Nichirei Australia Pty. Ltd. and Nichirei Suco Vietnam Co., Ltd., subsidiaries of Nichirei Foods as are the case of Nichirei Corporation Shanghai, to confirm their official seal/stamp control procedures and expense approval procedures, as well as related matters.

c. Investigation of concurrent positions and equity holdings of representatives of comparable overseas subsidiaries

Concerning the aforementioned six personnel representing or seconded from the five Comparable Overseas Subsidiaries, a review of publicly available information was conducted to ascertain whether they hold concurrent positions as representatives or officers in other companies incorporated in the same legal jurisdiction as said Comparable Overseas Subsidiaries, or whether they hold equity interests in such entities.

The methods and limitations of investigations in each jurisdiction are outlined below:

- Mainland China:

We investigated whether the individual was listed as an officer or investor in other companies by searching their name on Tianyancha, a popular corporate information platform in mainland China.

- Hong Kong:

We investigated whether individuals were appointed as directors of other companies by searching their names (in alphabetical characters) in Hong Kong's company registry system. The system lacks the functionality to verify the investment status of the individual in other companies.

- Australia:

We investigated, via a search of the company registry system utilized by our office in Australia, whether the individuals were registered under their alphabetical names as officers or shareholders of other companies (disclosure limited to the top 20 shareholders by shareholding ratio).

- Vietnam:

We investigated, via a search of the company registry system utilized in Vietnam, whether the individuals were registered under their alphabetical names as legal representatives of other companies or members of limited liability companies. The system lacks the functionality to determine if the individual is registered as a director, auditor, or equivalent officer in other companies.

² As the positions of Chairman and General Manager were not concurrently held at Nichirei Rizhao Mei Corporation Ltd. among comparable overseas subsidiaries, and were instead occupied by separate individuals, both individuals were included in the scope of the investigation. Therefore, the investigation included two individuals from Nichirei Rizhao Mei Corporation Ltd. and one individual from each of the other four comparable overseas subsidiaries.

5.4 Assumptions and considerations for the investigation

The Report presents the results of the investigation conducted by the Committee from December 18, 2024 to March 24, 2025 concerning allegations of unauthorized contracting, etc. that occurred at Nichirei Corporation Shanghai. This inquiry relies on the voluntary cooperation of the relevant individuals, and is not conducted under any mandatory investigative powers. A significant limitation in this investigation is that the Committee was unable to obtain Individual X's WeChat data, which is where key exchanges related to the matter are believed to have taken place. In addition, the email data belonging to Individual X and OCS employees, which was utilized for the forensic analysis, included data that had been deleted. Despite attempts to restore this deleted information, data erased more than 6 months before the recovery attempt could not be retrieved. Considering the aforementioned factors, the Committee acknowledges that its preservation and collection of data was subject to constraints.

The findings of this investigation rely on the assumption that all related materials obtained during the investigation are authentic and complete originals or accurate reproductions. The statements in the Report are confined to matters ascertained during the course of the investigation, and it is possible that the Report does not reflect facts discovered after the investigation period ended or any materials or facts that could not be verified within the scope of the investigation.

Furthermore, it should be noted that the findings of the Committee are subject to change if additional relevant materials exist that were not collected by the committee, or if any statements obtained through prior interviews are found to contain factual inaccuracies based on information provided by related parties whom the Committee was unable to interview.

The Committee is not investigating the legal liability of the parties involved for violations of laws or contracts. Even if the Report identifies that certain actions should have been taken (or not taken) by the parties involved, such findings represent determinations based on socially accepted norms of conduct and reasonable expectations, and should not be construed as a direct finding of legal or contractual violations.

Section II Profile of Nichirei Group

1. Profile of Nichirei

1.1 Basic information

As of March 24, 2025, the basic information of Nichirei is as follows.

| | |
|------------------------------------|--|
| Trade name | Nichirei Corporation |
| Location | Nichirei Higashi-Ginza Building, 6-19-20, Tsukiji, Chuo-ku, Tokyo |
| Date of establishment | December 24, 1942 Teikoku Marine Products Control Company, the predecessor of Nichirei, was established December 1, 1945 Teikoku Marine Products Control Company was reorganized as Nippon Reizo Inc. February 1, 1985 Nippon Reizo Inc. was renamed as Nichirei Corporation |
| Representative | Kenya Okushi, Representative Director, President and Chief Executive Officer |
| Stated capital | JPY 30,608,871,569 |
| Business | Processed food business, logistics business, marine products business, meat and poultry business, bioscience business, real estate business |
| Number of employees (consolidated) | 16,385 employees (as of March 31, 2024) |
| Fiscal year | From April 1 to March 31 of the following year |

1.2 History and business

Nichirei Corporation was established as Teikoku Marine Products Control Company in December, 1942, and began operations with a foundation in the cold storage warehouse business. Subsequently, in 1945, it changed its name to Nippon Reizo Inc. and entered the frozen food industry. Later, in 1954, it pioneered the development of Japan's first ready-to-cook frozen “Chawanmushi” (savory egg custard), thereby substantially contributing to the frozen food market's growth.

Nippon Reizo Inc. later expanded its business operations and changed its name to Nichirei Corporation in 1985. In April 2004, a company split of its domestic low-temperature logistics operations was executed, resulting in its division into a logistics network business unit and seven regional cold storage business units (all consolidated subsidiaries), to pursue enhanced efficiency in group operations and greater specialization. Further to this, in April 2005, a company split was implemented across the processed foods, marine products, meat and poultry products, refrigerated logistics, bioscience, and shared services businesses, ultimately leading to our transition to a holding company structure. As a result, Nichirei created an operational structure where specialized group companies handle the management of specific business domains.

For the purpose of conducting specialized business operations in each respective business segment, Nichirei has created the following group companies (hereinafter referred to as the “four core companies”).

- (i) Processed foods business (Nichirei Foods Inc.)

Nichirei Foods develops, manufactures, and sells products focusing on household and commercial frozen foods, along with retort and wellness food products.

(ii) Marine products and meat and poultry products businesses (Nichirei Fresh Inc.)

The company focuses on the production and sale of livestock-based ingredients.

(iii) Refrigerated logistics business (Nichirei Logistics Group Inc.)

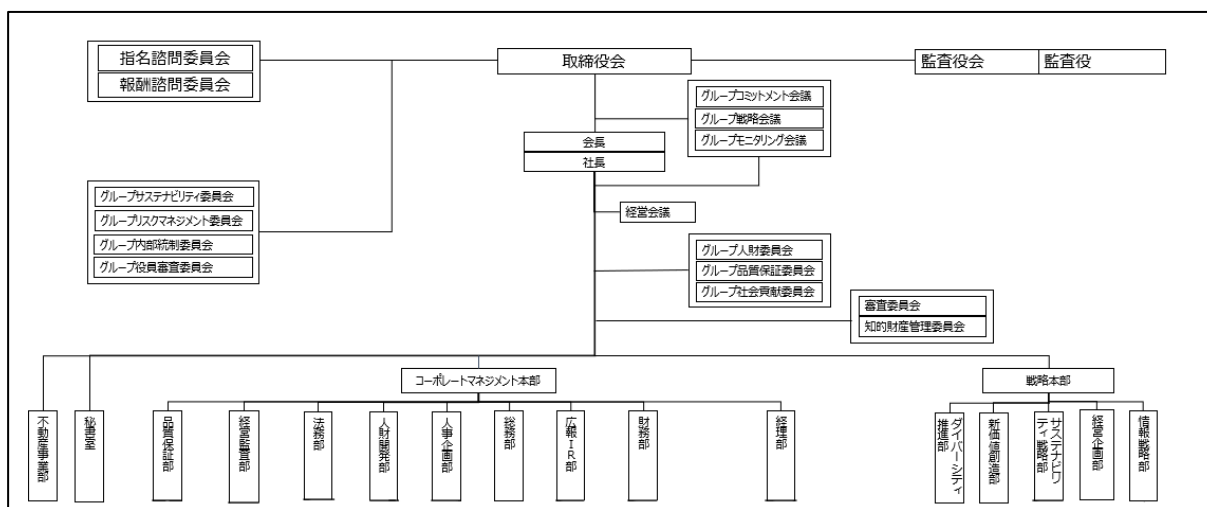
The company offers a range of services encompassing logistics networks, focusing on transport and transfer center operations, regional storage, international operations in Europe, China, and ASEAN, and comprehensive engineering, from the planning and design to the maintenance and management of refrigerated logistics infrastructure.

(iv) Bioscience business (Nichirei Biosciences Inc.)

The company encompasses three areas: molecular diagnostics, rapid diagnostics, and biopharmaceutical raw materials.

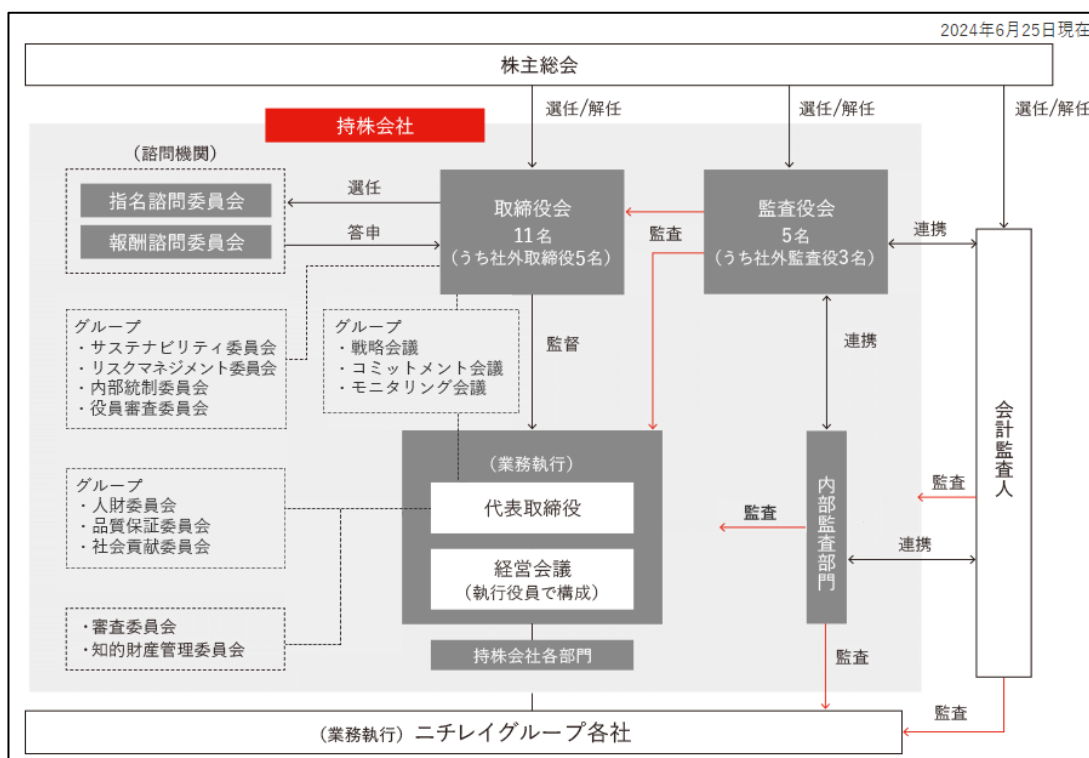
1.3 Organization of Nichirei

The organization chart of Nichirei (as of June 1, 2024) is as follows.



1.4 Summary of the Nichirei Group's corporate governance

The following illustrates the corporate governance structure of the Nichirei Group.



The Nichirei Group, based on the “Nichirei Group Global Governance Framework” (last amended on January 1, 2024, the same applies hereinafter), manages overseas subsidiaries through Nichirei and its core four companies. In addition, according to the “Group Approval Regulations” (last revised on April 1, 2024, the same applies hereafter), “Group Approval Standards” (last revised on April 1, 2024, the same applies hereafter), and the “Core Four Companies Approval Standards” (or in Nichirei Foods' case, the “NF Group Approval Standards”, (last revised on April 1, 2024, the same applies hereafter), a structure has been established to differentiate between matters requiring approval by Nichirei and the four core companies and those subject to decision-making authority within each group company, with specified key matters requiring the approval of the holding company or the four core companies.

Oversight of corporate governance and compliance for the entire group falls under the jurisdiction of the legal department of Nichirei, and matters pertaining to internal controls and audits are the responsibility of Corporate Internal Audit of Nichirei. Furthermore, the “Nichirei Group Global Governance Basic Rules” apply to the Nichirei Group's overseas subsidiaries and outline the principles and essential elements that the Group must adhere to. These subsidiaries are required to establish regulations tailored to the laws and circumstances of their respective countries.

For audits, Nichirei's Corporate Internal Audit verifies the compliance of each group company's business operations with laws and internal regulations based on audit plans, while auditors from Nichirei and Nichirei Foods conduct joint audits of overseas subsidiaries. A system has been established to report audit findings to Nichirei and the core four companies as necessary.

"In addition, to deter misconduct and enable early detection of wrongdoing, the "Nichirei Hotline" system, an internal whistleblowing system, has been set up, allowing employees globally to anonymously report issues through a third-party reporting service. Information on the awareness and usage of the internal reporting system within Nichirei Corporation Shanghai is provided in the sections below.

1.5 Status of Nichirei's significant subsidiaries

Nichirei has 81 consolidated subsidiaries (38 domestic, 43 overseas). The names, addresses, amounts of capital or investment, principal activities, Nichirei's percentage of voting rights, and the relationship between Nichirei and each subsidiary are as shown in the table below.

| Name | Address | Stated capital or contribution | Principal business | Percentage of voting rights held | Description of relationship |
|---------------------------------------|-----------------------------------|--------------------------------|---|---|---|
| Nichirei Foods | Chuo-ku, Tokyo | JPY 15 billion | Manufacture and sale of frozen foods | 100.0% | Concurrent officer appointments, provision of management guidance, and office space leasing |
| Kyurei Inc. | Munakata City, Fukuoka Prefecture | JPY10 million | Manufacture and sale of processed foods | 100.0% (Indirectly held through Nichirei Foods) | — |
| GFPT Nichirei (Thailand) Co., Ltd. | Chon Buri, Thailand | THB 3,014 million | Manufacture and sale of frozen foods | 51.0% (Indirectly held through Nichirei Foods) | — |
| Surapon Nichirei Foods Co., Ltd. | Samutprakarn, Thailand | THB 100 million | Manufacture and sale of frozen foods | 51.0% (Indirectly held through Nichirei Foods) | — |
| InnovAsian Cuisine Enterprises Inc. | Washington, USA | USD 2.2 million | Sale of processed foods | 100.0% (Indirectly held through Nichirei Foods) | — |
| Nichirei Sacramento Foods Corporation | California, USA | USD 39.11 million | Manufacture and sale of frozen foods | 100.0% (Indirectly held through Nichirei Foods) | — |
| Nichirei Fresh Inc. | Chuo-ku, Tokyo | JPY 8 billion | Processing and sale of marine products, and meat and poultry products | 100.0% | Concurrent officer appointments, provision of management guidance, and office space leasing |

| | | | | | |
|----------------------------------|-------------------------|--------------------|---|---|---|
| Nichirei Logistics Group Inc. | Chiyoda-ku, Tokyo | JPY 20 billion | Supervision of refrigerated logistics business, and equipment leasing | 100.0% | Concurrent officer appointments, provision of management guidance, and office space leasing |
| Logistics Network Inc. | Chiyoda-ku, Tokyo | JPY 100 million | Freight forwarding, refrigerated warehousing | 100.0% (Indirectly held through Nichirei Logistics Group Inc.) | — |
| Nichirei Logistics Kansai, Inc. | Osaka City, Osaka | JPY 100 million | Refrigerated warehousing | 100.0% (Indirectly held through Nichirei Logistics Group Inc.) | Office space leasing |
| Kyokurei Corporation | Yokohama City, Kanagawa | JPY 298 million | Refrigerated warehousing | 100.0% (Indirectly held through Nichirei Logistics Group Inc.) | — |
| SCG Nichirei Logistics Co., Ltd. | Samutprakarn, Thailand | THB 803.06 million | refrigerated warehousing, transportation | 49.0% (Indirectly held through Nichirei Logistics Group Inc.) | — |
| Thermotrafic GmbH | Versmold, Germany | EURO 1.2 million | Customs clearance, transportation | 100.0% (Indirectly held through Nichirei Logistics Group Inc.) | — |
| Nichirei Biosciences Inc. | Chuo-ku, Tokyo | JPY 450 million | Manufacture and sale of diagnostic reagents, etc. | 100.0% | Concurrent officer appointments, provision of management guidance |

2. Profile of Nichirei Foods

2.1 Basic information

As of March 24, 2025, the basic information on Nichirei Foods is as follows.

| | |
|-----------------------|--|
| Trade name | Nichirei Foods Inc. |
| Location | Nichirei Higashi-Ginza Building, 6-19-20 Tsukiji, Chuo-ku, Tokyo |
| Date of establishment | January 5, 2005 *Established in conjunction with the transition of Nichirei Corporation to a holding company structure. |

| | |
|---------------------|---|
| Representative | Masahiko Takenaga, Representative Director, President |
| Stated capital | JPY 15 billion (as of the end of March, 2024) |
| Business | Manufacturing of frozen foods, retorted foods, canned foods, packaged ice products, etc., and sales of these products |
| Number of employees | 11,781 (Consolidated Nichirei Foods Group, fiscal year ended March 2024) |
| Fiscal year | From April 1 to March 31 of the following year |

2.2 History and business

Nichirei Foods was spun off and established in 2005 as an operating company in charge of the processed food business as part of the Nichirei Group's transition to a holding company structure.

Nichirei Foods is engaged in a wide variety of food businesses, centering on frozen foods. As for products for home use, the company offers frozen foods sold in supermarkets to meet the diverse needs of consumers. For commercial food service, the company develops a wide variety of frozen food products used in restaurants, school cafeterias, and supermarket delis. Additionally, the company develops wellness foods that cater to health-conscious consumers (wellness foods) and retort foods such as soups and curries. The company also provides ice products and acerola products in a wide variety of business fields.

Over recent years, the company has pursued the expansion of its international business, notably focusing on the markets of North Americas and China, Nichirei Corporation Shanghai has been incorporated as a wholly-owned subsidiary to facilitate business operations adapted to the specific needs of the local market."

2.4 Governance structure and overseas subsidiary management structure

At Nichirei Foods, the Business Administration Department is responsible for risk management, governance handling, and performance management related to domestic and overseas operations. At the same time, the Internal Control Team of the General Affairs Group confirms the status of internal controls, including those at overseas offices. Once a year, the Business Administration Department conducts a questionnaire survey with overseas offices on the status of internal control operations, examines the responses, and reports the results to Nichirei's Corporate Internal Audit. The audit status of overseas subsidiaries is as described in "1.4 Summary of corporate governance structure in the Nichirei Group" above.

In addition, the International Business Division has been set up as the controlling division for overseas offices. The department receives reports on the performance and operational status of Nichirei Corporation Shanghai and shares them with the Business Administration Department and related divisions of Nichirei as necessary.

Nichirei Foods' Approval Standards (which correspond to the standards for the submission and circulation of proposals for the core four companies) also apply to overseas subsidiaries. For example, certain important matters, such as "conclusion of important contracts" and "competitive transactions and transactions with conflicts of interest associated with concurrent officer positions," require Nichirei Foods' decision, and "guarantees covering obligations of non-group companies," etc., require the decisions of Nichirei Foods and Nichirei.

2.5 Consolidated subsidiaries of Nichirei Foods

The name, address, amount of stated capital or contribution, principal business, percentage of voting rights held by Nichirei Foods, and relationship between Nichirei Foods and each company are shown in the table below.

| Name | Address | Stated capital or contribution | Principal business | Percentage of voting rights held | Description of relationship |
|-----------------------|--|--------------------------------|---|----------------------------------|---|
| Nichirei IceCo., Ltd. | Chuo-ku, Tokyo | JPY20 million | Manufacture and sale of packaged ice and ice for business use | 100.0% | Manufacture and sale of Nichirei Foods products |
| CHUREI Co., Ltd. | Shimonoseki City, Yamaguchi Prefecture | JPY200 million | Manufacture and sale of frozen foods | 100.0% | Manufacture and sale of Nichirei Foods products |
| Kyurei Inc. | Munakata City, Fukuoka Prefecture | JPY10 million | Manufacture and sale of frozen foods | 100.0% | Manufacture and sale of Nichirei Foods products |

| | | | | | |
|--|--|-------------------|--|--------|---|
| NICHIREI WELLDINING Inc. | Toyoyama Town, Nishikasugai County, Aichi Prefecture | JPY100 million | Manufacture and sale of frozen foods | 100.0% | Manufacture and sale of Nichirei Foods products |
| NICHIREI AGRICULTURE Inc. | Kagoshima City, Kagoshima Prefecture | JPY25 million | Processing and sale of agricultural products | 100.0% | Manufacture and sale of Nichirei Foods products |
| me:new Inc. | Chuo-ku, Tokyo | JPY20 million | System and app development | 100.0% | Transfer of app system |
| Surapon Nichirei Foods Co., Ltd. | Samutprakarn, Thailand | THB100 million | Manufacture and sale of frozen foods | 51.0% | Manufacture and sale of Nichirei Foods products |
| GFPT Nichirei (Thailand) Co., Ltd. | Chon Buri, Thailand | THB3,014 million | Manufacture and sale of frozen foods | 51.0% | Manufacture and sale of Nichirei Foods products |
| Nichirei Foods U.S.A., Inc. | Washington, USA | USD2.3 million | Sale of frozen foods | 100.0% | Sale of Nichirei Foods products |
| InnovAsian Cuisine Enterprises Inc. | Washington, USA | USD2.2 million | Sale of frozen foods | 100.0% | Sale of Nichirei Foods products |
| Nichirei Sacramento Foods Corporation | California, USA | USD39.11 million | Manufacture of frozen foods | 100.0% | Manufacture of Nichirei Foods products |
| Nichirei Australia Pty. Ltd. | Belrose NSW, Australia | AUD1 million | Sale of frozen foods | 100.0% | Sale of Nichirei Foods products |
| Nichirei do Brasil Agricola Ltda. | Petrolina/PE-CEP, Brasil | BRL27.283 million | Manufacture and sale of frozen foods | 100.0% | Manufacture and sale of Nichirei Foods products |
| Nichirei Suco Vietnam Co., Ltd. | tinH Tien Giang, Vietnam | USD6.2 million | Manufacture and sale of frozen foods | 100.0% | Manufacture and sale of Nichirei Foods products |
| Nichirei Enterprise Management Consulting (Shanghai) Co., Ltd. | Shanghai City, China | — | Technical guidance and quality control related to frozen foods | 100.0% | Quality control of Nichirei Foods products |
| Nichirei Corporation Shanghai Ltd. | Shanghai City, China | USD7.1 million | Sale of frozen foods | 100.0% | Manufacture and sale of Nichirei Foods products |
| Shandong Nichirei Foods Co., Ltd. | Shandong Province, China | CNY21.416 million | Manufacture and sale of frozen foods | 65.0% | Manufacture and sale of Nichirei Foods products |

3. Profile of Nichirei Corporation Shanghai

3.1 Basic information and history of Nichirei Corporation Shanghai

3.1.1 Basic information

The basic information on Nichirei Corporation Shanghai as of March 24, 2025, is as follows.

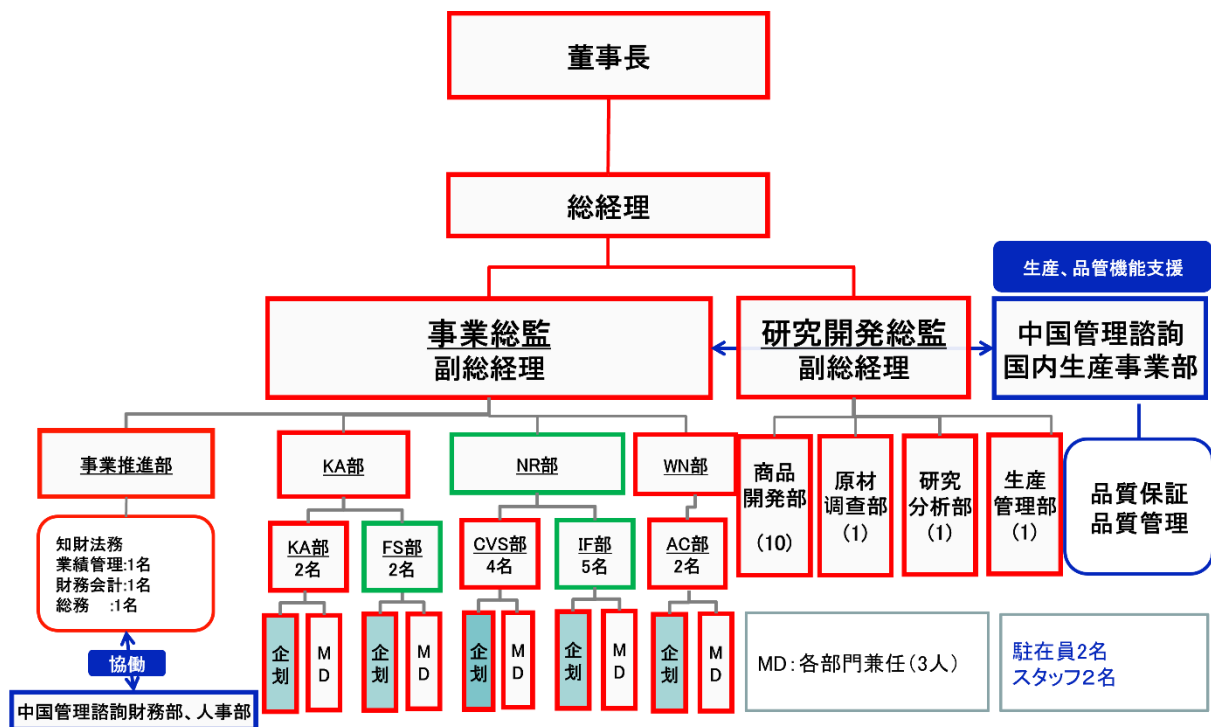
| | |
|-----------------------|--|
| Company name | Nichirei Corporation Shanghai Ltd. |
| Head office location | Room 665, No.88 Taigu Road, Pilot Free Trade Zone, Shanghai, China |
| Corporate form | Limited liability company |
| Date of establishment | August 13, 2004 |
| Representative | Yutaka Umeda, current Chairman and General Manager (Individual X, former Chairman and General Manager) |
| Director | Shuhei Obata Koichi Taketomi Hideki Takada |
| Auditor-secretary | Toshikata Yokoyama |
| Stated capital | USD7.1 million (as of February 21, 2025) |
| Stakeholder | Nichirei Foods (100%) |
| Number of employees | 28 employees (as of February 9, 2025) |

3.1.2 History

At the Nichirei Group, the sales of frozen foods for household use in China were previously handled by Shanghai Nichirei Foods Co., Ltd. (dissolved on April 17, 2014). However, due to restrictions under Chinese law, the company could not procure and sell products other than its own. Therefore, on August 13, 2004, Nichirei Corporation Shanghai was newly established as a company engaged in the sales of retort foods and frozen foods for business use. Nichirei was the stakeholder at the time of establishment, but the stakeholder was changed to Nichirei Foods when the company became a holding company in April 2005.

3.2 Organization of Nichirei Corporation Shanghai

The organization of Nichirei Corporation Shanghai during the period under investigation, from 2020 to December 2024 (but before December 10, when Individual X was dismissed), is shown in the organization chart below. However, before November 2024, Nichirei Corporation Shanghai did not maintain the organization chart systematically.



3.3 Summary of Nichirei Corporation Shanghai's governance structure

Nichirei Corporation Shanghai has established a governance structure in accordance with the organization chart above. Nichirei Corporation Shanghai is subject not only to its governance structure but also to the governance structure of Nichirei, which covers the entire Nichirei Group, and that of Nichirei Foods. A summary of Nichirei's corporate governance is shown in Section II 1.4 above, and a summary of Nichirei Foods' corporate governance is shown in Section II 2.4 above.

In addition, as mentioned above, Nichirei Corporation Shanghai is an internal controlled and audited subsidiary of the Nichirei Group. Nichirei's Corporate Internal Audit verifies whether Nichirei Corporation Shanghai's business execution complies with laws and internal rules based on the audit plan. At the same time, the auditors of Nichirei and Nichirei Foods jointly conduct audits of Nichirei Corporation Shanghai.

3.4 Decision-making structure in Nichirei Corporation Shanghai

3.4.1 Provisions in laws, articles of incorporation, and various internal regulations

Nichirei Foods holds 100% of the equity in Nichirei Corporation Shanghai, and Nichirei Foods is the sole stakeholder (shareholder) in the company. Since Article 60 of China's Company Law stipulates that a shareholders' meeting shall not be established in a limited liability company with one shareholder, no shareholders' meeting has been established in Nichirei Corporation Shanghai.

In addition, a Board of Directors has been established in Nichirei Corporation Shanghai (Article 12 of the Articles of Incorporation of Nichirei Corporation Shanghai). The following are the matters requiring the institutional decision of Nichirei Corporation Shanghai under the laws and regulations of China and the Articles of Incorporation of Nichirei Corporation Shanghai.

(1) Matters requiring institutional decision by law

Under China's Company Law, in a limited liability company, the following matters are considered to be matters to be resolved at a shareholders' meeting (matters to be determined by shareholders in case of a company that has not established a shareholders' meeting) (Article 59, Paragraph 2 of the Company Law). The Articles of Incorporation of Nichirei Corporation Shanghai were amended on May 31, 2024, to extend the term of management, but no shareholder decision was prepared regarding the amendment to the articles of incorporation.

- (i) To elect and replace directors and auditor-secretaries, and to decide remuneration for directors and auditor-secretaries
- (ii) To discuss and approve the report of the Board of Directors
- (iii) To discuss and approve the report of the Board of Auditor-secretaries
- (iv) To discuss and approve the company's profit distribution proposals and loss compensation proposals
- (v) To adopt resolutions to increase or decrease the registered capital of the company
- (vi) To adopt resolutions regarding the issuance of bonds
- (vii) To adopt resolutions regarding mergers, divisions, dissolutions, liquidations of the company, or changes in the corporate form
- (viii) To amend the articles of incorporation
- (ix) Other authority as defined in the company's articles of incorporation

In addition, in a limited liability company, the following matters are considered to be matters to be resolved by the board of directors (matters to be determined by the director in case of a company that has only one director without a board of directors) (Article 67, Paragraph 2 of the Company Law).

- (i) To convene the shareholders' meeting and report on business operation at the shareholders' meeting
- (ii) To enforce the resolutions of the shareholders' meeting
- (iii) To determine the company's management plan and investment proposals
- (iv) To prepare the company's profit distribution proposals and loss compensation proposals
- (v) To prepare proposals to increase or decrease the registered capital of the company and proposals to issue bonds

- (vi) To prepare proposals for mergers, divisions, dissolutions of the company, or changes in the corporate form
- (vii) To determine the establishment of an internal control structure for the company
- (viii) To invite or dismiss the company's manager and determine their remuneration, and to invite or dismiss the company's deputy manager and financial manager and determine their remuneration based on the manager's nomination
- (ix) To establish a basic management system for the company
- (x) Other authority provided in the company's articles of incorporation or granted by the shareholders' meeting

In addition to the above, when a company invests in other companies or pledges collateral for the benefit of others, a board of directors' resolution or shareholders' meeting's resolution (or shareholders' decision) must be passed in accordance with the provisions of the company's articles of incorporation (Article 15 of the Company Law).

(2) Matters requiring institutional decision by the articles of incorporation

According to the Articles of Incorporation of Nichirei Corporation Shanghai, the following matters are considered to require shareholder decision (Article 11 of the Articles of Incorporation of Nichirei Corporation Shanghai).

- (i) To determine the company's management policies and investment plans
- (ii) To determine the selection of directors and auditor-secretaries, and to determine the remuneration for directors and auditor-secretaries
- (iii) To discuss and approve the report of the Board of Directors
- (iv) To discuss and approve auditor-secretary reports
- (v) To discuss and approve the company's proposed annual financial budget and account settlement
- (vi) To discuss and approve the company's profit distribution proposals and compensation for loss
- (vii) To determine capital increase and capital reduction plans
- (viii) To determine to issue company bonds
- (ix) To determine absorption-type mergers, divisions, dissolutions, liquidations, or changes of the company
- (x) To revise the articles of incorporation

In addition, the following matters are considered to require a resolution of the Board of Directors (Article 14 of the Articles of Incorporation of Nichirei Corporation Shanghai).

- (i) To report to shareholders on management status
- (ii) To fulfill shareholder decisions
- (iii) To propose and prepare the company's management and investment plans
- (iv) To propose and prepare the company's proposed annual financial budget and account settlement
- (v) To propose and prepare the company's profit distribution proposals and compensation for loss proposals
- (vi) To propose and prepare the company's capital increase and capital reduction plans, as well as bond issuance proposals
- (vii) To propose and prepare proposals for absorption-type mergers, divisions, dissolutions, liquidations, or changes of the company
- (viii) To establish the internal organization of the company and to determine and change the duties and responsibilities of the company
- (ix) To determine the appointment, dismissal, and treatment of the General Manager and other high-level personnel and accounting auditors
- (x) To determine employees' wages and benefits treatment
- (xi) To approve company rules and systems
- (xii) Other important matters concerning the management of the company

(3) Items that require approval by Nichirei Foods (or Nichirei) or a decision of Nichirei Corporation Shanghai under the internal rules

Decision-making at Nichirei Corporation Shanghai is based on the group standards for the submission and circulation of proposals set by its parent company, Nichirei Foods. Certain matters require a decision of Nichirei Foods. According to Nichirei Foods' Approval Standards dated April 1, 2024, Nichirei Foods' group companies (including overseas subsidiaries, such as Nichirei Corporation Shanghai) require decisions of Nichirei Foods for matters such as the execution and performance of material contracts (the definition of "material" is to be determined by taking into consideration the nature of the transaction, the amount, the counterparty, the terms and conditions, etc., and prior confirmation with the legal department of Nichirei Foods is required.) and debt guarantee of non-group companies (regardless of the amount). In addition, business transfers and other restructurings of Nichirei Foods' group companies require not only the decision of Nichirei Foods, but also the approval of the management committee of Nichirei, the holding company (or the board of directors in the case of matters requiring timely disclosure).

In addition, regarding the criteria for decisions within Nichirei Corporation Shanghai, not limited to matters requiring Nichirei Foods' decisions, standards for submission and circulation of proposals applicable for Nichirei Foods and Nichirei Enterprise Management Consulting (Shanghai) are established. (For items

not established in these standards, Nichirei Foods' standards of decisions are applied mutatis mutandis.)

3.4.2 Practical reporting lines in Nichirei Corporation Shanghai

Nichirei Corporation Shanghai and Nichirei Enterprise Management Consulting (Shanghai) have entered into an entrustment agreement (the effective period is stated to commence from April 1, 2016) under which Nichirei Enterprise Management Consulting (Shanghai) provides consulting services to Nichirei Corporation Shanghai regarding the following: matters related to finance and taxation; matters related to general administration; and product research and development and factory information. Nichirei Corporation Shanghai has entrusted part of its quality assurance, finance, and human resources/general administration operations to Nichirei Enterprise Management Consulting (Shanghai).

According to the interviews with the employees of Nichirei Corporation Shanghai, reports on the business operations within Nichirei Corporation Shanghai were made to their immediate superiors as needed (or their superiors, in the case of MD, to the head or deputy head of the department in charge of each operation) basically in accordance with the organizational structure described in the organization chart in Section II 3.2 above. In addition, progress was shared at regular meetings with the Chairman, Deputy General Manager, Strategy Department, all employees in charge of sales (only at the time of reporting for one's own department), logistics personnel, general affairs personnel, finance personnel, the deputy head of the R&D Department, as well as heads of the Quality Assurance Department and the Finance Department of Nichirei Enterprise Management Consulting (Shanghai). However, since Individual X managed Nichirei Corporation Shanghai before December 10, 2024, and we were unable to conduct interviews with Employee Y4 and Employee Y5³, who were deputy general managers, the specific operation of the reporting line in business at Nichirei Corporation Shanghai is not clear.

The financial affairs of Nichirei Corporation Shanghai are handled by the head of the Finance Department of Nichirei Enterprise Management Consulting (Shanghai), who is seconded from Nichirei Foods, and three other local staff members of Nichirei Enterprise Management Consulting (Shanghai) handle Nichirei Corporation Shanghai's financial affairs. These personnel possess the key cards for the bank of Nichirei Corporation Shanghai, so all approvals for expenses over 1 yuan, deposits and withdrawals from the bank, and other financial transactions were to be made by the head of the Finance Department of Nichirei Enterprise Management Consulting (Shanghai).

In addition, the International Business Division of Nichirei Foods held regular meetings with each country base, namely strategy and monitoring meetings, commitment meetings, and regular monthly meetings until early 2024. Individual X from Nichirei Corporation Shanghai and personnel in charge of the International Business Division of Nichirei Foods attended the regular meetings, and no employees of Nichirei Enterprise

³ These employees have been terminated effective December 30, 2024.

Management Consulting (Shanghai) attended the meetings. Regular meetings were held to review the monthly performance of Nichirei Corporation Shanghai, which was then reported at a subsequent meeting held within the International Business Division of Nichirei Foods. There were no set rules regarding the reporting line when a problem occurred at Nichirei Corporation Shanghai. The problem was reported at the monthly meeting mentioned above in some cases. In contrast, in other cases, Individual X reported the problem by phone or e-mail to the person in charge at the International Business Division of Nichirei Foods.

3.4.3 Management of Nichirei Corporation Shanghai's seals

The seals (official seal, seal for financial affairs, and legal representative seal) of Nichirei Corporation Shanghai were kept by Nichirei Enterprise Management Consulting (Shanghai) until approximately June 15, 2022. When using these seals, Nichirei Corporation Shanghai shall submit an application by attaching a copy of the contract or other documents to the system that manages applications for official seals (hereinafter referred to as "the Seal Management System") of both Nichirei Corporation Shanghai and Nichirei Enterprise Management Consulting (Shanghai). At that time, in addition to the approval of Nichirei Corporation Shanghai's superior, Deputy General Manager, and Chairman, approval from the head of the Finance Department of Nichirei Enterprise Management Consulting (Shanghai) is also required. After that, the person in charge at Nichirei Corporation Shanghai brings the original documents, such as contracts, to the office of Nichirei Enterprise Management Consulting (Shanghai) or send them to the General Affairs Department of Nichirei Enterprise Management Consulting (Shanghai), where the seal will be affixed after checking the copy attached to the application in this Seal Management System. Basically, the head of the Finance Department of Nichirei Enterprise Management Consulting (Shanghai) is in charge of checking the original contracts and other documents against the copies attached to the application in this Seal Management System, and the head of the Finance Department has the authority to retrieve the seals from the safe. In the absence of the head of the Finance Department, the Chairman or General Manager of Nichirei Enterprise Management Consulting (Shanghai) acted as a proxy to perform the reconciliation and retrieve the seals. As a general rule, copies of the sealed contract or other documents are made on the spot. As described above, this Seal Management System is operated by Nichirei Corporation Shanghai and Nichirei Enterprise Management Consulting (Shanghai), and only a limited number of persons at Nichirei Foods have access to this system.

In addition, when a seal was to be affixed, the seal log needed to be recorded. Applicants had to fill out the submission destination, document summary, type of seal, and number of affixed documents. Next, the person who actually affixed the seal (if the head of the Finance Department handled it, then it was the head of the Finance Department), the primary approver (in principle, the head of the Finance Department), and the person in charge (who handles the process) gave a signature or affixed a seal.

As described above, the seals of Nichirei Corporation Shanghai were kept by Nichirei Enterprise Management Consulting (Shanghai) in November 2018, when Employee Z1 was transferred to Nichirei

Enterprise Management Consulting (Shanghai) and became the head of the Finance Department. The seals were kept in the company's safe until late March 2022. After that, from late March to June 1 of the same year, due to the lockdown in Shanghai, the seals were kept at Employee Z1's home (the seal log for that period was kept in Excel). From June 1 to around June 15 of the same year, the seals were again kept in the safe of Nichirei Enterprise Management Consulting (Shanghai). However, after around June 15 of the same year, the seals were kept by Nichirei Corporation Shanghai, and the management of the seal log was also conducted by Nichirei Corporation Shanghai (application through the system using the Seal Management System and approval by the head of the Finance Department of Nichirei Enterprise Management Consulting (Shanghai) are still required). The above operation continues in the same manner even after the successor of Employee Z1 is appointed as the head of the Finance Department of Nichirei Enterprise Management Consulting (Shanghai) in June 2023.

3.5 Business summary of Nichirei Corporation Shanghai

3.5.1 Scope of operation as defined in the articles of incorporation

The scope of operation as defined in the Articles of Incorporation of Nichirei Corporation Shanghai is as follows. Scope of operation refers to the scope of business allowed by government authorities in a Chinese company.

Wholesales (nonphysical), commission agency sales (excluding auctions), online retail sales (excluding large-lot products) of edible agricultural produce (excluding livestock products such as pigs, cattle, sheep), feed and additives, pre-packaged foodstuffs (including frozen and refrigerated products, but not including prepared foods); imports and exports, and other related ancillary services; international trade; intermediate trade; bonded zone intercompany trade and trade agency in the zone; simple commercial processing and trade consulting services in the bonded zone; display and warehousing of goods in the zone (excluding dangerous goods); technology development, technology transfer, technology consulting, technology services, exhibition services (excluding exhibition organization and undertaking), business information consulting services, business management consulting in the food sector.

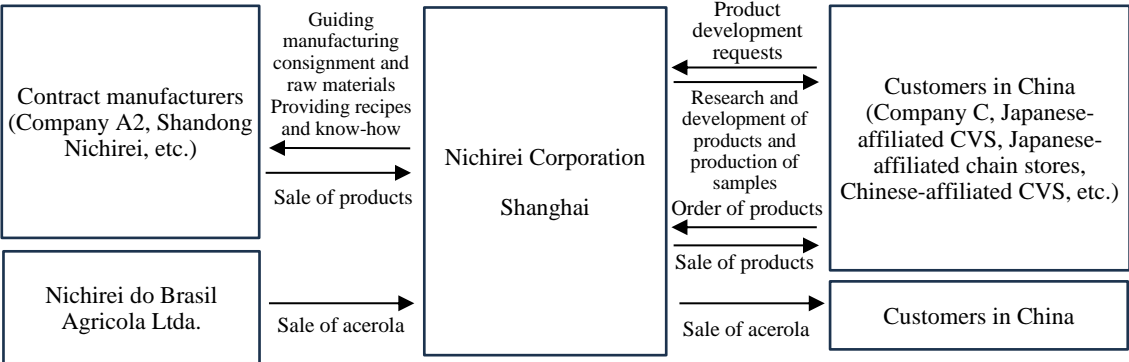
3.5.2 Specific business summary of Nichirei Corporation Shanghai

Nichirei Corporation Shanghai is engaged in the sale of frozen foods as its main business. Customers are mainly Japanese-affiliated convenience stores and supermarkets, Japanese-affiliated restaurant chains, and Chinese-affiliated convenience stores in China, with the largest customer being Company C, which operates

fast food-related businesses in China. The products sold by Nichirei Corporation Shanghai include (i) those developed by Nichirei Corporation Shanghai based on customer needs and adopted by the customer upon proposal, which are then manufactured on consignment at an outside factory, and (ii) those developed by the customer itself and supported in their commercialization by Nichirei Corporation Shanghai. Other business of Nichirei Corporation Shanghai includes trading company-like operations that import acerola from Nichirei do Brasil Agricola Ltda. and sell it to customers in China.

The manufacturing of products is outsourced to outside partners. The main contract manufacturers are Company A2 (mainly frozen prepared pouches), Shandong Nichirei Foods Co., Ltd., a subsidiary of Nichirei Foods (mainly frozen fried rice), and other outside contract manufacturers in charge of chicken and prepared products, for which Nichirei Corporation Shanghai provides recipes and manufacturing know-how. In addition, Nichirei Corporation Shanghai may designate suppliers of raw materials.

The commercial distribution of Nichirei Corporation Shanghai can be summarized as follows.



Regarding manufacturing consignment to Company A2, Nichirei Corporation Shanghai leases the factory facilities to Company A2 and then outsources the manufacturing of products mainly for Company C. This is based on the Company A1 Business Alliance Agreement, Company A2 Manufacturing Cooperative Agreement, A2 Development Commission Agreement, Letter of Acknowledgement Regarding A2 Manufacturing Cooperative Agreement and Development Commission Agreement, which were concluded between Nichirei Corporation Shanghai and Company A1 or Company A2 dated October 14, 2020, and the A1 Supplementary Agreement dated October 14, 2020 (namely, Agreement of A1/2 Business Alliance).

Prior to the Agreement of A1/2 Business Alliance mentioned above, Nichirei Corporation Shanghai had outsourced the manufacture of products for Company C to Company D, a joint venture in China established by Nichirei Foods and a third party.

Section III Facts found as a result of the investigation

1. Summary of the series of misconduct by Individual X that were discovered

The misconduct by Individual X uncovered in this investigation can be divided primarily into the following groups.

- (1) The act of concluding an agreement by Nichirei Corporation Shanghai to bear 20 million yuan (approximately 400 million yen) in liquid funds for Company A2, which was carried out by Individual X without the approval of Nichirei Foods, in relation to the business alliance with Company A1 and the act of concluding an agreement related to the subsequent series of joint and several guarantee obligations (as described in Section III 3.1 below)
- (2) Unauthorized provision of Nichirei Corporation Shanghai's resources in connection with the construction of Company B2's factory; Individual X's appointment as the Chairman of Company B2; and a series of acts relating to taking over of business by Company X, a company established by Individual X individually (as described in Section III 3.2 below)

In this report, each misconduct is presented in chronological order in Section III 2. below, and a detailed description of each misconduct is provided in Section III 3. below.

In the course of the series of misconduct, it was confirmed that, except the official agreement of A1/2 business alliance, no approval by Nichirei Foods or sealing procedures by Nichirei Corporation Shanghai were carried out for the contracts concluded by Individual X.

2. Timeline

The following is a timeline of the principal events listed in Section III 3.1 - 3.2 below.

| Time | Related to Company A1/2's 20 million yuan investment burden (3.1 below) | Related to the construction of Company B2's factory and the establishment of Company X (3.2 below) |
|--------------------------------------|--|---|
| September 28, 2020 | Approval of the official agreement of A1/2 business alliance at an extraordinary meeting of the Board of Directors of Nichirei Foods | |
| Around November 24, 2020 | Signing of Official agreement of A1/2 business alliance ⁴ | |
| Around December 18, 2020 (estimated) | Signing of Nichirei Foods unapproved A1 Supplementary Agreement dated October 14, 2020 ⁵ | |
| March 11, 2021 | Employee Y5, Deputy General Manager of Nichirei Corporation Shanghai, assumed as Director of Company A2 | |
| March 13, 2023 | Signing of Nichirei Foods unapproved 20 million yuan loan agreement dated March 13, 2023 | |
| June 2023 | | Filed an application for the trademark of Company X in the name of Nichirei Corporation Shanghai |
| September 4, 2023 | | Establishment of Company X |
| October 17, 2023 | | Signing of B2 Stake Transfer Alliance Contract dated October 17, 2023 |
| January 24, 2024 February 4, 2024 | Payment of a total of 480,000 yuan as interest on loans from Company A2 to Company B1 | |
| March 9, 2024 | | Signing of Supplementary Agreement to B2's Stake Transfer Contract dated March 9, 2024 |
| March 11, 2024 | | Public notice of successful bidding for Company B2's factory construction project and start of factory construction |
| September 11, 2024 | Prepared a board of directors' written resolution appointing Individual X as Chairman of Company A2 | |
| Around September 2024 | | Suspension of construction of Company B2's factory |

⁴ According to the seal log, the seal of Nichirei Corporation Shanghai was affixed on November 24, 2020.

⁵ According to the seal log, the seal of Nichirei Corporation Shanghai was affixed on December 28, 2020.

| | | |
|-------------------|--|---|
| October 24, 2024 | | Completion of change registration related to the transfer of equity interests in which 8% of Company B2's shares are transferred from Company B3 to Company X, and 2% from Individual Y2 to Company X Individual X assumed as Chairman and General Manager of Company B2 |
| November 15, 2024 | Signing of Nichirei Foods unapproved 5 million yuan loan agreement dated November 15, 2024 and Company A1 Investment Agreement dated November 15, 2025 | |
| November 19, 2024 | Repayment of 5 million yuan from Company A2 to Company B1 | |

3. Details of each misconduct

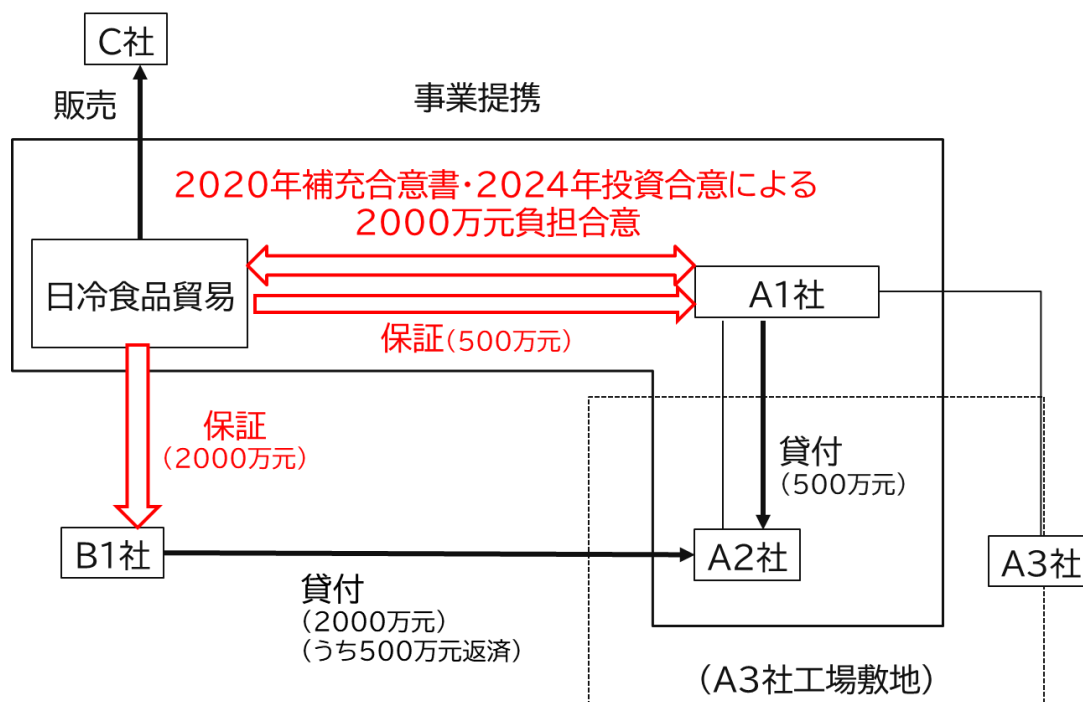
3.1 Misconduct committed in connection with a 20 million yuan investment burden in Company A2

3.1.1 Summary of the misconduct

In connection with the factory of Company A2, a manufacturing contractor of Nichirei Corporation Shanghai, it has been confirmed that Individual X concluded the following agreements without reporting to and approval from Nichirei Foods: A1 Supplementary Agreement dated October 14, 2020; 20 million yuan loan agreement dated March 13, 2023; and 5 million yuan loan agreement and investment amount agreement dated November 15, 2024. The business alliance itself between Nichirei Corporation Shanghai and Company A1 regarding Company A2's factory, as well as the conclusion of the Official agreement of A1/2 business alliance related to such business alliance, has been approved by Nichirei Foods. However, Individual X unilaterally signed the A1 Supplementary Agreement dated October 14, 2020, which took precedence over the Agreement of A1/2 Business Alliance, without obtaining approval from Nichirei Foods. The A1 Supplementary Agreement dated October 14, 2020, stipulated the following agreements: changes to the previously agreed profit distribution ratio; Nichirei Corporation Shanghai shall bear 20 million yuan in liquid funds for Company A2. Significantly, the latter agreement on Nichirei Corporation Shanghai's burden of 20 million yuan in liquid funds subsequently led to the conclusion of the 20 million yuan loan agreement dated March 13, 2023, as well as the 5 million yuan loan agreement and investment amount agreement dated November 15, 2024.

The following section will provide a detailed overview of the Agreement of A1/2 Business Alliance, which was approved by Nichirei Foods, as well as the amendments made by the A1 Supplementary Agreement dated October 14, 2020. The following section will then explain the findings of this investigation regarding the circumstances under which these agreements were concluded. Subsequently, the following section will outline how these developments led to the conclusion of the 20 million yuan loan agreement dated March 13, 2023, as well as the 5 million yuan loan agreement and investment amount agreement dated November 15, 2024.

The attached diagram illustrates the parties involved and the contractual relationships relevant to this section.



3.1.2 Contract document related to business alliance with Company A1

(1) Details of the Business Alliance Agreement, etc. approved by Nichirei Foods

The following contracts or documents (i.e., the Official agreement of A1/2 business alliance) were concluded on October 14, 2020, concerning the business alliance of Nichirei Corporation Shanghai and Company A1.

- (i) Company A1 Business Alliance Agreement
- (ii) Company A2 Manufacturing Cooperative Agreement
- (iii) A2 Development Commission Agreement
- (iv) Letter of Acknowledgement Regarding A2 Manufacturing Cooperative Agreement and Development Commission Agreement

The Official agreement of A1/2 business alliance mainly sets forth the details of the business alliance between Nichirei Corporation Shanghai and Company A1 regarding the manufacture and sale of frozen prepared pouches of rice bowl toppings (hereinafter referred to as "Company A1/2 product") in China.

The main points of the business alliance are as follows.

- (A) Company A1 (i) establishes Company A2, which manufactures Company A1/2 products; (ii)

causes Company A3 to lease approximately 2,100 square meters of factory site owned by Company A3 to Company A2 free of charge; and (iii) causes Company A2 to manufacture Company A1/2 products based on the Company A2 Manufacturing Cooperative Agreement and Company A2 Development Commission Agreement.

- (B) Nichirei Corporation Shanghai provides the machinery and equipment necessary for manufacturing Company A1/2 products to Company A2 free of charge.
- (C) Company A2 delivers Company A1/2 products manufactured by Company A2 to Nichirei Corporation Shanghai, and Nichirei Corporation Shanghai sells Company A1/2 products to its customers.
- (D) Nichirei Corporation Shanghai and Company A2 shall distribute the total profits realized through manufacturing and selling Company A1/2 products in a 55:45 ratio. Such profit-sharing adjustment shall be paid as a commission fee based on the A2 Development Commission Agreement.

(2) Details of A1 Supplementary Agreement dated October 14, 2020

Regarding the business alliance between Nichirei Corporation Shanghai and Company A1, the A1 Supplementary Agreement dated October 14, 2020 was also signed.

The A1 Supplementary Agreement dated October 14, 2020 shall take precedence over the Official agreement of A1/2 business alliance and specifically amend the following two points.

- (i) In addition to the free provision of machinery and equipment to Company A2, Nichirei Corporation Shanghai bears an amount of not less than 20 million yuan of its required liquid funds to Company A2.
- (ii) The profit ratio between Nichirei Corporation Shanghai and Company A2 for the manufacturing and sales profits of Company A1/2 products shall be 51:49 (No change in the profit sharing to be paid as commission based on the A2 Development Commission Agreement).

Individual X did not share the A1 Supplementary Agreement dated October 14, 2020 with Nichirei Foods. Nichirei Foods first became aware of the A1 Supplementary Agreement dated October 14, 2020, on December 12, 2024, when it was shared by Company A1/2.

(3) Background of Agreement

The Investigation revealed the circumstances leading to the signing of the Official Agreement of A1/2 Business Alliance and the A1 Supplementary Agreement dated October 14, 2020, as outlined below.

Nichirei Corporation Shanghai had been seeking a business partner or business alliance for the frozen prepared pouches of poultry products (donburi ingredients) that the Corporation sells to Company C, its largest customer, since at least 2019. At that time, Nichirei Corporation Shanghai was outsourcing the manufacturing of products to be sold to Company C to Company D. However, after receiving a proposal from Company C to review its production base policy, it became imperative to secure a business partner or business alliance partner for the frozen pouches of poultry products for Company C. Then, in early October 2019, Company C introduced Company A1, which is also an approved business partner of Company C, to Nichirei Corporation Shanghai as a potential business partner or business alliance partner for poultry products. Nichirei Corporation Shanghai began to explore the possibility of a business alliance with Company A1, and conducted a thorough comparison and analysis of both Company A1 and its competitors. Meanwhile, Company A1 had acquired Company A3, which owned a food factory, with the aim of improving its production capacity. However, it was facing challenges in improving its business performance. Approximately 2,100 square meters of the food factory of Company A3 was vacant, prompting Company A1 to explore the possibility of a business alliance with Nichirei Corporation Shanghai.

a. Signing of Official Agreement of A1/2 Business Alliance

In September 2020, Nichirei Corporation Shanghai and Nichirei Foods initiated the drafting of the Official Agreement of A1/2 Business Alliance for the business partnership with Company A1.

On September 28, 2020, the business partnership between Nichirei Corporation Shanghai and Company A1 was approved at a special meeting of the board of directors of Nichirei Foods, based on the Official Agreement of A1/2 Business Alliance. The following day, on the 29th, Individual X sent a draft of the Official Agreement of A1/2 Business Alliance to Company A1.

On October 14th of the same year, Individual X informed Nichirei Foods that "an agreement has been reached with Company A1/2 based on the initial draft proposal." In the final draft (Japanese version) of the Official Agreement of A1/2 Business Alliance, which was referred to as the "initial draft proposal" sent by Individual X to Nichirei Foods on the 15th of the following month, minor revisions were made. The agreement stipulated that Nichirei Corporation Shanghai would receive 55% of the profits, and Company A2 would receive 45%. However, it did not specify that Nichirei Corporation Shanghai would provide 20 million yuan in working capital. Additionally, no written agreement was provided to Nichirei Corporation Shanghai for 20 million yuan in working capital. From the 15th to the 16th of the same month, Nichirei Foods prepared the Official Agreement of A1/2 Business Alliance (Chinese and Japanese versions) with the agreed-upon revisions to the final draft and sent it to Individual X.

Furthermore, as a result of the Investigation, it was found that the date of the signing of the Official Agreement of A1/2 Business Alliance was October 14, 2020, but the actual date of signing was around

November 24, 2020.

b. Signing of A1 Supplementary Agreement dated October 14, 2020

The Investigation revealed that there is no record of the specific negotiation process for the A1 Supplementary Agreement dated October 14, 2020. Although the A1 Supplementary Agreement dated October 14, 2020 bears Nichirei Corporation Shanghai's official seal, Nichirei Foods was not informed of the agreement's conclusion and performance. Additionally, it was not approved by Nichirei Corporation Shanghai's shareholders or board of directors. Furthermore, the Investigation revealed that the date of the signing of the A1 Supplementary Agreement dated October 14, 2020 was October 14, 2020, but that the agreement was signed around December 18, 2020.

(4) Background for executing the A1 Supplementary Agreement dated October 14, 2020

According to Individual X's statement, the background for concluding the A1 Supplementary Agreement dated October 14, 2020 is as follows.

Specifically, prior to September 2020, Company A1 had requested an additional payment of 20 million yuan. This was due to the fact that the factory use area of approximately 2,100 square meters of Company A1's provided Company A2 was equivalent to 30 million yuan. To ensure a 51:49 profit distribution ratio between Nichirei Corporation Shanghai and Company A1, Nichirei Corporation Shanghai should bear the cost of the same ratio. In response, Individual X noted that Company A1 had no foundation for asserting that the land area was worth 30 million yuan, and declined to pay the additional 20 million yuan. In turn, Company A1 retracted its claim, and the pertinent clause was ultimately excluded from the final Official Agreement of A1/2 Business Alliance. However, following the signing of the Official Agreement of A1/2 Business Alliance, Company A1 demanded the financial burden of 20 million yuan once again, adopting a strong negotiating stance. Individual X agreed to sign the A1 Supplementary Agreement dated October 14, 2020, in order to maintain the future relationship with Company A1. However, Individual X conducted further verification and negotiations to confirm the validity of Company A2's claim regarding the area of the factory used by Company A2, which was approximately 2,100 square meters and valued at 30 million yuan.

Additionally, Individual X provided the following reasons for not reporting to Nichirei Foods the request from Company A1 that Nichirei Corporation Shanghai should bear an additional 20 million yuan in Company A2's working capital, on the assumption that the profit distribution ratio between Nichirei Corporation Shanghai and Company A1 would be 51:49. First, Individual X believed that obtaining approval was unfeasible, even if he reported to Nichirei Foods. This was due to the difficulty of obtaining approval for building a cooperative relationship with Company A1. Secondly, Individual X believed that Nichirei Corporation Shanghai would not be required to bear the immediate cost of 20 million yuan. This was due to

the uncertainty surrounding the valuation of the land provided by Company A1, which was estimated at 30 million yuan. It was anticipated that further negotiations would take place after the contract was finalized. Thirdly, Individual X felt pressured to swiftly finalize a business partnership with Company A1 due to Nichirei Corporation Shanghai's subpar business performance in 2020. It was also anticipated that the business with Company D, which manufactured products for Company C, would be transferred to Company A1. Individual X did not have sufficient time to complete the approval process at Nichirei Foods.

3.1.3 Additional contract, etc. related to the 20 million yuan for Nichirei Corporation Shanghai

(1) 20 million yuan loan agreement dated March 13, 2023

a. Terms of Agreement

On March 13, 2023, Company B1, Company A2, and Nichirei Corporation Shanghai entered into a 20 million yuan loan agreement dated March 13, 2023. The contract stipulates that Company B1 will lend 20 million yuan to Company A2 at an annual interest rate of 3%, and that Nichirei Corporation Shanghai will jointly guarantee Company B1's loan to Company A2 for three years from the repayment date. On March 14, 2023, based on the above contract, Company B1 remitted 20 million yuan to Company A2.

The 20 million yuan loan agreement dated March 13, 2023, bears the official seal of Nichirei Corporation Shanghai and the signature of Individual X. However, Nichirei Foods first recognized the 20 million yuan loan agreement dated March 13, 2023, on December 12, 2024.

The repayment date indicated in the 20 million yuan loan agreement dated March 13, 2023, December 30, 2023, was not extended. Additionally, as explained below, 5 million yuan was repaid on November 19, 2024, as part of the principal⁶.

b. Background of Agreement

According to Individual X, the sudden increase in orders for Company A1/2 products from Nichirei Corporation Shanghai to Company A2 has led to a deterioration in Company A2's cash flow, beginning around the end of 2022. Consequently, Company A2 has demanded a full contribution of 20 million yuan, as outlined in the A1 Supplementary Agreement dated October 14, 2020. In response, Company B1, Company A2, and Nichirei Corporation Shanghai entered into a 20 million yuan loan agreement dated March 13, 2023. Under this agreement, Company A2 borrowed 20 million yuan from Company B1, and Nichirei Corporation

Shanghai provided joint and several guarantees for the said loan.

c. Absence of approval at Nichirei Foods

The 20 million yuan loan agreement dated March 13, 2023 bears the official seal of Nichirei Corporation Shanghai. However, this seal was not applied for on the Seal Management System, and it is not recorded in the seal register. Additionally, Nichirei Foods has not been informed of the conclusion and performance of the 20 million yuan loan agreement dated March 13, 2023, and it has not been decided by the Nichirei Corporation Shanghai shareholders or resolved by the board of directors.

According to the testimony of Company A1/2, it was not confirmed whether or not Nichirei Foods or Nichirei Corporation Shanghai had gone through internal procedures regarding Nichirei Corporation Shanghai becoming a joint guarantor of Company A2 under the 20 million yuan loan agreement dated March 13, 2023.

(2) Signing of 5 million yuan loan agreement dated November 15, 2024 and Company A1/2 Investment Agreement dated November 15, 2024

a. Terms of Agreement

On November 15, 2024, Company A1, Company A2, and Nichirei Corporation Shanghai entered into a 5 million yuan loan agreement dated November 15, 2024. The 5 million yuan loan agreement dated November 15, 2024 stipulates that Company A1 will lend 5 million yuan (approximately 100 million yen) to Company A2 at an annual interest rate of 6.5%, and that Nichirei Corporation Shanghai will provide joint and several guarantees for the debt of Company A2 to Company A1 for a period of three years from the repayment date.

On the same day, Nichirei Corporation Shanghai and Company A1 also concluded the Company A1/2 Investment Agreement dated November 15, 2024. The Company A1/2 Investment Agreement dated November 15, 2024 stipulates that Nichirei Corporation Shanghai will make arrangements to raise 20 million yuan by March 31, 2025. In the event that it is unable to raise the funds by that date, the two parties will resolve the matter through consultation. Additionally, the 5 million yuan loan agreement dated November 15, 2024 stipulates that Company A2's borrowing from Company A1 was made to repay Company B1's borrowing from Company A2, as specified in the 20 million yuan loan agreement dated March 13, 2023. Nichirei Corporation Shanghai will bear the interest accrued based on the 5 million yuan loan agreement.

On November 19, 2024, Company A2 paid Company B1 5 million yuan borrowed from Company A1 as a partial repayment of the principal amount of 20 million yuan under the 20 million yuan loan agreement dated March 13, 2023.

b. Background of Agreement

According to Individual X's statement, in the autumn of 2024, Company B1 requested that Company A2 repay 5 million yuan of the principal amount based on the 20 million yuan loan agreement dated March 13, 2023. Consequently, the 5 million yuan loan agreement dated November 15, 2024 was executed, and Nichirei Corporation Shanghai was to provide joint and several guarantees in accordance with the requests of Company A1 and Company A2.

In addition, according to Individual X's statement, the Company A1/2 investment agreement was executed on November 15, 2024. This was to confirm with Company A1 and Company A2 that Nichirei Corporation Shanghai would also be obligated to pay in the event that Company B1 demanded full repayment based on the 20 million yuan loan agreement dated March 13, 2023 in conjunction with the execution of the 5 million yuan loan agreement dated November 15, 2024.

According to Individual X's statement, there was never any confirmation from Company A1 or Company A2 regarding whether Nichirei had authorized the 5 million yuan loan agreement dated November 15, 2024 and the Company A1/2 Investment Agreement dated November 15, 2024, or whether there had been an internal resolution at Nichirei Corporation Shanghai.

c. Absence of approval at Nichirei Foods

Although the 5 million yuan loan agreement dated November 15, 2024 and the Company A1/2 Investment Agreement dated November 15, 2024 have official seals of Nichirei Corporation Shanghai, they were not applied for on the Seal Management System, nor were they recorded on the seal register. Furthermore, the conclusion of the 5 million yuan loan agreement dated November 15, 2024 and the Company A1/2 Investment Agreement dated November 15, 2024 was not reported to Nichirei Foods, and it was not decided by the shareholders of Nichirei Corporation Shanghai or resolved by the board of directors.

Nichirei Foods became aware of the existence of the 5 million yuan loan agreement dated November 15, 2024 and the Company A1/2 Investment Agreement dated November 15, 2024 on December 12, 2024, and did not authorize the execution of these agreements.

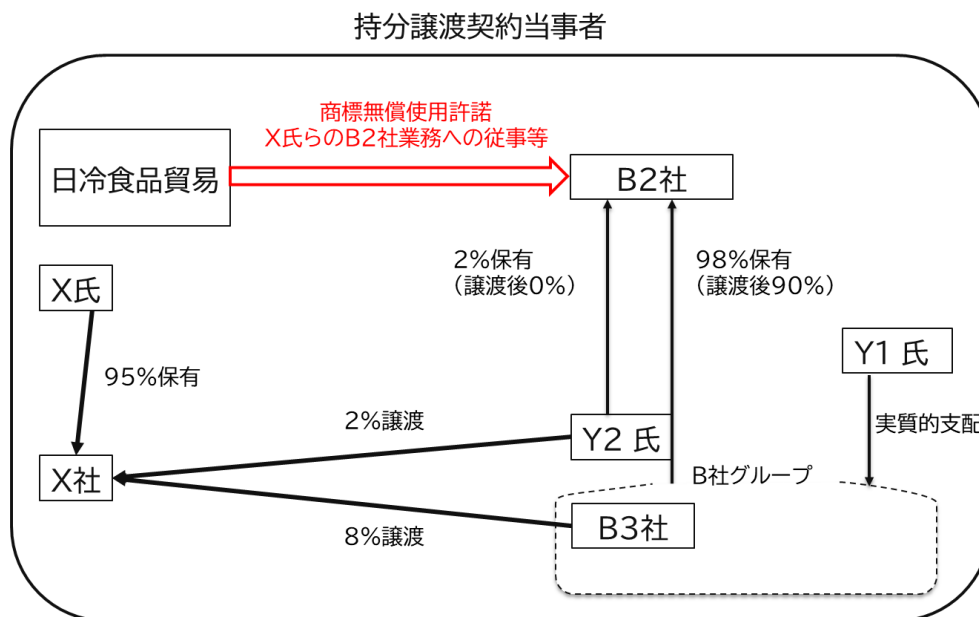
3.2 Misconduct related to Company B2 and Company X

3.2.1 Summary of the misconduct

The following four points can be cited as misconduct related to Company B2 and Company X, without going through the reporting and approval process to Nichirei Foods: (i) Company B2 collaborated in the construction of a factory that manufactures frozen fried rice, among other products, which competes with Nichirei Corporation Shanghai, and had individual X and employees of Nichirei Corporation Shanghai work on the construction of the factory; (ii) established a company called X, which competes with Nichirei Foods and Nichirei Corporation Shanghai, and had employees of Nichirei Corporation Shanghai work for that company, and also had Nichirei Corporation Shanghai pay the expenses related to that company; (iii) an agreement was reached that proved disadvantageous to Nichirei Corporation Shanghai. For instance, an agreement was reached between Nichirei Corporation Shanghai and Company X to transfer 10% of B2's stake to Company X without authorization; the agreement included provisions that Nichirei Corporation Shanghai would grant B2 a license to use its trademark free of charge, that Individual X and Nichirei Corporation Shanghai's management would be involved in B2's operations, and that Nichirei Corporation Shanghai would transfer existing sales channels to B2 according to the situation of the customers; and (iv) Individual X was appointed as the chairman of B2 while he was still the chairman and general manager of Nichirei Corporation Shanghai.

The following sections will provide details of the above points (i) to (iv), as well as a detailed description of the actions related to the construction of Company B2's factory.

The attached diagram illustrates the parties involved and the contractual relationships relevant to this section.



3.2.2 Establishment of Company X

(1) Background leading up to the establishment of Company X

According to Individual X's statement, Individual X began considering leaving Nichirei Foods around the time that Shanghai was locked down in 2022 (i.e., from April to June of the same year).

Furthermore, according to Individual X's statement, Individual X had planned to establish his own business in China. However, as managing a frozen food manufacturing business would be challenging for Individual X alone, he was seeking a company to partner with. In this scenario, Individual X met with Individual Y1, the manager of the B Group. Individual X accepted Individual Y1's proposal to establish a frozen food manufacturing plant in Dalian and conduct a frozen food manufacturing business there, as well as to transfer a portion of Company B2's stake to Individual X.

(2) Company X Profile

Individual X established Company X on September 4, 2023.

As of March 24, 2024, the basic information on Company X is as follows.

| | |
|-----------------------|---------------------------|
| Company name | Company X |
| Head office location | Shanghai City, China |
| Corporate form | Limited liability company |
| Date of Establishment | September 4, 2023 |

| | |
|-------------------------|---|
| Representative | Individual X, Executive Director |
| Auditor-Secretary | - (former Auditor-Secretary: Employee Y4) |
| Chief Financial Officer | Individual X (former CFO: Employee Y3) |
| Stated capital | 500,000 yuan |
| Stakeholder | Individual X (95%), other shareholders (5%) |

3.2.3 Signing of B2 Stake Transfer Contract dated October 17, 2023

Individual X, acting as a contract party and on behalf of Company X and Nichirei Corporation Shanghai, entered into the B2 Stake Transfer Contract dated October 17, 2023 with Company B2, Company B3, a shareholder of Company B2, and Individual Y2 and Individual Y1. Company B3 is a Hong Kong-based company controlled by Individual Y1, who was in position to represent both Company B2 and Company B3.

Individual X has communicated to Individual Y1 and others that Individual X cannot personally assume the financial responsibility for the conditions they have presented. The scheme for the B2 Stake Transfer Contract dated October 17, 2023, has been developed accordingly. The B2 Stake Transfer Contract dated October 17, 2023 stipulates that Company X reserves the right to appoint the chairman of Company B2. It was agreed that the board of directors would appoint Individual X as the general manager for two years after the stake transfer (after the third year, Company X would have the right to make the appointment).

Nichirei Foods has not received any reports regarding the conclusion and performance of the Company B2 Stake Transfer Contract dated October 17, 2023, and no decision has been made by the shareholders or board of directors of Nichirei Corporation Shanghai. In addition, no application has been submitted to the Seal Management System for the official seal affixed to the contract.

Nichirei Corporation Shanghai is assumed to have the following obligations under the B2 Stake Transfer Contract dated October 17, 2023.

- (i) Company B2 will be granted a free license to use the trademark from November 1, 2024 to December 31, 2028
- (ii) To agree that the wording "Manufacturing Supervised by Nichirei Foods" will be printed on the back of the products manufactured by Company B2 and to cooperate in cases where related licenses, etc. are required
- (iii) A confirmation letter should be issued stating that the non-compete obligation does not apply to Individual X and the management team of the Nichirei Corporation
- (iv) Not to enter into new production partnerships with third parties other than Company B2 in the field of frozen fried rice, and to provide a written commitment that it is in the process of dissolving partnerships with third parties in the field of rice-related foods

According to Individual X's statement, the above items (i) to (iv) were included at the request of Individual Y1 and others, and although Individual X negotiated with Individual Y1 and others regarding the above items

(i) to (iv), he ultimately entered into the Company B2 Stake Transfer Contract dated October 17, 2023 with the understanding that it was an individual contract for Individual X and had nothing to do with Nichirei Corporation Shanghai.

3.2.4 Signing of Supplementary Agreement to B2's Stake Transfer Contract dated March 9, 2024

Furthermore, the Supplementary Agreement to B2's Stake Transfer Contract dated March 9, 2024 was entered into between Individual X, Company B2, Company B3, Individual Y2, Company X, Nichirei Corporation Shanghai, and Individual Y1. In the Supplementary Agreement, the B2 Stake Transfer Contract dated October 17, 2023 was amended to agree to postpone the payment deadline for the transfer of the stakes in Company B2 from Company X to Company B3 and Individual Y2. In addition, the provisions stipulated that Nichirei Corporation Shanghai would provide a written commitment that it would not enter into any new production partnerships with third parties other than the Specified Company in the field of frozen fried rice, that the current partnership with any third party in the field of rice-related food products would be terminated, and that all such partnerships would be terminated by the time the Specified Company actually commenced production.

Regarding the Supplementary Agreement, no application was submitted on the Seal Management System for the official seal of Nichirei Corporation Shanghai to be affixed. Additionally, the conclusion and performance of the Supplementary Agreement were not reported to Nichirei Foods. The decision of the shareholders of Nichirei Corporation Shanghai and the resolution of the Board of Directors had not been made.

3.2.5 Construction of a factory at Company B2 and the diversion of human resources from Nichirei Corporation Shanghai

On March 11, 2024, a public notice was issued regarding the winning bid for the project to construct a semi-processed food factory for Company B2, and construction of the factory began at Company B2's address.

Individual X recruited Employee Y4, Employee Y3, and Employee Y5, who are employees of Nichirei Corporation Shanghai, to assist in the construction of Company B2's frozen fried rice factory, and had them sign employment contracts with Company B2. Additionally, two other employees were transferred from Nichirei Corporation Shanghai to Company B2.

Consequently, construction work was halted from late September 2024 onwards due to the non-payment of construction expenses to the construction company. However, according to Individual X's statement, the bank loan was approved in December 2024, and the construction of the factory is scheduled to resume in mid-March 2025.

3.2.6 Appointment of Individual X as Chairman and licensing the use of Nichirei Corporation Shanghai's intellectual property, or scheming to transfer the business to Company B2

On October 14, 2024, the transfer of Company B2's stakes from Company B3 and Individual Y2 to Company X was officially registered. Concurrently, Individual X was appointed as the chairman and general manager of Company B2, and the fact that he became the company's legal representative was duly registered. Additionally, following the signing of the stake transfer contract dated October 17, 2023, Individual X prepared several documents that included authorizing the use of Nichirei Corporation Shanghai's intellectual property and transferring the business to Company B2, without going through the decision of the shareholders or the resolution of the board of directors of Nichirei Corporation Shanghai.

3.2.7 Individual X's misconduct related to Company X's business

(1) Company X's establishment violates the Rules of Employment of Nichirei Foods and Nichirei Corporation Shanghai

Article 6 of the Nichirei Foods Rules of Employment stipulates that "Employees are obligated to fulfill the following responsibilities in the course of their work," and Article 5 of the same document states that "Employees shall obtain approval from the company before engaging in other occupations." Additionally, Article 6-4 of the same regulations stipulates that "Employees are obligated to adhere to the following matters," and Paragraph 2 of the same article clarifies that "Without the company's consent, even after the termination of employment due to retirement or dismissal, employees are prohibited from engaging in competitive activities using the matters in the previous item⁷".

In light of these regulations, Nichirei Foods prohibits its employees from engaging in competitive activities while they are still employed.

Additionally, Article 4 of the Rules of Employment at Nichirei Enterprise Management Consulting (Shanghai) and Nichirei Corporation Shanghai stipulates that "Unless the company agrees, it is prohibited to work for another company. It is prohibited to establish a labor relationship with another company. It is also prohibited to establish a company with the primary objective of generating profit or engaging in personal business activities." While there is no labor contract between Individual X and Nichirei Corporation Shanghai, according to a notice from the Chinese labor department, companies should conclude labor contracts with their general managers⁸. Furthermore, if the following conditions are met, employers should recognize labor relationships even if they have not concluded written labor contracts with their employees⁹.

⁷ This refers to Nichirei Foods' Rules of Employment, Article 6-4, Paragraph 1, "Matters that are confidential to the company and that would be detrimental to the company".

⁸ Answers to Questions Related to Labor Contracts concerning the Implementation of the Labor Law < Labor Department Document No. 202 [1995], Article 11 >

⁹ Notice on Matters concerning the Establishment of Labor Relations < Labor Department Document No. 12 [2005] >

- When the employer and the worker meet the qualifications stipulated by law and regulations
- The employer implements various labor regulation systems established by law, to which the workers are subject. The workers are also subject to the labor management of the employer and perform paid labor arranged by the employer.
- The work performed by the worker is an integral part of the employer's business operations.

In light of these notices, it is evident that, in this case as well, since Individual X is the general manager of Nichirei Corporation Shanghai and is responsible for many of the company's operations and receives remuneration from the company, a labor relationship exists between Individual X and Nichirei Corporation Shanghai, and the Rules of Employment of Nichirei Corporation Shanghai apply to Individual X.

Company X's business scope encompasses "sale of foods" and "development of food products, agricultural products, feed, and additives," which are also common to the businesses operated by Nichirei Foods and Nichirei Corporation Shanghai. Additionally, as outlined in Section III 3.2.7(2) below, Company X is currently purchasing from suppliers and selling products to customers of Nichirei Corporation Shanghai, which constitutes the acquisition of Nichirei Corporation Shanghai's business partners. Consequently, the establishment of Company X by Individual X can be considered a violation of the Rules of Employment of Nichirei Foods and Nichirei Corporation Shanghai.

(2) Company X's Business Activities

According to the Investigation, Company X's current business activities are recognized as twofold: (1) consulting services unrelated to Nichirei Corporation Shanghai to Chinese-capitalized food manufacturers, etc. (food manufacturing consulting business); and (2) sale of food ingredients, etc. to Chinese-capitalized food manufacturers, etc. (food sales business).

a. Food manufacturing consulting business

According to the Investigation, the following operations were conducted by Company X between around March 2024 and January 2025.

- (i) Establishment of a new bread factory in Shantou
- (ii) Sales activities for consulting services to a bread factory for convenience stores in Xiamen
- (iii) Sales activities targeting a bread manufacturer in Changzhou
- (iv) Sales activities for a food manufacturer in Hefei
- (v) Sales activities for consulting services to a bread factory for supermarkets in Taiyuan
- (vi) Sales activities related to the establishment of a new bread factory for a food manufacturer in Jiangsu Province

- (vii) Consultation related to the development of new products at a bread factory for a company in Guangzhou
- (viii) Support for the construction of a new research facility for Company A1
- (ix) Support for improving yield and reducing costs for mushroom cream soup for Company A2
- (x) Advice on tofu bar production for a specific company
- (xi) Support for improving the quality of dumpling skins for a specific company

In addition, Individual X has worked for a long period of time at a convenience store business in China. During this time, Individual X has carried out sales activities for consulting services using the Company X personnel. For example, Individual X has proposed consulting services by a person who has signed an advisory agreement with Company X to a company that operates a confectionery store chain and an advisory contract is signed between the said confectionery company and Company X.

Furthermore, during the course of sales activities for consulting services by Company X, Individual X utilized the Nichirei Group's social trust in the sales activities of Company X without authorization. This included displaying the Group's name and logo next to Company X's name and logo, and implying that Company X had been entrusted with business by Nichirei Corporation Shanghai.

b. Food sales business

Company X was selling seasoning for fried rice to a company in Jiangsu Province. However, after receiving notification that it had not been adopted, it has not conducted any further transactions. It should be noted that the seasoning in question is distinct from the seasoning used in Nichirei Corporation Shanghai's frozen fried rice products.

(3) Adverse effects of Company X's business on Nichirei Corporation Shanghai

According to the Investigation, Individual X engaged in activities that resulted in Nichirei Corporation Shanghai employees working on Company X's business, Nichirei Corporation Shanghai incurring expenses related to Company X's business, and Nichirei Corporation Shanghai's business partners switching to Company X, which have led to a loss of business that was previously conducted by Nichirei Corporation Shanghai.

These acts fall under the category of competitive activities prohibited by the Rules of Employment of Nichirei Foods and Nichirei Corporation Shanghai, as stated in Section III 3.2.7 (1) above. Additionally, Article 6-3, Item 4 of Nichirei Foods' Rules of Employment stipulates that "Employees shall handle and store the company's facilities, equipment, products, materials, documents, electronic data, etc. with care, and shall not use them for personal use or outside the Company without permission"; Article 61, Paragraph 2 of the

Rules of Employment of Nichirei Corporation Shanghai stipulates that "Employees shall not violate the honor, trust, or interests of the Company"; and Article 61, Paragraph 4 of the same Rules stipulates that "Employees shall not engage in any non-work related activities during working hours". These provisions aim to prevent any employee from infringing on the Company's interests, using the Company's facilities for personal use, or engaging in any activities unrelated to work during working hours. Individual X's conduct constitutes a violation of these regulations, as well as an instruction to employees to violate these regulations.

(4) Nichirei Corporation Shanghai's expenditure on Company X's business

a. Expenditure on Company X's trademark registration

In June 2023, Employee Y3 submitted an application for affixing a seal and payment of 5,400 yuan for a power of attorney that entrusted trademark service providers for three trademarks that Nichirei Corporation Shanghai recalls Company X. The application was approved following confirmation by Individual X, Employee Y4, and the management consulting department. Accordingly, Nichirei Corporation Shanghai has entrusted the aforementioned provider with the application for the above trademarks, and has paid a total of 5,400 yuan. As a result, six trademarks (all in classes 35 and 42) have been registered as of January 14, 2024.

As previously stated, Nichirei Corporation Shanghai expended a total of 5,400 yuan to register trademarks that are presumed to be used for Company X.

Furthermore, on November 29, 2024, Company X concluded a contract with a trademark consulting company regarding consulting services related to the transfer of the above trademarks, and attempted to transfer the trademarks, which had been acquired at the expense of Nichirei Corporation Shanghai, to Company X. However, before the transfer could be carried out, Nichirei Corporation Shanghai informed the trademark consulting company that Nichirei Corporation Shanghai, the trademark holder, did not consent to the transfer, and the trademark transfer procedures were suspended.

b. Expenditure of business trip expenses, etc. related to the business of Company X and Company B2

According to the Investigation, Nichirei Corporation Shanghai spent at least 17,740 yuan on the business of Company X or Company B2 between 2023 and 2024. Additionally, Nichirei Corporation Shanghai incurred a total expenditure of 1,001,920 yuan on air tickets for its officers and employees between 2022 and 2024. However, as stated in Section III 3.2.5 and 3.2.7 (3) above, many of Nichirei Corporation Shanghai employees are engaged in the business of Company X or Company B2. Therefore, it is believed that many of these air ticket expenses were incurred for the business of Company X or Company B2.

4. Investigation of similar cases

Of the similar case investigations mentioned in Section I 5.3.2 (1) above, the results of the on-site investigation revealed expenditures that were clearly considered to be outside the scope of work, which totaled 34,000 yuan (approximately 700,000 yen) in 2023 and 2024. However, all of these have already been recorded in the financial statements of Nichirei Corporation Shanghai. The investigation, which involved the exchange of information with business partners (suppliers), revealed no significant issues or evidence of fraud.

In addition, as a result of the Investigation outlined in Section I 5.3.2 (2) above, no similar misconduct acts of the same type as this case were identified at comparable overseas subsidiaries.

Section IV Financial impact of misconduct

The maximum financial impact of the misconduct uncovered by the Investigation described in Section III 3. above is approximately 4.36 million yuan (approximately 90 million yen) in contributions related to the loan agreements concluded as a result of the misconduct.

Please be advised that the decision regarding the revision of the aforementioned impact amount, the tax calculation in the event of such revision, and the examination of the impact on consolidated and non-consolidated financial statements, including impairment and tax effect accounting, will be made by Nichirei and Nichirei Foods. The Committee is not in a position to make such decisions or examinations.

Section V Cause analysis

1. Subjective and individual factors behind the misconduct

1.1. Motivation and rationalization provided by Individual X regarding the misconduct related to Company A2' factory

According to the testimony of Individual X, the motivation behind the misconduct acts related to the business alliance involving the Company A2's factory stemmed from his desire to expedite the execution of a business alliance agreement with Company A2 in order to preserve the business relationship with Company C. Individual X believed that obtaining approval from Nichirei Foods would be extremely difficult and, even if feasible, the approval process would be time-consuming. As a result, he proceeded to execute an agreement without obtaining Nichirei Foods' authorization. Under this agreement, Nichirei Corporation Shanghai committed to a substantial capital contribution of 20 million yuan to Company A2. Subsequently, a series of joint guarantee obligations was undertaken to raise the necessary funds to resolve the financial shortfall caused by this initial agreement.

Individual X justified his actions by asserting that, in order to maintain the business relationship with Company C at Nichirei Corporation Shanghai, it was imperative to initiate the alliance with Company A2 at the earliest possible stage. He further explained that the 20 million yuan funding from Nichirei Corporation Shanghai was merely intended to support Company A2 in securing working capital, and that it was not necessary for Nichirei Corporation Shanghai to immediately disburse the full 20 million yuan. He also believed that the final burden could be negotiated. It appears that Individual X rationalized his conduct by deeming the omission of formal procedures as unavoidable in order to sustain Nichirei Foods' business operations in China.

1.2 Motivation and rationalization provided by Individual X regarding the misconduct related to Company B2 and Company X.

According to the testimony of Individual X, the motivation behind his misconduct acts concerning the frozen food manufacturing plant of Company B2 originated from Nichirei Foods' rejection of his proposed long-term business plan for Nichirei Corporation Shanghai. Upon realizing that his vision could not be realized within the framework of Nichirei Foods, Individual X recognized that Company B2's business plan for processed food products aligned with his personal ambitions for a post-retirement business. Consequently, he decided to pursue the realization of his own business plan through Company B2. As Individual X lacked personal capital, it appears that, in order to facilitate the acquisition of an equity interest in Company B2 by Company X—where he was a major shareholder—he deemed it necessary to leverage the assets of Nichirei

Corporation Shanghai, where he served as representative. These assets included trademarks, customer networks, brand equity, and human resources.

Individual X further asserted that the contracts executed between Company B2 and Nichirei Corporation Shanghai, although unjustifiable, were in essence personal agreements between himself and Company B2, and thus unrelated to Nichirei Corporation Shanghai. He further claimed that the trademarks licensed to Company B2 were unused by Nichirei Corporation Shanghai and thus posed no risk to its business operations. Based on these assertions—though objectively indefensible—Individual X attempted to rationalize his actions.

2. Institutional and organizational factors contributing to the misconduct

2.1 Lack of clear criteria for the appointment of executives at the Chinese subsidiary

One of the factors contributing to the fraud was the absence of clearly defined criteria or succession planning for the appointment of executives at Nichirei Corporation Shanghai. At Nichirei Foods, executive appointments for overseas subsidiaries are deliberated by the International Business Division, and final decisions are made by three members of the Board of Directors. However, no fixed term limits are in place, and in cases where no successor is readily available, incumbents are permitted to remain in their positions for extended periods. In fact, Individual X continued to serve as Chairman and General Manager of Nichirei Corporation Shanghai for an extended duration under this ambiguous framework. As a result, his influence within the organization grew significantly, leading to a concentration of authority.

Individual X had been stationed in China since 2011, was seconded to Nichirei Corporation Shanghai in 2015, appointed as a director in 2017, and subsequently assumed the role of Chairman and General Manager in 2019. He was highly valued for his experience in the Chinese market and his extensive network, and he played a pivotal role in establishing the relationship with Company C, one of Nichirei's major clients. Nichirei Foods, placing significant emphasis on Individual X's influence from a business expansion standpoint, continued to retain him in his position without establishing a concrete succession plan or fostering a potential replacement. Although the length of Individual X's tenure was occasionally discussed among the responsible executive officers and the International Business Division, no specific succession plan was ever formulated. Combined with a shortage of qualified personnel, the status quo remained unchanged. As a result, Individual X maintained a prolonged monopoly over decision-making authority, and the organization's internal checks and balances gradually ceased to function effectively. It is considered that overreliance on individual capabilities in personnel management contributed to the occurrence of the fraud.

2.2 Deficiencies in local corporate governance in China

One of the underlying causes of the fraud was a structural deficiency in corporate governance within Nichirei Corporation Shanghai. The deficiency resulted in an excessive concentration of authority in Individual X, in the absence of adequate supervisory and control mechanisms—either in structure or in practice.

The Board of Directors of Nichirei Corporation Shanghai consisted of four members in addition to Individual X. However, the Board generally operated through a single written resolution per year, and even resolutions mandated by law—such as those concerning the reappointment of the Chairman and Auditor-Secretary, as well as the renewal of the terms for the General Manager and Deputy General Manager—were not properly executed. The Board's scope of authority was narrowly limited to formal matters, such as amendments to the Articles of Association. Reports to the Board, including financial statements, budget updates, and personnel changes, were largely procedural and did not lead to substantive discussions. As a result, critical management issues at Nichirei Corporation Shanghai were not meaningfully deliberated, and Nichirei Foods failed to ensure transparency in local corporate management. Consequently, a situation developed in which Individual X was able to routinely make unilateral decisions.

Furthermore, Individual X was the sole Japanese expatriate stationed at Nichirei Corporation Shanghai, leaving the internal checks and balances in an extremely fragile state. In principle, personnel with expertise in finance, legal affairs, and internal control should have been assigned, or alternative governance mechanisms should have been implemented by Nichirei Foods or Nichirei Enterprise Management Consulting (Shanghai). However, none of these measures were taken in this case, and as a result, there was no effective governance structure to constrain Individual X's unilateral conduct. Additionally, the Auditor-Secretary of Nichirei Corporation Shanghai, Employee Z2, was not stationed locally. The Board of Directors, of which Employee Z2 was a member, did not engage in any substantive discussion of business matters. The auditing activities conducted by the Auditor-Secretary also lacked a focus on identifying potential fraud by the Chairman (for further detail, refer to Section V 2.4 below). Accordingly, the Auditor-Secretary failed to fulfill their intended internal oversight function.

Moreover, neither Nichirei Corporation Shanghai nor Nichirei Enterprise Management Consulting (Shanghai) maintained an internal legal function. Individual X's disregard for the headquarters' approval processes rendered legal oversight by the Nichirei Foods Legal Group ineffective, further weakening internal controls against unilateral decision-making. Nichirei Enterprise Management Consulting (Shanghai) also lacked a legal function, and contract reviews were carried out by the Finance Manager (Employee Z1). However, no specialized framework existed for assessing legal risks. Furthermore, the Legal Group of Nichirei Foods was unable to exercise effective oversight due to Individual X's failure to adhere to established approval procedures. As a result, the legal risks inherent in the contracts—which should have been subject to legal review—were not adequately assessed, creating a structure in which Individual X's

intentions were implemented without effective oversight.

In addition, the contents of contracts prepared by external legal counsel at the request of Nichirei Corporation Shanghai were not appropriately reviewed or supervised by either the Nichirei Foods Legal Group or Nichirei Enterprise Management Consulting (Shanghai). This created a critical blind spot in the company's fraud detection mechanism. From the perspective of group-wide legal risk management, it would be desirable to establish a framework to ensure that information concerning material contracts is properly shared across relevant entities. In this case, although Individual X did consult external legal counsel, he withheld key details regarding contracts related to Company B2's factory. Nonetheless, the counsel did receive information that may have indicated the potential onset of fraud. However, no mechanism existed to ensure that such information would be timely shared with Nichirei Foods or Nichirei Enterprise Management Consulting (Shanghai). Had there been an established framework for information sharing from external legal counsel to Nichirei Foods and Nichirei Enterprise Management Consulting (Shanghai), it might have been possible to detect the fraud at an earlier stage and implement appropriate countermeasures in a timely manner.

2.3 Management delegated entirely to local operations

The management approach adopted by Nichirei Foods towards Nichirei Corporation Shanghai was overly reliant on the autonomy of local executives, and the oversight and control functions of the headquarters were not sufficiently effective. A critical issue in this case was the absence of a mechanism to ensure appropriate involvement by the headquarters in the decision-making processes of the local entity. This lack of engagement allowed operational decisions to be made independently by local management.

The International Business Division merely received reports from the local entity, without direct participation in contract negotiations or sufficient visibility into communications with business partners. In particular, sales activities were reported exclusively through Individual X, with no independent verification mechanisms established at the headquarters level. Individual X declined to provide detailed performance data, and the International Business Division refrained from pursuing the matter further—partly to avoid confrontations with Individual X, who was known to respond emotionally. As a result, the organization remained heavily dependent on Individual X's discretion, and supervisory functions became increasingly nominal.

Furthermore, the role of the International Business Division was limited to monitoring overall performance metrics of overseas subsidiaries, without engaging in the specifics of local sales activities or operational management. Consequently, the division lacked a structure capable of facilitating a comprehensive understanding of the actual operations of the local entity. Consequently, the oversight function over Nichirei Corporation Shanghai became largely procedural, leading to the complete absence of meaningful deterrents against unilateral decision-making by Individual X.

2.4 Ineffective audit and monitoring framework

In this case, the audit and monitoring framework at Nichirei Corporation Shanghai failed to operate effectively. Specifically: (i) audits conducted by the Corporate Internal Audit of Nichirei Corporation, the holding company;

(ii) audits conducted by the auditors of Nichirei Corporation and Nichirei Foods; and

(iii) audits carried out by the Auditor-Secretary of Nichirei Corporation Shanghai—none of these mechanisms proved effective in fulfilling their intended functions of detecting fraud or preventing the emergence of risks. The key audit focus areas, methodologies, and scope were not grounded in substantive risk assessments and had become largely perfunctory in nature.

For instance, the audit conducted by the Corporate Internal Audit of Nichirei in FY2017 merely identified procedural deficiencies—such as the absence of proper approvals in accordance with internal decision-making rules and incomplete meeting minutes—without conducting a deeper examination into the company’s actual corporate governance and management controls. Subsequently, no further audits were conducted by the Corporate Internal Audit for an extended period, during which time issues in management control and internal control at Nichirei Corporation Shanghai remained unaddressed and unexamined.

During the audits conducted by the auditors between FY2020 to FY2023, interviews with Individual X were conducted; however, the focus remained on confirming business performance and gauging general risk awareness. These audits did not extend to evaluating the appropriateness of executive decision-making or the effectiveness of internal control systems. Moreover, the audits lacked the necessary professional skepticism toward Individual X’s statements and failed to implement verification procedures. As a result, the fraud remained undetected.

The audit conducted by the Auditor-Secretary of Nichirei Corporation Shanghai also focused primarily on operating capital items—such as accounts receivable, accounts payable, and inventory—while failing to sufficiently examine the validity of expense of compliance with contractual obligations. These audits entirely overlooked the perspective of potential fraud led by Japanese management personnel, particularly the Chairman.

In addition, the internal control testing conducted by the Business Administration Department of Nichirei Foods relied exclusively on an annual paper-based confirmation process, which was insufficient for understanding the actual operating environment.

Furthermore, the audit planning process lacked any framework for evaluating the competence of senior management or for analyzing risks associated with long-term incumbency. As a result, governance-related concerns—such as Individual X’s unusually long incumbency and the presence of only a single Japanese expatriate—were not reflected in the audit plan and were excluded from the audit’s priority areas. All audits were also conducted with advance notice, and no unannounced (i.e., surprise) audits were ever carried out, which further contributed to the failure to detect the fraud.

2.5 Deficiencies and dysfunction in the internal whistleblowing system

The internal whistleblowing system is intended to serve as a critical mechanism for the early detection of fraud; however, its implementation at Nichirei Corporation Shanghai exhibited multiple deficiencies.

First, although a suggestion box was installed within the company, it was managed directly by Individual X. This arrangement likely discouraged employees from reporting concerns due to legitimate fears of retaliation. Furthermore, Nichirei Corporation Shanghai had not established its own whistleblowing policy, and no clearly defined rules existed to govern the operation of the whistleblowing system. Communication and training related to the system were also problematic. Internal notices contained only the email address of Employee Z2 from the International Business Division and were written exclusively in Japanese—creating a language barrier that rendered the information inaccessible to most local staff.

According to testimony from several employees, training sessions on the internal whistleblowing system had become largely perfunctory. Individual X reportedly instructed trainers to avoid providing detailed explanations, limiting the sessions to a superficial reading of the policy's provisions, while personally overseeing their delivery. As a result, the purpose and significance of the whistleblowing system were not sufficiently communicated, and many officers and employees either remained unaware of its existence or regarded it as inoperative. In practice, no internal whistleblowing reports were ever submitted within Nichirei Corporation Shanghai. While some employees reportedly harbored suspicions regarding the matter in question, they refrained from reporting due to the absence of supporting evidence, uncertainty about how their report would be handled, and fear of retaliation.

Had the whistleblowing system been functioning properly, it could have enabled earlier detection of misconduct activities and facilitated prompt fact-finding through the provision of additional information. However, due to low awareness of the system and a lack of trust in its response mechanism, the system failed to operate as intended, and its preventive effects could not reasonably be expected.

2.6 Inadequate compliance promotion activities for group companies

The ineffectiveness of compliance promotion activities in relation to Nichirei Corporation Shanghai is presumably one of the factors that allowed Individual X to deliberately disregard established standards.

In March 2019, Individual X attended a study session organized by the Business Administration Department of Nichirei Foods for the International Business Division, during which the importance of corporate governance and standards for approval submission and circulation was explained. However, this session was conducted only once, and no subsequent follow-up or monitoring of compliance status was conducted. Compliance promotion activities should go beyond the mere provision of knowledge and include verification of actual business practices as well as coordination with internal control mechanisms. In this case,

such a system failed to function as intended.

Additionally, Individual X had a record of problematic behavior, including being subject to disciplinary action (suspension from work) due to violent conduct toward subordinates, as well as engaging in transactions that violated credit risk management policies. Despite these issues, he continued to make questionable management decisions. Given his prolonged tenure, the limited presence of Japanese expatriates at the local subsidiary, and the lack of an effective framework for assessing the appropriateness of management decisions at Nichirei Corporation Shanghai, there was a heightened risk of autocratic management becoming normalized.

Under such circumstances, it would have been essential to implement intensive compliance training and enhanced auditing specifically targeted at Individual X. However, such measures were not adequately undertaken.

The fundamental objective of compliance promotion activities is to monitor adherence in actual operations and to contribute to the prevention of fraud. In this case, however, the group-wide management system failed to function effectively, resulting in the oversight of Individual X's problematic behavior and the creation of an environment conducive to misconduct activity.

Section VI Recommendations for recurrence prevention measures

Based on the root cause analysis of the inappropriate conduct detailed in Section V, and with reference to the “Principles for Preventing Corporate Scandals at Listed Companies” and the “Principles for Responding to Corporate Scandals at Listed Companies” established by the Japan Exchange Regulation (JPX-R), the following recurrence prevention measures are recommended.

1. Measures addressing subjective and individual factors behind the misconduct

To eliminate the so-called three key elements of fraud triangle—motivation, opportunity, and rationalization—that were identified in this case, the following actions are necessary.

1.1 Addressing the motivation behind the fraud

The motivation behind the unauthorized execution of a series of contracts by Individual X, the Chairman, appears to have arisen from two primary factors:

- (1) the perception that obtaining prior approval from Nichirei Foods for contract execution would be time-consuming and incompatible with the pace of local business operations; and
- (2) frustration with the perceived misalignment between his own business plans and the headquarters’ policies.

To eliminate such motivations for fraud, Nichirei Corporation and Nichirei Foods must reaffirm their commitment to compliance as a top management priority. This message should be clearly communicated from top leadership throughout the entire organization. It is also essential to rebuild a corporate culture in which adherence to compliance is deeply embedded. Furthermore, to raise compliance awareness among all officers and employees, the content and structure of compliance training programs should be reviewed and enhanced by incorporating lessons learned from this incident. In addition, Nichirei Corporation and Nichirei Foods must reinforce their governance and control functions over local operations by reestablishing a framework that ensures appropriate involvement in local decision-making processes.

1.2 Addressing the opportunity for fraud

The opportunity for fraud in this case arose from multiple systemic and organizational weaknesses, including: the absence of clearly defined criteria for the appointment of subsidiary executives at Nichirei Foods; deficiencies in governance at the local operations in China; an overly localized management approach; ineffective audit and monitoring systems; and flaws or dysfunction in the internal whistleblowing system. To eliminate such opportunities for fraud, the corrective measures outlined in Section VI 2 below must be

implemented.

1.3 Addressing the rationalization of fraud

It appears that Individual X rationalized his misconduct act based on the belief that contractual obligations stated in written agreements did not constitute binding legal commitments, and that it was permissible to unilaterally enter into contracts or prepare documents—even when such actions contravened company policy or the intentions of the signatory parties—on the assumption that obtaining company approval afterward would suffice.

To prevent such rationalizations in the future and to instill a stronger corporate culture of compliance, it is essential to reinforce compliance promotion activities across group companies. This includes a fundamental reestablishment of compliance awareness among all officers and employees.

2. Recurrence prevention measures addressing institutional and organizational factors contributing to the misconduct

2.1 Clarification of appointment criteria for executives at Chinese subsidiaries

This case involved misconduct committed by the Chairman of a Chinese subsidiary. To prevent recurrence, it is necessary to revise the selection criteria and appointment process for dispatching Chairmen from the Japan headquarters and to establish objective and transparent appointment standards.

Specifically, from a medium- to long-term perspective, a development plan for overseas personnel should be formulated. In the actual appointment process, in addition to language proficiency and business experience or knowledge of the local market, factors such as loyalty to the company and compliance awareness should also be included as evaluation criteria. Furthermore, under the current appointment process, whereby the Chairman is nominated by the General Manager of the International Business Division and appointed by the Board of Directors of Nichirei Foods, it is essential to conduct a multifaceted assessment that includes a review of past personnel evaluations—particularly any disciplinary records—by the Human Resources Department. Given that an extended tenure of the Chairman may weaken governance and contribute to fraud, it is advisable not only to establish a fixed term of office but also to clearly define the Chairman's mission at the time of appointment and obtain a formal written pledge to fulfill such responsibilities.

Even after appointment, it is important to regularly assess the Chairman's competence for the role through measures such as statutory audits conducted by auditors. In cases where serious concerns arise regarding their suitability, repatriation or reassignment measures must be taken. As a prerequisite for such competence assessments, it is vital to collect information from multiple sources through methods such as conducting surveys of local employees, verifying the local situation and the Chairman's reputation during temporary

returns of expatriates, and utilizing competency evaluation results. In this particular case, Individual X reportedly refused to share information regarding the Chinese business, and was recorded as having been subjected to an internal review by a disciplinary committee on April 9, 2018, due to violent behavior in China. These circumstances indicate that, independent of the misconduct acts in question, there was already sufficient cause to re-evaluate his suitability as Chairman. Interviews conducted during this investigation also revealed internal feedback suggesting that disciplinary measures for misconduct by expatriates—such as power harassment—have been excessively lenient. Such leniency has arguably contributed to a diminished compliance mindset among local senior management and created an environment conducive to fraud. Accordingly, it is also necessary to enforce stricter disciplinary measures for compliance violations, including acts of violent.

Regarding the Chairman's tenure, while it may be necessary to maintain personnel continuity for a certain period to establish local networks—given the specific nature of business operations in China—excessively long tenures can also foster collusive relationships and ties with local business partners, thereby increasing the risk of fraud. To balance the advancement of the Chinese business with fraud prevention, a long-term personnel strategy should be formulated with a 10- to 20-year perspective. This may include implementing a rotation system for the Chairman position every three to five years to prevent over-entrenchment.

As a prerequisite for implementing such a personnel strategy, it is important to address the current shortage of highly capable personnel with expertise in the Chinese market. In addition to developing internal successors and reserve personnel, mid-career recruitment should also be considered as a means of strengthen human resources.

2.2 Restructuring of local governance in China

In this case, the Chairman, the top executive, was directly involved in the misconduct acts, effectively rendering the internal control system inoperative. In light of this, it is necessary to decentralize authority to prevent excessive concentration of power in the Chairman's role. Particularly noteworthy is the fact that Individual X concurrently held the positions of Chairman and General Manager, resulting in the concentration of authority over both business decision-making and execution. This organizational structure ultimately enabled the unauthorized company formations and contract executions in violation of internal rules. While such dual roles are not uncommon in general corporate practice and should not be criticized per se, it is conceivable that, had these roles been separated, a system of checks and balances might have functioned more effectively to constrain the misconduct acts committed by Individual X.

To ensure proper oversight of business execution by the Chairman, it is essential to first invigorate the Board of Directors and strengthen its monitoring functions. Given that the previous supervisory framework, which relied on Japanese directors and auditor-secretaries, proved insufficient, it is necessary to shift away from a structure in which the Chairman unilaterally reports to the board. Instead, the relevant business

departments of Nichirei Foods and the corporate management departments of Nichirei Corporation must, in collaboration with other directors and auditor-secretaries, proactively identify and address management issues. Accordingly, it is imperative that the aforementioned departments engage in substantive deliberations not only on standard agenda items—such as the establishment and revision of the articles of incorporation and internal regulations, financial and budget reporting, and personnel changes—but also on critical matters relating to business operations and corporate governance.

Although Nichirei Enterprise Management Consulting (Shanghai) currently supports the administrative functions of Nichirei Corporation Shanghai in areas such as quality control, finance and accounting, and general affairs, it has lacked legal and risk management capabilities. Therefore, strengthening these functions within Nichirei Enterprise Management Consulting (Shanghai) must be considered. However, establishing a dedicated in-house legal department locally in China may not necessarily be the optimal solution, given the associated costs and potential language barriers. It is essential to build an appropriate legal oversight framework that reflects such constraints. Alternative solutions include:

- creating a framework in which Nichirei Foods' legal department can conduct timely reviews of China-related contracts; and
- establishing a system for collaboration with local external law firms, under a certain level of supervision by the legal department of Nichirei Foods. It should be noted that, in this case, no system was in place to ensure that information provided to local external legal counsel would be shared with Nichirei Foods or Nichirei Enterprise Management Consulting (Shanghai). As a result, the contents of contracts drafted by the counsel at the request of the Chairman (Individual X) of Nichirei Corporation Shanghai were not subject to verification by either entity. Going forward, it is essential to establish a system in which any matters entrusted to external legal counsel are appropriately shared with and reviewed by Nichirei Foods or Nichirei Enterprise Management Consulting (Shanghai), as part of a proper internal check mechanism.

2.3 Strengthening head office oversight of local operations in China

In light of the insufficient oversight exercised by the headquarters over the management of Nichirei Corporation Shanghai, it is necessary to reinforce control by Nichirei Foods and Nichirei Corporation. This entails shifting away from a structure that relies solely on reporting from the local entity and instead rebuilding a framework in which the parent companies actively engage in local operations.

Specifically, Nichirei Foods and Nichirei Corporation should expand their involvement beyond performance management of Nichirei Corporation Shanghai to include certain administrative and legal functions, such as seal control and contract review.

Previously, governance responsibilities over Nichirei Corporation Shanghai were fragmented across different divisions of the parent companies: the International Business Division of Nichirei Foods functioned as the primary liaison for Nichirei Corporation Shanghai and was responsible for performance evaluation,

budget management, and accounts receivable control; the Business Administration Department of Nichirei Foods conducted governance-related checks pertaining to internal controls; and the Corporate Internal Audit of Nichirei Corporation carried out audits. This decentralized approach resulted in inadequate oversight of Nichirei Corporation Shanghai, necessitating consideration of consolidating governance functions.

Based on the above, as a fundamental recurrence prevention measure, it would be worth considering the establishment of a China-based regional headquarters directly under the control of Nichirei Corporation. This entity would be responsible for the centralized management, supervision, and support of internal control systems at Nichirei Corporation Shanghai and other China-based subsidiaries. That said, the establishment of such a regional headquarters would require substantial financial and human resources. Accordingly, the feasibility of this measure must be carefully evaluated. If establishing a regional headquarters proves impractical, a strong alternative would be to engage external professional firms or law offices to supplement the required internal control functions. While outsourcing entails certain costs, such investments should be viewed as essential to ensuring effective governance and control. Additionally, decisions regarding the continuation of operation in the Chinese market—and the extent to which the company is prepared to invest in governance-related functions—must be made comprehensively from a mid- to long-term management strategy perspective.

2.4 Enhancement of audit and monitoring framework

With respect to future audit and monitoring activities at Nichirei Corporation Shanghai, it is essential to conduct evaluations that prove into the company's actual corporate governance and management control structures.

Specifically, in addition to strengthening local governance, steps should be taken to enhance the audit process conducted by the Corporate Internal Audit and corporate auditors. For example, conducting pre-audit surveys locally and sharing the results in advance with the relevant audit department and auditors would provide valuable preliminary insights. Audits should also be carried out jointly with local corporate staff, thereby enabling a deeper understanding of corporate governance and management risks at Nichirei Corporation Shanghai, and allowing for more substantive and effective audit processes. Engaging external accounting or legal professionals with expertise in local business practices to accompany the audit team may also be an effective approach.

To date, interviews conducted by the audit department and auditors with Individual X appear to have been based on the assumption of good faith. Combined with the inherent complexities of the Chinese business environment, this approach resulted in only superficial risk assessments, largely reliant on the credibility of responses provided by Individual X. To incorporate lessons learned from this case, future audits should be conducted under the assumption that even individuals in top positions, such as the Chairman, may engage in misconduct acts. Accordingly, auditors must shift away from a passive, good-faith-based approach and adopt

a more proactive stance—thoroughly investigating any suspicious or ambiguous points that arise during interviews. In addition, the scope of interviews should be expanded beyond senior management (e.g., the Chairman) to include department heads and lower-level employees. Furthermore, a solid understanding of the Chinese business environment on the part of audit personnel is a prerequisite for conducting effective interviews.

2.5 Review of the internal reporting system

In this matter, it was noted that a staff member of Nichirei Corporation Shanghai had become aware that a company established by Individual X was attempting to intervene into the procurement channel in place of Nichirei Corporation Shanghai. Had such information been reported through the internal whistleblowing system by the staff member, it might have contributed to the earlier detection of the fraud.

To encourage local officers and employees to utilize the whistleblowing system without fear of retaliation—particularly in cases involving the Chairman or other members of management—it is essential for the top management at Nichirei Corporation and Nichirei Foods to regularly issue compliance-related messages.

In addition, with regard to reporting channels, consideration should be given not only to maintaining the current contact point within the International Business Division, but also to implementing a global internal whistleblowing system.

As for awareness-raising measures, notices should be displayed not only in Japanese but also in Chinese, and their placement should extend beyond physical locations such as near copy machines to include digital access points, such as employee computer screens and other effective communication channels.

Furthermore, with respect to the suggestion box system, it is desirable that its management and operation be more transparent. Specifically, instead of having the Chairman of Nichirei Corporation Shanghai collect submissions, they should be collected and reviewed by Nichirei Enterprise Management Consulting (Shanghai).

Given that the internal whistleblowing system has not been utilized effectively in the past, it is anticipated that improvements in its operation may require some time. Therefore, it is also advisable to consider conducting regular compliance awareness surveys among officers and employees in parallel with the operation of the internal whistleblowing system.

2.6 Review of compliance promotion activities for group companies

One of the contributing factors behind the recent fraud was the insufficient compliance awareness among the Chairman and senior management of Nichirei Corporation Shanghai (Shanghai). As a remedial measure, it is necessary to enhance the training provided to expatriates dispatched from Japan to serve as Chairman.

Such training should not be limited to pre-assignment programs but should also include ongoing compliance training sessions after the commencement of their assignment. Furthermore, compliance training for local officers and employees in China has also been inadequate, and a structured, systematic training program must be implemented.

From the perspective of fraud prevention and early detection, it is also problematic that officers and employees of Nichirei Group have shown a low level of sensitivity to early warning signs of fraud, partly due to the unique business environment in China. To ensure that early signs or suspicions of fraud are promptly reported through designated reporting lines or the internal whistleblowing system, and that the information received is followed by swift crisis management responses, it is essential to establish a comprehensive framework. This should include regular compliance training and awareness-raising activities for both local officers and employees in China and head office staff, using this incident and comparable cases at other companies as reference materials.

Section VII Conclusion

This case involves a serious act of fraud committed by the Chairman and General Manager of Nichirei Corporation Shanghai, who entered into agreements that imposed financial burdens on the company without obtaining approval from Nichirei Foods. Furthermore, the individual diverted business opportunities from Nichirei Corporation Shanghai to a privately funded company and misappropriated human resources in the process. These acts constitute self-serving fraud driven by personal gain and were carried out with blatant disregard for compliance and the financial interests of the company.

However, the fact that such arbitrary and unilateral conduct could be perpetrated by the Chairman—an individual in a position that should have upheld the governance of Nichirei Corporation Shanghai—highlights a serious internal issue. Specifically, it underscores the fragility of the governance structure and the inadequacy of the organizational framework for properly appointing, monitoring, and overseeing local top management. Nichirei Foods adopted a passive approach to the management of Nichirei Corporation Shanghai, citing factors such as the relatively small scale of the business within Nichirei’s overall portfolio and a lack of internal expertise regarding the Chinese market. As a result, excessive authority was delegated to local management, without proactive commitment from headquarters to promote and control business operations. In addition, the China business had long relied on a limited number of individuals possessing specialized business knowledge and language skills. This locally dependent structure was never subject to systematic review or reform. Meanwhile, Nichirei Foods’ management continued to rely solely on reports from the local subsidiary, thereby failing to grasp the actual circumstances of local operations. This ultimately allowed the local top executive to act unilaterally and without adequate oversight.

Going forward, the Nichirei Group must sincerely examine and implement the recurrence prevention measures outlined in this report. At the same time, the Group must reflect on its previous approach to overseas business management and fundamentally restructure its governance system and organizational framework for the China business. This includes shifting away from a governance model based solely on local reporting, and toward one that ensures transparency and demonstrates a firm commitment to direct involvement in local operations.

End