

### **FY24/3 Main Q&A Sessions from Dialogues between Outside Directors and Shareholders**

Nichirei held dialogues between the Company's outside directors and two corporate shareholders. The following are the main questions and answers from those sessions.

#### **Outline of the Dialogues**

Date & Time: January 16, 2024 (Tuesday) 14:00-15:00

Format: Online

Nichirei Outside Directors: Kuniko Shoji and Itsuo Hama

Date & Time: February 20, 2024 (Tuesday) 13:00-14:00

Format: Online

Nichirei Outside Directors: Mana Nabeshima and Kenji Hamashima

Note: Hereinafter, "Nichirei" refers to the holding company Nichirei Corporation, and "the Group" refers to Nichirei Group.

#### **Q. How do you feel about the corporate culture and atmosphere of Nichirei Group?**

- A. **Hama:** Nichirei is a typical Japanese company in terms of structure and culture, but I feel that the ability to have frank discussions with other directors, and occasionally with other members of the company, it is a wonderful aspect of its corporate culture.
- A. **Hamashima:** I think that the two main characteristics of Nichirei are its ability to steadily generate earnings, and the ability of the respective operating companies to successfully execute business, the result of the company separation in 2005 that required each business to secure profitability independently.
- A. **Shoji:** I would add that the Board of Directors is a forum for free and open exchange of opinions.

#### **Q. What are some of the challenges you see facing Nichirei Group?**

- A. **Shoji:** The company as a whole is a serious and sincere organization, but for that reason alone, I think an important point is to shift to a stance of embracing challenges in an era of rapid change.
- A. **Hama:** I think that one of the issues for Nichirei is to formulate a long-term story, specifically whether it can realize synergies between its operating companies that will lead to evolution for the corporate group. Until now, Nichirei's respective business companies have grown by proactively making full use of their own assets, but the company has now reached the stage where it needs to formulate and implement a strategy story for the Group. As a holding company, Nichirei needs to consider and implement the sharing of assets and the creation of synergies from the standpoint of the Group's overall strength. I

have the impression that Nichirei is skilled at short-term analysis, identifying issues, and formulating strategies, but not so proficient at formulating long-term, strategic stories. Outside directors, including myself, have discussed the long-term strategic story at meetings of the Board of Directors. Top management has clearly established a strategy, and based on that, we have expressed opinions on how to achieve concrete growth in Japan and overseas, based on strategic utilization from the perspective of the Group. Currently, the Board of Directors and various committees are discussing these ideas.

A. **Nabeshima:** Nichirei can handle short-term issues in great detail, which is reassuring, but I feel that it is necessary for the company to refine its specific vision from a long-term perspective.

In terms of business, I believe that Nichirei is at the stage of emphasizing its brand premium. The company needs to attract human resources able to handle brand strategy, and enhance brand value to improve profitability. It's also important to promote the active participation of women to apply the perspectives of diverse human resources in management, and to strengthen power purchase agreements [PPAs] from solar power generation to achieve decarbonized management.

A. **Hamashima:** The main challenges are the lack of "healthy ambition," that is, the company's inability to communicate as a company, and the ability of the holding company to bring the corporate group together and strengthen brand strategic leadership.

Nichirei's non-financial communication is particularly weak, and I feel that the company would benefit from taking a more proactive stance. There is a certain propriety about the Group's corporate culture such that even after deep internal discussion of an issue, if there is even the slightest uncertainty in the rationale, they will refrain from outside disclosure. However, I think it would be easier for people outside the company to understand Nichirei if it were to communicate its way of thinking, and even if it failed to meet its goal to explain the reason, along with future measures. In addition, in terms of brand messaging, I think that Nichirei should not focus too much on product brands, but rather communicate a corporate message that Nichirei Group coexists in harmony with society.

**Q. What is required to expand Nichirei's overseas business, which the company has stated is a long-term goal?**

A. **Hama:** I think it's important to have two perspectives: people and strategy. I already talked about creating a strategy story in the question about challenges for the Group. In terms of human resources, I think that Nichirei is at the stage for considering human resource exchange from a Group perspective, and integrating domestic and local overseas personnel.

A. **Hamashima:** Regarding the integration of domestic and local overseas personnel, I would add that local staff other than Japanese should be promoted to senior positions. I believe that Nichirei needs to consider its treatment of outstanding employees, their career paths, and what roles are the best fit for the Group, regardless of country or region.

**Q. What is the current status of discussions on ROIC and the business portfolio?**

A. **Hama:** For Processed Foods, since profitability is relatively high compared to other businesses, the expansion of the business area and the development of high-margin products will contribute to improvement in ROIC. The Logistics business, however, is a business model that requires large capital investments, so it is necessary to strengthen M&A to improve ROIC and profit margins. In the Marine Products and Meat and Poultry businesses, I believe that retaining these businesses is a strength from the perspective of “food and health” and food resource issues, but the company needs to consider the future positioning of both businesses, and the prospects for improving ROIC. The Board of Directors has been actively discussing this issue.

A. **Shoji:** Securing continuous earnings in the Bioscience business is a challenge, and I have heard that this is a concern for a lot of investors. Many medical-related industries create the next business by investing in development on a certain scale, but Nichirei has hesitated to make such proactive investment, creating a sense of a “half-hearted situation.” However, in recent years, as food has increasingly become a part of medical care, the business is in a position to be a bridge between medical care and food. If Nichirei can deepen the linkage with food, I believe that the Bioscience business will offer future potential for Nichirei Group. We have been discussing the positioning of this business from various perspectives, such as synergies with the Processed Foods and Logistics businesses.

**Q. Do you have any thoughts on the succession plan for the Board of Directors?**

A. **Shoji:** The Nominating Advisory Committee is extremely active in discussions on human resources. Partly to establish a process for future succession planning, the committee meets eight times a year, as well as conducts about 15 interviews and related discussion sessions. As Nichirei aims to accelerate sustainability management, I believe that it is desirable for the members of the Board of Directors to have a certain level of experience, knowledge, and interest in sustainability and ESG.

A. **Nabeshima:** A succession plan that only considers the selection of the president is incomplete. It needs to include a strong management team to support the person in charge. Currently, we are proposing the establishment of executive development training for successive generations, focusing on employees in their 40s.

**Q. Shouldn't ESG KPIs that take account of the relationship with corporate value be incorporated as a factor in executive compensation?**

A. **Hamashima:** I think the inclusion of ESG third-party assessments as a factor for determining executive compensation was a good first step. However, this does not mean that this performance axis alone is sufficient. Since a target that is too easy or too strict is inappropriate, the Remuneration Advisory Committee has issued an opinion that it is better to conduct evaluations with a mix of internal KPIs and third-party assessments, so we will consider the matter more closely.

End

Note: This document is not a complete record of the Q&A session, and has been edited by Nichirei

Please see the Nichirei Integrated Report for biographies of the outside directors, and dialogues between them.

Integrated Report website: <https://www.nichirei.co.jp/english/ir/library/integrated.html>

Issues with dialogues between outside directors:

***Nichirei Integrated Report 2022***: Kuniko Shoji and Mana Nabeshima

***Nichirei Integrated Report 2023***: Itsuo Hama and Kenji Hamashima