

Key Questions and Answers from the 2024 Interview
between Outside Directors and Nichirei's Shareholders

Outside directors had interviews with Nichirei's two shareholder companies. The key questions and answers were as follows.

<<Interview overview>>

Date and Time: Tuesday, January 21, 2025, 1:00 p.m. to 2:00 p.m. and 2:15 p.m. to 3:15 p.m.

Format: Web conferencing

Representatives from Nichirei: Outside directors Mana Nabeshima, Itsuo Hama, and Kenji Hamashima

Q We have observed positive changes such as growth in overseas business and the introduction of ROIC management. What is driving these positive changes?

A [Hamashima] I think the key factors behind such changes include the fact that we have adopted ROIC as a KPI for executive remuneration since 2022, along with the growing public awareness of the need to improve capital efficiency in response to the issuance of a request from the TSE in 2023 to take measures aimed at achieving management focused on capital costs and stock prices. I feel that, amidst various internal and external trends, a mindset of proactively driving transformation has emerged within the Nichirei Group, realizing that we cannot remain as it is.

A [Hama] The open and lively atmosphere at the Board of Directors meetings and a culture where the Nichirei Group's employees take the discussions that come up at the Board of Directors meetings very seriously are probably at the core of such changes. I also believe that another factor that has contributed is that, through adopting a holding company structure, we have been able to clarify our essential perspective and direction while gathering the opinions of investors and shareholders by taking a step back from the perspective of an operating company that pursues the achievement of business performance.

A [Nabeshima] I too believe that the sincere nature of the Nichirei Group is driving the changes. However, on the flipside, I feel it is a shame that each section tends to act within the goals assigned to them, and sections that have achieved their own goals do not have enough ability and attitude to go beyond their own section and work towards achieving goals as the entire Group. I can probably say that the attitude of trying to perfectly achieve what has been assigned to them also carries the negative aspect of being bound by it.

Q It seems that each operating company is currently managing the Nichirei Group from a stand-alone and short-term perspective. Isn't it necessary for the Group to adopt unified management and to have a long-term perspective?

A [Nabeshima] Since the spin-off in 2005, we have achieved stable growth by leveraging the sincere and loyal characteristics of the Group, having each operating company faithfully pursue their individual goals, and cutting unnecessary costs. From now on, however, we need to expand the business areas generated through the Group's synergies. To this end, it is necessary for top executives to discuss the desired vision from a long-term perspective, and I believe that once the desired vision is determined, the means to achieve it will become clear.

A [Hama] I feel that it is extremely important to enhance the transparency of information disclosure as a means of achieving our desired vision, not only for investors, but also for raising awareness within the Group. The outside directors are in the process of proposing the extent to which the Medium-term Business Plan for the next fiscal year (to be announced in May 2025; hereinafter referred to as the "Medium-term Plan") can be presented to external parties. I also think that, in the long term, there may be environmental changes, such as Nichirei losing its sense of purpose or the current business model becoming completely unacceptable to society. Currently, we have not reached a discussion about the strengths needed for the Nichirei Group. Therefore, in addition to discussions for medium- and long-term growth, we intend to deepen our discussions on how we can realize a vision that can increase our social and economic presence in the future.

At the same time, in the rapidly changing environment, it is necessary to allocate resources after having clarified the two aspects: one where the Processed Foods Business and the Temperature-controlled Logistics Business expand further through centrifugal force, unique strengths, as in the past, and the other where they leverage centripetal force by enhancing the Group's synergies. I believe that our current holding company structure is a good system that allows us to take a holistic view across the entire Group when allocating resources and identifying areas that need strengthening, such as talent, innovation, and intellectual property.

A [Hamashima] To add, for example, amid rising domestic construction costs, there are investment projects in the Temperature-controlled Logistics Business that are no longer profitable. Therefore, we believe that, by investing alongside the investment in processed foods factories, we will be able to reduce delivery costs and lead times, which will give us an economic advantage. Furthermore, we are discussing the possibility of consolidating branding and locations overseas based on the same concept. To realize the Group's synergies overseas, the development of local staff and their career paths will also be important factors. We must create a talent development system suited to the Nichirei Group while simultaneously promoting the Group's synergies, branding, and economic value, and these matters have started to be brought up on the discussion table.

Q Is it reasonable to expect that the integration of the Processed Foods Business with the Marine, Meat, and Poultry Products Business in April 2026 will promote further growth for the Group?

A [Hamashima] The integration has its advantages, and it is not just a matter of cost reduction through simple aggregation. The integration will create new value since the Marine, meat, and Poultry Products Business excels businesses related to premium ingredients and ESG, while the Processed Foods Business is based on a processing and sales model and has not been very strong in the raw- material-based business. On the other hand, the Marine, Meat, and Poultry Products Business, which was small in scale and had issues with processing technology, incurred material freezing losses. However, we believe that we can use raw materials in a way that eliminates waste by using them as raw materials for the Processed Foods Business.

A [Nabeshima] I also believe that we can greatly improve our corporate value by increasing the processing level of raw materials and enhancing the synergistic effect of procurement capabilities. For example, the *Junwakei* chickens brand of chicken in the Meat and Poultry Products Business is produced through a sustainable production cycle, where chickens are raised on feed rice, and their manure is returned to rice paddies as fertilizer. Through the integration, we can also consider commercializing the *Junwakei* chickens in the Processed Foods Business. However, since the Nichirei Group has not focused enough on branding so far, it is essential to clarify the target market and establish proper branding in the future. Since we already have strengths such as technological capabilities, it is necessary to identify areas where we can leverage our competitive advantage and implement effective marketing, branding, and sales.

A [Hama] I also see great potential in this integration. Clearly defining the new value created through reorganization will become a powerful tool for expanding both domestically and internationally. I expect that the reorganization of the food business will serve as the starting point for the Group's growth going forward.

Q What are your thoughts on the requirements for the next generation of the management team?

A [Hama (Chairman of the Nominating Advisory Committee)] We are currently having various discussions regarding the personnel structure of the next top executives and the management team that will support them, as well as the requirements for the necessary talent, including whether to appoint them from within our company or from outside. We are also considering the requirements for not only the next management team but also potential management candidates for up to three generations ahead. I believe that the management team of the future will be required to anticipate and analyze changes in the times, and act accordingly, rather than being able to make decisions in a top-down manner. Since there are limits to what one person can do alone, I believe that maximizing the potential of excellent and diverse talent to realize the growth strategy as quickly as possible is also an important requirement.

Q Third-party evaluations, such as FTSE, are being used as performance metrics for executive remuneration, but I think the items set as Nichirei Group's materiality should be incorporated into the performance metrics, instead of third-party evaluations.

A [Hamashima (Chairman of the Remuneration Advisory Committee)] I also believe that the materiality of the Group should be incorporated into the metrics. As a first step, we adopted third-party evaluations as a performance metric. However, the committee is also having in-depth discussions on whether it would be more natural to set specifically measured figures as the criteria for the remuneration system, such as the percentage of women managers or above and the amount of CO₂ emissions reduction.

End

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

Please refer to the Integrated Report for information such as the biographies of each outside director and interview discussions.

Website page link for the Nichirei Group INTEGRATED REPORT:

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

<<Issues featuring interviews>>

- Nichirei Group INTEGRATED REPORT 2023: Hama, Hamashima
- Nichirei Group INTEGRATED REPORT 2024 : Nabeshima, Hama, and Hamashima