

Dialogue with Outside Directors

To ensure the survival of MNV for the next 100 years, we will continue to pursue sustainability that reflects Maruha Nichiro's unique approach.



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Outside Director

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Chair of Sustainability Committee
Director and Managing Executive
Officer

Bradley Edmister
Outside Director

Theme 1. Sustainability issues that Maruha Nichiro has been working on for many years

Funaki: The Company launched a new structure for the Sustainability Committee in FY2024, and I was newly appointed as Chair of the committee. Many members of the committee will continue to serve on the committee, and the structure of having Outside Directors as observers will remain unchanged. We would like to further streamline our activities while continuing with and adhering to the initiatives we have been implementing hitherto.

I have served as Director of the Marine Resources Business Segment since April, and because I consider the sustainability of marine resources to be a theme that is close to my heart, I would like to make further efforts to address our goal of "Action for preserving biodiversity and ecosystems." In addition, in our current Medium-term Management Plan, "For the ocean, for life MNV 2024," the question of how to connect our business strategies to social and environmental value that is closely related to sustainability is an important theme, and we will continue to firmly keep this perspective in mind.

Tonoike: This year, we were an award recipient at the Consumer-Oriented Management Excellent Case Awards presented by the Consumer Affairs Agency, which I believe was given in recognition of our efforts to create examples of satisfying both sustainable value and value for consumers, including the egg-to-harvest aquaculture of bluefin tuna and land-based aquaculture of Atlantic salmon. We take seriously the sustainability challenges that we need to confront, which we have been tackling head on.

We have been working on various themes, including decarbonization, but I am particularly interested in our efforts aimed at achieving a 100% traceability rate for handled marine products by FY2030. I believe this is a magnificent initiative that will lead to the eradication of IUU fishing, as well as to food sustainability and food security by allowing for greater traceability, which will be of great value to consumers. It is not an easy task to grasp the entirety of marine products handled, but it always feels very reassuring when we receive reports from the Sustainability Committee about the extent to which we have achieved something or the means by which we could overcome certain difficulties.



Edmister: As the world's number one seafood company, our access to marine resources is our greatest strength. Therefore, protecting stable access to resources is critically important to us, and we have been working hard to achieve this from well before "sustainability" became a buzzword. Sustainability has long been a central issue for the Company. We have shown ourselves to be a leader in fisheries research including through R&D to advance environmentally friendly land-based aquaculture and tackle marine pollution in sea-based aquaculture. We are way ahead of companies in the United States and Europe in this regard, and I believe we should do more to convey our story to investors and stakeholders.

Tonoike: I agree. At the time the issue of the 200 nautical-mile limit emerged, there were malicious rumors that Japanese companies were destroying fishing grounds around the world, but if that had been the case, we would have been eliminated from the market long ago. The fact that we have been able to protect the resources for decades since then is proof of the importance we have placed on our relationship with stakeholders, including local companies and fishermen in various countries and fishing grounds, and of the sustainability-oriented management we have practiced.

Funaki: We now rely heavily on overseas fishing grounds for access to wild resources, and while the global catch volume has remained flat, the catch volume in Japan has continued to decline year after year since 1984. We have long considered Japan to be a developed country in terms of fisheries and fish consumption, but we recognize that we lag behind Alaska and Northern Europe when it comes to the management of marine resources in our surrounding waters. In addition, the adoption of certified marine products in Japan has been slower than in Europe and the United States, and we would like to analyze the reasons for this and how we can help such products gain traction as in Europe and the United States.



Edmister: In the United States, the Alaska pollock fishery has been a model for successful collaboration between government and the fishing industry to create a regulatory framework that has resulted in long-term sustainability. While this has been a wonderful success story, this is not the case for every species. Salmon for example suffers from large fluctuations in both catch and price levels. This in turn makes it difficult to make long-term investments in processing or other facilities, which ultimately hurts local fishing communities, as we have seen recently. Regulators and the industry need to develop strategies for each fish species and think carefully about how to pursue sustainability in each case, in order to attract investment and ensure sustainable fisheries.

Funaki: The salmon business in Alaska involves the use of a large number of small vessels, making it different from the Alaska pollock business that has largely transitioned to using larger fishing vessels. This makes rationalization of the former a challenge.

Edmister: Fishermen in both Alaska and Japan are facing similar problems. Fishing is the culture of sea towns, so it is imperative that we consider how we can create a stable system in collaboration with the community. For a large company like Maruha Nichiro, it is tremendously important that we take the lead in designing such systems by collaboration with governments, fishing cooperatives, and local communities.

Funaki: I agree. I think the reason we could achieve such a large market share for Alaska pollock and crab in Alaska is because we were able to do that.

Tonoike: It was indeed because we were able to develop a system that enhanced the value of local fisheries, which raised the income of fishermen and brought them joy. As Mr. Edmister said, I believe our efforts will resonate with even more people if we work harder on sharing our ideas and activities outside the Company going forward.

Theme 2. Challenges to making further progress as demanded by stakeholders

Tonoike: Some time ago, I visited our frozen foods plant in Gunma and was surprised to see that there were many foreign employees there. I was a little concerned because the foreign technical intern trainee scheme had just undergone a review due to various problems that occurred in recent years. However, when we conducted a satisfaction survey on the working conditions at our plants, 90% of the respondents indicated that they were satisfied. It was very reassuring to see that both the employer and the employed foreign workers are satisfied with the relationship. Since the Company has many overseas sites, I hope we can continue to pay close attention to our diverse human resources from the viewpoint of human rights going forward.

In addition, it is necessary for us to promote the active participation of women. Since we have female Outside Directors, we have held lunch meetings under the banner of “meetings for supporting working women” with employees, regardless of their gender. I was hoping we would soon have a female Director appointed from within the Company, so it is very disappointing that we did not have any female Executive Officers this year. However, the Board of Directors is also fully committed to nurturing female Directors.

As for the working environment for women, there are some who had taken childcare leave and have since returned to work, and the appropriate systems are in place to allow many women to contribute actively. I have yet to be able to identify where the bottleneck lies in terms of promoting women to management-level positions. Perhaps, people are just not used to seeing female managers or female Directors, so it may be harder for women to take on the challenge. We have thus been providing female employees with such opportunities as much as possible.

Edmister: A core role of Outside Directors is to support and evaluate management, so we have been checking to ensure that management is properly incentivized on sustainability issues. For instance, when setting KPIs for managers, it is important to concretely reflect key sustainability themes in the KPIs that will be used in their evaluations. Regardless how much we talk about sustainability at the board level, if clear KPIs are not incorporated into evaluations, managers will not be incentivized to take action. We thus need to consider management performance standards around sustainability and how to implement them in practice.

More broadly, President Ikemi often encourages everyone to think about what kind of company Maruha Nichiro will be 100 years from now, or essentially, the existential issues for the Company. If we think about 100 years from now, the most fundamental issue for us as a company is that of sustainability. This is why we have been including sustainability of marine resources, as well as the combating of global warming, in our KPIs for some time already and are increasing their weighting.

Funaki: I agree with what Mr. Edmister just said. However, it would be insufficient if employees felt that a certain percentage of their evaluation is based on sustainability KPIs, leading them to believe they would lose points if they fail to meet those targets. I would like to create an atmosphere and a culture in which everyone will embrace the fact that sustainability KPIs will contribute to higher future economic value, albeit not immediately, and must therefore be implemented.

Tonoike: I agree. We have also started to work on creating health value. If we can engage in marketing, branding, digital transformation (DX), product development, certification, and various other kinds of work from the perspective of sustainability and create new businesses, we can make consumers happy and generate profits for the Company.



Funaki: Yes, I want others to know that's why we are doing it. We are committed to enhancing the trinity of environmental value, social value, and economic value, and we need to be aware of the fact that these values are all interdependent.

Tonoike: Actually, it feels like the seeds we have sown are gradually starting to sprout.

Edmister: I think our customers actually desire products with high sustainability value. If we can successfully communicate the extent of our efforts to our customers and consumers, it will translate into economic value. Another challenge is to rationalize the use of ESG scorecards for companies. There are various evaluation systems being developed. Europe has been taking the lead on this front, which gives European companies an advantage. For example, while CO₂ reduction features heavily in ratings, activities to protect the sea are not as prominent in scoring systems. In other words, the extensive long-term efforts we have been undertaking in marine stewardship are not being properly weighted and recognized. We can benefit by explaining our story to international organizations and rating agencies and enhancing recognition of these types of sustainability initiatives in evaluation mechanisms. I would like to see the Japanese government and government agencies in particular do more to be involved in the creation of global standards that properly reflect these contributions.

Theme 3. Working at Maruha Nichiro means protecting the oceans and the planet

Funaki: You have both actively provided opinions from a variety of perspectives at Board of Directors meetings, and even during this short discussion today, you have offered some highly meaningful feedback. I hope you will continue to speak up proactively at Sustainability Committee meetings.

Japan is a country that is both far ahead of others and lagging far behind others in various aspects of sustainability, so we hope to identify the factors that are hindering our progress in the materiality-related performance indicators that we have stipulated and take urgent action to address them. The Sustainability Committee's primary role is to allow each and every employee to realize that sustainability is important for the future of the business they are personally involved in.

Edmister: If the oceans are ruined, it will spell the end for the planet. Protecting the oceans is thus one of the most important things we can do to protect the planet. Because of our long-term commitment to sustainable fisheries, we can literally save the oceans just by going to work every day. If you think about it, very few companies can have such a direct positive impact on the planet. However, we have perhaps become so used to this within the Company that we no longer perceive it. It's actually a pretty special feeling which we should treasure and share both inside and outside the Company. As the world's number one seafood company, we have a massive impact on the oceans, hence the world. Just working in a sustainable way, we therefore save the world. I believe everyone at



our company can take special pride in knowing that we can save the planet simply by getting up every morning, coming to work, and doing our jobs.

Tonoike: That is certainly true. Mr. Edmister's words make me feel a great sense of responsibility as a member of the management team, because it is imperative that we communicate the Company's sustainability efforts to all stakeholders, including employees, governments, industry associations, and consumers.

Also, from my point of view, everyone tends to get too caught up with their work to truly focus on the kind of work that embodies our great responsibility to society. I hope we can make an effort to increase productivity for the work that currently exists and further reduce workload. It would also be great if each and every employee can have more time to think about sustainability, and if they can hear this directly from the Board of Directors.