

Company Officers



Directors

1 Shingo Hamada

Representative Director, President
Chief Executive Officer (CEO)
Member of Nomination and Compensation Committees

2 Shinya Yamamoto

Director, Senior Managing Executive Officer
Chief Financial Officer (CFO), In charge of
Corporate Administration Group

3 Koji Umeda

Director, Senior Managing Executive Officer
Chief Operating Officer (COO), Food
Products Business Operating Officer,
In charge of Convenience Store Sales
Department, Marketing Planning
Department, and Strategic Products
Development Department

4 Shinya Yamashita

Director, Managing Executive Officer
Fine Chemicals Business Operating
Officer, In charge of R&D Group

5 Masahide Asai

Director, Executive Officer
International Business Operating Officer
and Business Supervisor in South America,
In charge of International Business
Development Department and Strategic
Products Development Department,
President of Nissui America Latina S.A.
(N.A.L.)

6 Teru Tanaka

Director, Executive Officer
Marine Products Business Operating Officer

7 Tokio Matsuo

Outside Director
Chair of Nomination and
Compensation Committees

8 Atsumi Eguchi

Outside Director
Member of Nomination and
Compensation Committees

9 Daisaku Abe

Outside Director
Member of Nomination and
Compensation Committees

10 Keiko Tanaka

Outside Director
Member of Nomination and
Compensation Committees

Audit & Supervisory Board Members

11 Hiroyuki Hamano

Standing Audit &
Supervisory Board Member

12 Masahiro Yamamoto

Outside Audit &
Supervisory Board Member

13 Tadashi Kanki

Outside Audit &
Supervisory Board Member

14 Makiko Terahara

Outside Audit &
Supervisory Board Member

Executive Officers

Tsuyoshi Koriyama

Takumi Mitani

Hirofumi Nakano

Terutaka Kuraishi

Takashi Koga

Hiroshi Inoue

Yoichiro Hiroi

Kiyonori Nakai

Mikio Susaki

Mitsuru Taniuchi



(As of June 26, 2024)

Corporate Governance

Roles of the Directors and Audit & Supervisory Board Members

Name	Position and responsibilities	Number of years on the Board	Expected areas of expertise									
			Corporate management	Finance and accounting	Marketing and sales	Production and technology	R&D	International perspective	Corporate governance	Risk management	Legal affairs and compliance	Sustainability
Shingo Hamada	Representative Director, President Chief Executive Officer (CEO) Member of Nomination and Compensation Committees	7	○			○	○	○	○	○	○	○
Shinya Yamamoto	Director, Senior Managing Executive Officer Chief Financial Officer (CFO)	9		○					○	○	○	○
Koji Umeda	Director, Senior Managing Executive Officer Chief Operating Officer (COO)	4			○	○				○	○	○
Shinya Yamashita	Director, Managing Executive Officer	3						○	○			○
Masahide Asai	Director, Executive Officer	2	○		○				○	○	○	
Teru Tanaka	Director, Executive Officer	0	○		○	○			○			
Tokio Matsuo	Outside Director Chair of Nomination and Compensation Committees	3	○			○				○	○	○
Atsumi Eguchi	Outside Director Member of Nomination and Compensation Committees	1						○			○	○
Daisaku Abe	Outside Director Member of Nomination and Compensation Committees	0	○	○						○	○	○
Keiko Tanaka	Outside Director Member of Nomination and Compensation Committees	0							○	○	○	○
Hiroyuki Hamano	Standing Audit & Supervisory Board Member	5		○					○	○	○	○
Masahiro Yamamoto	Outside Audit & Supervisory Board Member	3		○						○	○	○
Tadashi Kanki	Outside Audit & Supervisory Board Member	3								○	○	○
Makiko Terahara	Outside Audit & Supervisory Board Member	0							○	○	○	○

Note: The above table is not an exhaustive list of each individual's knowledge, experience, and other qualifying attributes.



Please refer to the Notice of the Ordinary General Shareholders' Meeting for career summary and reasons for appointment.

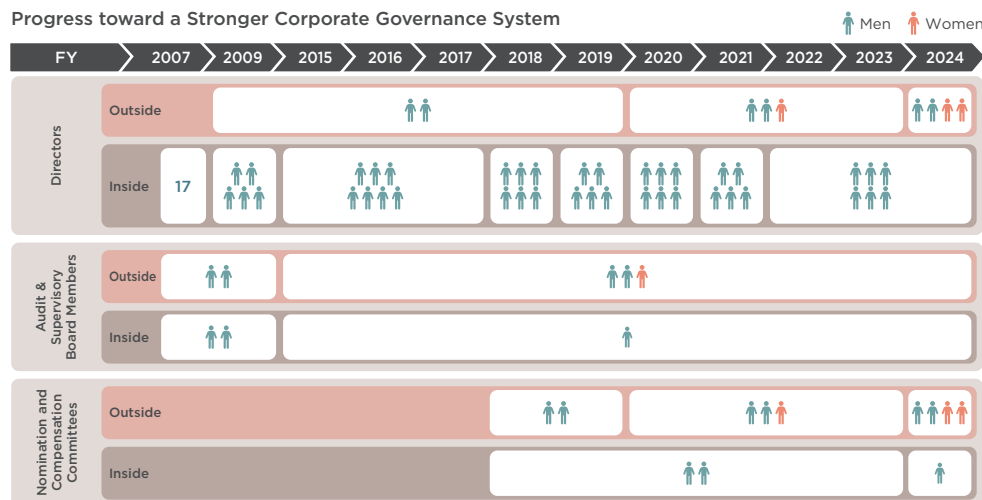
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Corporate Governance

Basic Approach to Corporate Governance

To improve the profitability and the capital efficiency of Nissui and its Group companies, as well as to promote social responsibility initiatives toward the achievement of sustainable growth and the medium- to long-term enhancement of corporate value, the Board of Directors will set the major direction for corporate strategies and other matters and will place greater emphasis on supervising functions while retaining important decision-making functions. Decision-making functions are entrusted to the Executive Officers (and Executive Committee) headed by the President to speed up the decision-making process and to further separate supervision and execution. Furthermore, in addition to the above management supervision by the Board of Directors, Nissui has adopted the governance structure of a company with an audit and supervisory board, based on its belief in the effectiveness of an audit system over management. The Audit & Supervisory Board comprises four Audit & Supervisory Board Members, including Outside Audit & Supervisory Board Members who are independent of management.

Progress toward a Stronger Corporate Governance System



Board of Directors

The role of the Board of Directors is to set the overall direction of the Company, including its mission, vision and medium- to long-term management strategies, etc., and to carry out important decision-making on business operations and provide appropriate supervision with the aim of facilitating sustainable growth and a medium- to long-term increase in corporate value while addressing societal issues. In order to fulfill the abovementioned roles, the Board of Directors must be composed of members with knowledge and experience of the Company's principal businesses, as well as flexibility and creativity to promote synergy between businesses, in addition to expertise and experience in areas such as "corporate management," "finance and accounting" and "corporate governance." At least one-third of the Directors are Independent Outside Directors as it is important to incorporate diverse perspectives, including through gender diversity, in its structure.

Summary of Principal Deliberations in FY2023

- Decisions about important matters based on Board of Directors regulations
- Reporting on execution of duties
- Medium- to long-term management themes (R&D, intellectual property strategy, new business development, and CO₂ emissions reduction plan)

Nomination and Compensation Committees

The Nomination Committee and the Compensation Committee are voluntarily adopted committees that serve as advisory bodies to the Board of Directors. Each committee consists of four Independent Outside Directors and one Representative Director, and is chaired by an Outside Director. The Nomination Committee deliberates on issues such as the selection and dismissal of candidates for officers, including the President, and succession planning, after which recommendations are made to the Board of Directors. The Compensation Committee annually examines the system and levels, etc., of compensation in comparison with industry peers of similar scale. In calculating individual compensation, the Compensation Committee determines the basic amount of compensation based on corporate performance and business performance targets including those related to sustainability, and evaluates individual performance to make recommendations to the Board of Directors. The final amount to be paid to each Director, etc., is determined by the Compensation Committee under the authority delegated to it by the Board of Directors.

Summary of Principal Deliberations in FY2023

Nomination Committee

- Skills matrix for the Board of Directors
- Succession plan
- Nomination and compensation system for Group companies
- Composition of the Board of Directors (including number of Directors and skills required in the future)
- Board of Directors structure after the 2024 General Shareholders' Meeting

Compensation Committee

- Revision of the executive compensation system
- Individual evaluation for performance-linked compensation and stock-based compensation for FY2022
- Individual performance-linked compensation paid in June and December 2023
- Additional purchases of trust compensation (Board Benefit Trust)

Executive Committee

The Company has adopted an executive officer system in order to increase the flexibility and efficiency of its business operations. The Executive Committee consists of Executive Officers (appointed by the Board of Directors) and holds meetings at least once a month, in principle, to make timely and appropriate decisions and share information regarding major matters relating to business execution on the basis of sufficient and multifaceted deliberations. The committee works to promote the sustainable growth and enhancement of corporate value of Nissui and its Group companies.

Summary of Principal Deliberations in FY2023

- Human capital strategies based on business and division strategies
- Business portfolio issues
- New business development
- CO₂ emissions reduction plan

Audit & Supervisory Board

The Company appoints Audit & Supervisory Board Members who have the expertise required for auditing in areas such as financing and accounting as well as extensive knowledge in a wide range of fields. The Audit & Supervisory Board consists of four Audit & Supervisory Board Members including three Outside Audit & Supervisory Board Members who are independent of management. Each Audit & Supervisory Board Member attends Board of Directors meetings, audits the execution of duties by the Directors, and attends meetings of the Executive Committee, when necessary.

Summary of Principal Deliberations in FY2023

- Audit policy and audit plan
- Evaluation of the accounting auditor
- Status of audit activities by the Standing Audit & Supervisory Board Member
- Communication with the accounting auditor regarding key audit matters (KAMs)
- Consideration of the proposal to appoint Outside Audit & Supervisory Board Members

Effectiveness Evaluation of the Board of Directors

Schedule for Effectiveness Evaluation

The Board of Directors Effectiveness Evaluation in FY2023 (the Effectiveness Evaluation) involved all officers (nine Directors and four Audit & Supervisory Board Members) and was conducted according to the following schedule.

January 2024	Implemented a survey using a four-point rating scale
February–March 2024	
April 2024	Collected survey results, conducted individual interviews (via the secretariat) with newly appointed Directors, and identified issues Discussions held separately from the Board of Directors, with an Outside Director as the facilitator

Survey Content and Results Summary

Designed to ascertain the overall state of the Board of Directors, the survey consisted of a total of 29 questions divided into the following five main categories. In addition, each main category had a section for open-ended comments where participants could add notes and observations.

- (a) Composition of the Board of Directors (including scale, number of members, diversity, and ratio of Inside and Outside Directors)
- (b) Operation and support framework of the Board of Directors (including annual schedule, content and volume of materials, and Chair leadership)
- (c) Agenda for the Board of Directors (including number of agenda items, content of proposals, and the suitability of criteria for submission)
- (d) External communications (including quality of information disclosure to stakeholders and whether content was appropriate)
- (e) Training for Inside and Outside Directors

Overview of Results

Summary

Comparing the major categories, “(e) Training” received the highest average rating, while “(c) Agenda for the Board of Directors,” received the lowest average rating, as it did in the previous fiscal year. The favorable rating for “(e) Training” is likely the result of the opportunity to deepen understanding of Nissui’s businesses through study sessions for officers, and tours of the Company’s plants and subsidiaries for outside officers. On the other hand, “(c) Agenda for the Board of Directors” has been an issue since Nissui first conducted the Effectiveness Evaluation. Among comments was the acknowledgement that improvement measures implemented every year had shown some results, nevertheless this did not translate to a favorable rating for this item. Ratings for “(a) Composition of the Board of Directors” and “(d) External communications” did not change significantly compared to the previous year, but the rating for “(d) External communications” has been increasing each year as IR activities have taken shape.

Conclusions

Under the leadership of the Chair, the exchange of opinions among both inside and outside officers on Nissui’s Board of Directors has been energetic, and officers have generally evaluated the current state of the Board of Directors positively. This has been an ongoing trend since the beginning of the Effectiveness Evaluation. In addition, respondents positively evaluated Nissui for implementing measures to address issues identified in the Effectiveness Evaluation.

At the same time, improvement has not been sufficient for some matters. A Group-wide perspective and a medium- to long-term perspective for management strategy among Inside Directors have long been particular issues. Moreover, the criteria by which Inside Directors perform self-evaluations have become more rigorous, leading to a decline in evaluation scores. In addition, new issues brought up by the Effectiveness Evaluation included the timing of distribution of materials and the need for additional verification of investment projects.

Category		Evaluation items
Composition of the Board of Directors		<ul style="list-style-type: none"> • Size of the Board of Directors • Ratio of Inside and Outside Directors • Diversity of the Board of Directors
Operation and support framework of the Board of Directors	Operation of the Board of Directors	<ul style="list-style-type: none"> • Frequency of meetings and time allocation • Quality and quantity of materials • Variety in Board of Directors meetings • Content of explanations and reports • Timing of distribution of materials
	Decision-making process	<ul style="list-style-type: none"> • Chair’s leadership and attributes • Energetic discussion • Sufficient time for deliberation • Group-wide perspective of Directors
	Support for the Board of Directors	<ul style="list-style-type: none"> • System for providing information • Communication opportunities outside of Board meetings
Agenda for the Board of Directors	Status of Board of Directors deliberations	<ul style="list-style-type: none"> • Number of proposals and delegation of authority to executives • Management strategy with a medium- to long-term perspective • Sustainability • Verification of investment projects • Human capital strategy and succession • Risk management
	Executive nomination and compensation	<ul style="list-style-type: none"> • Decision-making process for nomination and compensation
External communications		<ul style="list-style-type: none"> • Quality and volume of information disclosure • Internal organization
Training		<ul style="list-style-type: none"> • Training for inside officers • Training for outside officers

• **High rating:** Score of 3.6 or higher (maximum 4, minimum 1) • **Low rating:** Score of less than 3.0 (maximum 4, minimum 1)
 Items that have decreased by 0.3 points or more from last year’s rating

Issues Identified by the Secretariat

After analyzing the survey results, the secretariat identified the following issues for attention.

- (a) Insufficient consideration of medium- to long-term management themes, including growth strategy, business portfolio, human capital strategy, and succession
- (b) Improvement of Board meeting materials (content and timing of provision)
- (c) Organization of agenda items
- (d) Strengthening the supervisory function of Inside Directors (succession)
- (e) Composition of the Board of Directors
- (f) Creation of a system for advance verification of investment projects

Discussion Summary and Future Plans

In FY2024, an outside officer once again served as facilitator in a format of open-ended discussion separate from a Board of Directors meeting. The issues listed above were broadly divided into three categories: composition of the Board of Directors; improving materials for the Board of Directors, organizing proposals for submission, and establishing a system for advance verification of investment projects; and deepening consideration of medium- to long-term management themes and strengthening the supervisory function of Inside Directors. Deliberation addressed issues related to each category and approaches to resolving them.

Complementing the open-ended comments section of the survey, participants expressed numerous opinions and requests during the discussions, which enabled in-depth discussion of each issue. In addition, outside officers shared information about initiatives at companies outside the Group, and the management team will consider and implement improvement measures based on this information to further enhance the quality of deliberations.

Corporate Governance

Nomination and Compensation Committees

In FY2023, the Nomination and Compensation Committees discussed the composition of the Board of Directors from the perspectives of the skills matrix and diversity, and as a result one new Outside Director was added to the Board. They also initiated discussion of the succession of management talent, and in FY2024 have been systematically discussing succession up to and including the CEO in cooperation with the newly established Human Capital Development Committee.

Approach to the Appointment of Directors

Every year, the Nomination Committee discusses the ideal Board of Directors from various perspectives, including the balance of knowledge, experience and expertise, diversity, and size, and strives to ensure that the Board of Directors can perform the oversight functions necessary to realize the Company's mission and vision in the medium to long term.

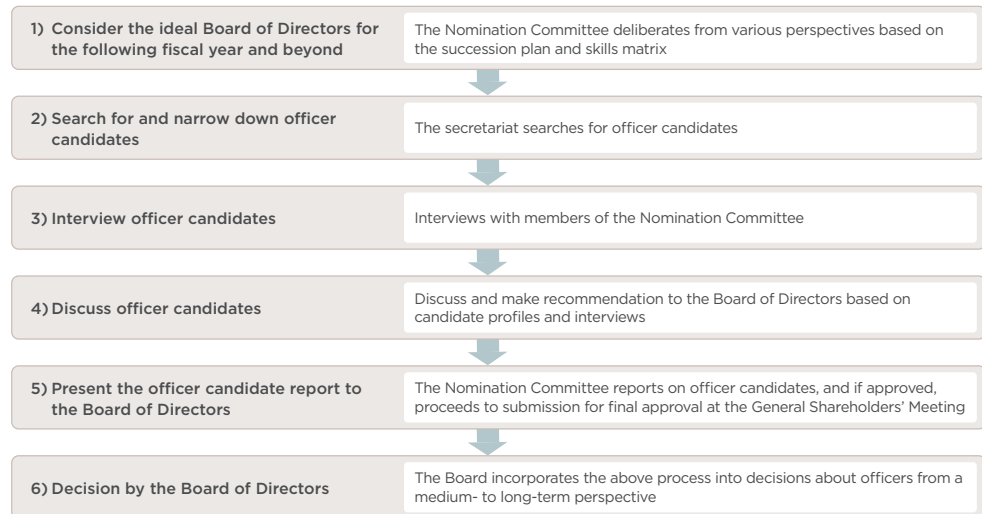
Ideally, the Board of Directors should possess the following skills to ensure effectiveness:

Corporate management Finance and accounting Marketing and sales

Production and technology R&D International perspective Corporate governance

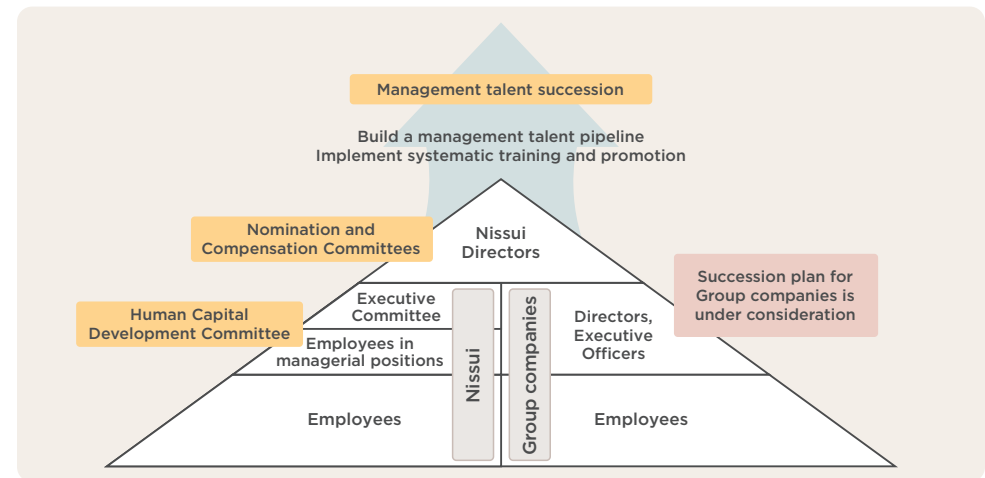
Risk management Legal affairs and compliance Sustainability [▶ Page 60](#)

Representative Selection Process



Succession Plan

Discussion regarding a unified approach to succession of management talent at Nissui and Group companies has been insufficient in the past, and we are now making rapid progress in addressing this issue. We will establish mechanisms to identify required management qualities from a long-term perspective, structure a framework for specific measures to secure and develop appropriate human capital, and establish a monitoring system. Conventionally, measures were limited to defining the human capital requirements for organizational managers at the level of section manager or above; creating a talent pool for eligible candidates and developing training plans; providing management experience at subsidiaries and affiliates; and dispatching candidates for external training. We established the Human Capital Development Committee in FY2024. It has initiated discussions in collaboration with the Nomination Committee regarding a unified approach to succession of management talent that includes the executives of Group companies. We will identify the qualities and actions required of management talent for each business based on a long-term vision in 10-year increments, delineate required skills and experience, structure and implement mechanisms to carry out specific measures, and conduct monitoring to secure and develop appropriate human capital, including people brought in from outside the Group.



Executive Compensation

Policy for Determining the Amounts of Executive Compensation, Etc.

A basic policy for the determination of executive compensation has been established, as per the following, in accordance with the Corporate Governance Code.

Policy for Determining Executive Compensation

The policy for determining compensation, etc., of individual Directors is determined by the voluntary Compensation Committee, which is chaired by an Independent Outside Director and consists of three Outside Directors and one Representative Director (Chair: Tokio Matsuo), with the aim of ensuring compensation commensurate with the Company's current stage. Specifically, it is determined by the Board of Directors upon deliberation of (i) the basic policy for compensation; (ii) the compensation system; (iii) compensation levels; and (iv) compensation item composition ratio; among other things, based on verification in comparison to benchmark groups. The amount of compensation paid to each individual Director shall be determined by the Compensation Committee under the authority delegated to it by the Board of Directors from the viewpoint of the objectivity and transparency of the operation of said system.

Executive Compensation, Calculation Method, and Determination Process

Compensation of Directors (excluding Outside Directors) consists of three components; namely, "basic compensation," "performance-linked compensation," and "stock-based compensation." Outside Directors and Outside Audit & Supervisory Board Members receive only basic compensation.

Until FY2022, the target ratio between basic compensation, performance-linked compensation, and stock-based compensation of Directors was roughly 65:30:5 (assuming business performance targets were achieved at 100%). However, starting from FY2023, goals were revised to better align Directors' interests with medium- to long-term improvements in business performance and corporate value. The new compensation structure is designed to have a ratio of 55:25:20 (assuming 100% achievement of consolidated ordinary profit—a KPI under the Mid-Term Business Plan—and other performance targets), and increases the proportion of variable compensation that links to business performance (i.e., performance-linked compensation and stock-based compensation) to nearly half the total. The retirement benefit system for Directors and Audit & Supervisory Board Members was abolished at the 92nd Ordinary General Shareholders' Meeting held on June 27, 2007.

1 Basic Compensation

Basic compensation consists of three elements; namely, representative consideration, supervisory consideration, and executive consideration. Executive consideration is set according to job rank.

2 Performance-Linked Compensation



Performance-linked compensation is paid to Executive Officers based on the idea that the compensation is a distribution of added value generated from business for a single fiscal year. The amount of this compensation is calculated using either consolidated ordinary profit (an indicator for evaluating performance) or total amount of dividends (whichever is lower) in recognition of the perspective of shareholders. The lower of the two is multiplied by a certain percentage, which provides the basic amount of the compensation, which is multiplied by a job rank coefficient and the results of the evaluation for each individual. The composition ratio of compensation is set based on the assumption that Mid-Term Business Plan targets are achieved; performance-linked compensation is designed such that

when consolidated ordinary profit or total amount of dividends increases or decreases, the ratio of performance-linked compensation against the total amount of compensation also increases or decreases. Evaluation for each individual was introduced in FY2021 with the aim of clarifying the degree of contribution of each Executive Officer to business performance in a single fiscal year. Business performance targets including those related to sustainability were selected as items used in the evaluation for each individual, with the evaluation assessed within a range between 80% and 120%. The basic amount of performance-linked compensation, the distribution rate by job rank, and evaluation for each individual shall be determined by the Board of Directors after deliberation by the Compensation Committee.

3 Stock-Based Compensation



In tandem with the launch of Mid-Term Business Plan "Good Foods Recipe!" in FY2022, the Company adopted the following evaluation indicators for stock-based compensation. Specifically, in order to optimize the business portfolio and raise capital efficiency as well as returns to shareholders, the Company has selected sustainability evaluation items in addition to standard measures such as achievement of consolidated ordinary profit and other targets.

After revision (from FY2022)		
	Items	Reasons for selection
Financials	Net sales Consolidated ordinary profit ROIC	To improve growth To improve profitability To improve capital efficiency
Sustainability	Achievement of sustainability targets for marine products Reduction of CO ₂ emissions at Nissui Group sites Improvement of employee engagement score Sales of health category products	To conduct sustainable procurement To contribute to addressing climate change and conserving the marine environment To enable diverse human capital to play an active role To solve health issues

As shown in the table above, financial and non-financial (sustainability) indicators have been set to evaluate Company performance, with an evaluation weighting of 70:30. Financial targets are evaluated based on the percentage of achievement in accordance with actual results, while non-financial (sustainability) targets are evaluated in the range of 50%-150%. On top of that, the number of shares to be awarded is then calculated by multiplying the predetermined base points for a specific job rank by the percentage of achievement of the Company's performance and reflecting the evaluation of each individual. The individual evaluation is based on the KPIs outlined in the Mid-Term Business Plan, sustainability, and other factors in the range of 80%-120%. The percentage of achievement of the Company's performance and the individual evaluation are used to calculate the number of shares to be awarded. The Compensation Committee deliberates on the percentage of achievement of corporate performance and individual evaluation, and then the Board of Directors makes the final decision.

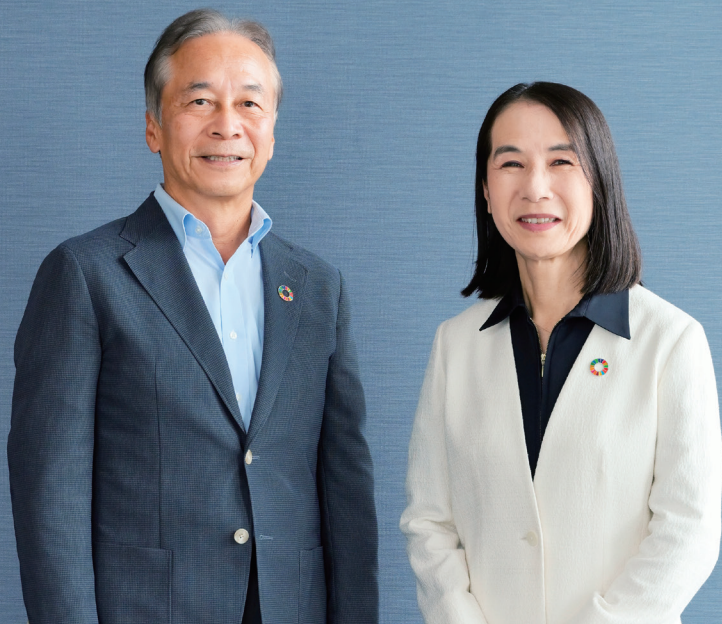
Amount of Executive Compensation, Etc., for FY2023

Total Amount of Compensation, etc., by Category of Officers/Type of Compensation and the Number of Officers Paid

Category of officers	Total amount of compensation, etc. (Millions of yen)	Total amount by type of compensation, etc. (Millions of yen)			Number of officers paid
		Basic compensation	Performance-linked compensation	Stock-based compensation	
Directors (excluding Outside Directors)	359	216	83*	58	6 (Stock-based compensation: 6)
Audit & Supervisory Board Members (excluding Outside Audit & Supervisory Board Members)	26	26	-	-	1
Outside Directors	36	36	-	-	4
Outside Audit & Supervisory Board Members	38	38	-	-	3

* The performance-linked compensation of Directors includes the amount expected to be paid in June 2024.

A Conversation between Outside Directors



Board of Director Initiatives for Supporting the Realization of Long-Term Vision “Good Foods 2030”

Tokio Matsuo

Outside Director
Chair of Nomination and
Compensation Committees

Atsumi Eguchi

Outside Director
Member of Nomination and
Compensation Committees

Significant Improvements in Board Effectiveness and the Establishment of a Governance Structure for Growth

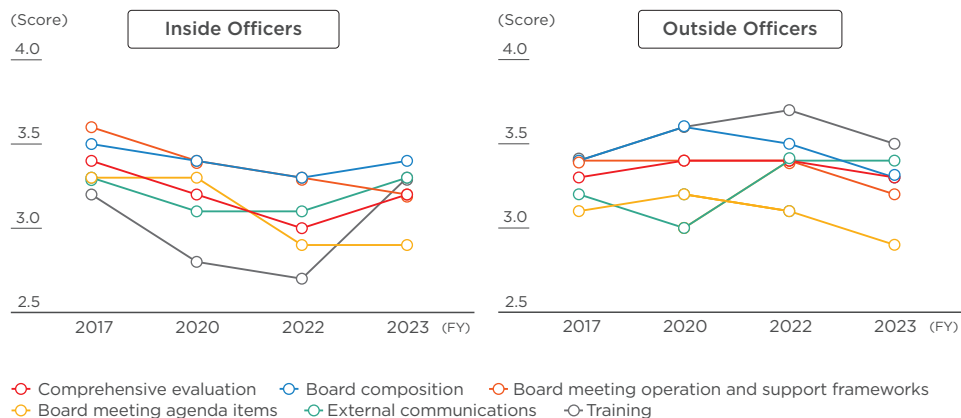
Matsuo I was appointed as an Outside Director in 2021. The most important topic of discussion at the Company lately has been how to consistently achieve performance outpacing the plan. I feel that the effectiveness of the Board of Directors as the highest decision-making body has been quite high in the last few years. While there is need to reinforce the Board’s supervisory function from a Company-wide perspective, a clear distinction has been made between what should be discussed by the executive team and what should be discussed by the Board of Directors. For example, before, we would sometimes receive more than 100 pages of Board documents, which surprised me. Now, though, the descriptions provided in explanatory content have improved, and industry and market conditions, as well as the positioning of specific projects, is better organized and easier to understand. We also have access to the minutes from discussions that took place at recent management meetings. This is one example of how the Board has improved.

Eguchi I was just appointed as an Outside Director in FY2023, so I cannot compare the situation with how it was before, but I will say that the atmosphere in Board meetings is free and open. I was impressed with the willingness of the President and other Directors to listen, and their serious and thoughtful answers to questions. However, I was initially concerned that topics on the meeting agenda were often matters such as the approval of short-term deals for a single fiscal year. While these matters are certainly important, I felt that the discussions lacked sufficient explanation of the value creation story—specifically, why a proposed deal is targeting a particular market, in terms of the potential business synergies and competitive advantages it offers, and consequently how it fits into the overall medium- to long-term strategy. Concern over this issue can also be seen in the results of the effectiveness evaluation survey.

Matsuo As you pointed out, in terms of why a proposed deal is necessary as part of the medium- to long-term strategy or the objectives of specific allocations of human capital and technology resources, explanations can sometimes be lacking. I have also felt that the objective has been unclear when considering M&As. Looking at the survey results, I was surprised to find that the Inside Directors had harsher criticisms than Outside Directors, and the message conveyed was that Inside Directors have a sense of urgency that the quality of discussion must be improved further.

Eguchi That's right. I can see that they are working earnestly on the issues identified as needing improvement in the effectiveness evaluation. Having spoken directly to various frontline employees, my sense is that they are hardworking and have a determined approach to carrying out the course of action, and feel loyalty to the Company. This is surely a pillar that will support Nissui. By boldly deciding which aspects of its business to position as drivers, and then transforming itself, I believe Nissui will be able to achieve further growth.

Board Effectiveness Evaluation (Survey of Nine Directors and Four Audit & Supervisory Board Members)



Matsuo To support that growth, the long-term vision and management policy are being effectively promoted throughout the Group. I attribute this to the President's efforts to set up meetings within and outside the Company and communicate proactively—an approach that has impressed me. I have also heard about his activities and efforts from the other Directors in this regard. Recently, the words of the President have been reaching frontline employees.

Eguchi I am also impressed by his leadership. The Company announced its mission and long-term vision “Good Foods 2030” in 2022, and in December that year changed its name from Nippon Suisan Kaisha, Ltd. to Nissui Corporation. It is currently in a transitional period that includes making a fresh start toward new growth. There are many societal issues that relate to “food,” and the Company's mission to “create innovative food solutions” may seem vague but

just the other day, the President was talking about how he wants to blend the food culture of Japan with the food cultures of each region around the world to create innovative food solutions, and I found it very compelling. Nissui should leverage the strengths of the Marine Products Business in each region to expand its operations while engaging in corporate branding. In the Marine Products Business, Nissui is already working to conserve the marine environment and use marine resources sustainably. I hope it will continue to be a global leader in this endeavor, and I look forward to contributing to those efforts.

Matsuo Risk management systems in which varied and complex risks are managed on a Group-wide basis are required for speeding up global growth. In the past, Nissui has measured and dealt with risks on a departmental or regional basis, but having reorganized its risk management systems, it is now able to engage in discussions that cover the whole Group.

Eguchi What's more, the addition of another Outside Director, bringing the Board to 10 members, has enhanced its diversity in terms of skills and experience and established a structure that supports an appropriate risk appetite. First, Nissui must strengthen its earning capacity and increase profit, as well as tackle the challenge of developing new businesses. Accordingly, it has a responsibility to communicate these initiatives to the satisfaction of investors.

Matsuo The dividend payout ratio target of 30% in the current Mid-Term Business Plan has already been exceeded, but further efforts are necessary to ensure the understanding of investors, which will in turn enable the Company to deploy cash to further enhance corporate value.

Linking the Business Portfolio and Human Capital Strategy to Develop Management Talent Based on Succession Planning

Matsuo From my position as chair of the Nomination and Compensation Committees, I would like to raise a point regarding succession. When nominating candidates, the Nissui Group has only just begun discussions regarding succession planning and human capital strategy, as well as how to combine those issues with business strategy.

Eguchi I will use the management talent at Nissui, which has a vertical organizational structure, as an example. People with experience in the Marine Products Business might be

A Conversation with Outside Directors

well-acquainted with marine products, while people with experience in the Food Products Business tend to be knowledgeable about food products, but it is hard to imagine anyone familiar with only one particular business in one particular region as suitable management talent. At Nissui in particular, management talent needs to have a broader view and higher level perspective of what the Group as a whole should be aspiring to, not just the parent company. As part of the succession plan, they need to learn about management early in their careers, and cultivate the ability to paint the big picture.

Matsuo As we talked about in the first half of this discussion, employees at Nissui are hardworking, and tend to focus on excelling in one area at a time. Up to now, individuals who stay with a specific business and apply their strengths there have generally earned the highest evaluations and appreciation. Of course, every company needs people like that, but there are other types of talent that are also required. The Company's management is a team of different personalities, with each of them expected to contribute their respective strengths. Using a skill



map to visualize the abilities of human capital in Japan and globally, and to keep a bird's-eye view, is important when gathering talent, and when developing their abilities. Under the next Mid-Term Business Plan, significant issues will include how to link the business portfolio with human capital strategy to cultivate leaders, and how to connect that to succession. It will take time, but by making the effort to find human capital globally, and not thinking just with the personnel who are geographically close to us in Japan, the Group's overall management talent pool should be strengthened.

Eguchi Future leaders should be entrusted with responsibilities and challenges to gain experience that will foster their growth. Through that process, the Company will produce managers who can demonstrate strong leadership while actively engaging those around them. A company is much like a large ship—to steer it effectively, Nissui needs to cultivate talent with the interpersonal skills to communicate their ideas clearly and rally the crew, rather than attempting to work things out on their own. Until now, personnel policies focused mainly on topics such as specific programs, systems, and qualifications rather than discussion of human capital strategy, but now is the time to switch gears. Human capital development will not succeed under the current vertical organizational structure. Nissui has high-potential human capital, and both the President and the officer in charge of human resources have a sense of urgency about this issue, so we want to support that transformation from our position as Outside Directors.

Establishing a Compensation System That Effectively Evaluates Progress toward Medium- to Long-Term Performance and Enhancing Corporate Value

Matsuo Moving on to the compensation system, the Company has been making changes such as introducing performance-linked compensation in FY2018, and incorporating sustainability evaluation into performance evaluations in FY2021 to strengthen evaluation from a medium- to long-term perspective. The variable portion of compensation has increased progressively, and the proportion of basic compensation, performance-linked compensation, and stock-based compensation is now 55:25:20, respectively. Although the system design has followed standard guidelines up to now, a number of issues have become evident. In particular, when evaluating progress toward medium- to long-term performance every year, I feel it is difficult to give an effective evaluation as it is unclear which non-financial factors contributed to performance. This is because these are areas where it is hard to make a difference in the short term or on a

single year basis. This issue is being discussed by the Compensation Committee, which includes the President. On top of that, investors have pointed out that the Company's explanations of how various sustainability-related aspects lead to financial value are weak. The Company has a duty to explain those links more clearly, as well as how those aspects are reflected in executive compensation.

Eguchi As you said, the Company has set non-financial KPIs relating to the sustainability of marine resources and CO₂ emissions, but because the evaluation looks at “sustainability” in total, the weighting of each measure is unclear. Other companies have systems to measure in detail exactly what is strategically important, and which KPIs make the highest financial contribution. Nissui should also discuss those aspects and reflect them in performance-linked compensation.

Matsuo I agree. The variable portion and the medium- to long-term portion are now on par with other companies, but to make it a compensation system suited to Nissui's business model, we have to think about various issues, including those that you pointed out. To enhance the Nissui Group's corporate value toward 2030, we will think about how to inspire management action in the Board of Directors as Outside Directors.

Eguchi When I think about improving corporate value, I am particularly concerned about BtoC markets, but there has been little discussion of R&D as a source of value creation. Nissui has a major role as a manufacturer, and BtoC transactions account for roughly half of its business. Accordingly, R&D should be able to create further value, but this is a strength that is not well recognized within the Company. For example, given Nissui's excellent aquaculture technology and the capabilities of the Central Research Laboratory Oita Marine Biological Technology Center, the Company needs to think about where to make R&D investments in food products to generate value. And, as the tastes of domestic and overseas customers change, it will be important to pay attention to local characteristics in markets outside Japan. This is one area where Nissui is still lacking, so I intend to offer my ideas and suggestions.

Another issue is that given the increasing emphasis on diversity around the world, I feel the Company offers too few opportunities that support women's empowerment. We will continue to encourage measures on this issue, such as a program by which women have the opportunity to present business proposals at Board of Directors meetings, with pathways to executive roles based on successful results. As I mentioned at the beginning of the discussion, the Company may have a value creation *process* but its value creation *story* has yet to be logically and clearly told. The Board of Directors should also discuss and make clear where the Company's competitive advantages are. Sharing those advantages with the whole Company will then lead to enhanced corporate value.



Matsuo If the Company wants to be among the global top 50 food companies, it is important to benchmark not only against domestic Japanese companies, but also against companies headquartered elsewhere around the world. Then, rather than scattering its efforts in all directions, it should work toward breakthroughs—even if only one at a time—by deciding priorities and identifying the appropriate courses of action. Just because Nissui is working to realize a long-term vision does not mean that it should pursue every possible path to achieve it. As such, the Company needs to be rigorous in distinguishing what truly needs to be done. Personally, I will look at other companies both in and outside Nissui's industry, as the basis for providing information that helps to improve the level of governance and contributes to the further development of Nissui's strengths.