



Governance

Governance

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Company Officers



Directors

- | | | | | |
|--|--|--|--|--|
| <p>1 Shingo Hamada</p> <p>Representative Director,
President
Chief Executive Officer (CEO)
Member of Nomination and
Compensation Committee</p> | <p>2 Seiji Takahashi</p> <p>Representative Director,
Senior Managing
Executive Officer
Marine Products Business
Operating Officer
Member of Nomination and
Compensation Committee</p> | <p>3 Shinya Yamamoto</p> <p>Director, Managing Executive
Officer
Chief Financial Officer (CFO),
In charge of Corporate
Administration Group</p> | <p>4 Koji Umeda</p> <p>Director, Managing Executive
Officer
Food Products Business
Operating Officer, In charge of
Marketing Planning Department
and Strategic Sales Department</p> | <p>5 Shinya Yamashita</p> <p>Director, Managing Executive
Officer
Fine Chemicals Business Operating
Officer, In charge of R&D Group</p> |
| <p>6 Masahide Asai</p> <p>Director, Executive Officer
International Business Operating
Officer and Business Supervisor
in South America,
In charge of International
Business Development
Department and Strategic Sales
Department, President of Nissui
America Latina S.A.(N.A.L.)</p> | <p>7 Mikito Nagai</p> <p>Outside Director
Chair of Nomination and
Compensation Committee</p> | <p>8 Tokio Matsuo</p> <p>Outside Director
Member of Nomination and
Compensation Committee</p> | <p>9 Atsumi Eguchi</p> <p>Outside Director
Member of Nomination and
Compensation Committee</p> | |



Audit & Supervisory Board Members

10 Hiroyuki Hamano

Standing Audit & Supervisory Board Member

11 Shino Hirose

Outside Audit & Supervisory Board Member

12 Masahiro Yamamoto

Outside Audit & Supervisory Board Member

13 Tadashi Kanki

Outside Audit & Supervisory Board Member

Managing Executive Officer

Munehiro Ise

Executive Officer

Koichi Oda	Hideyo Okumura	Teru Tanaka
Tsuyoshi Koriyama	Takumi Mitani	Hirofumi Nakano
Taro Baba	Terutaka Kuraishi	Takashi Koga
Hiroshi Inoue	Yoichiro Hiroi	

Executive Team

▶ <https://www.nissui.co.jp/english/corporate/overview/index.html>

Corporate Governance

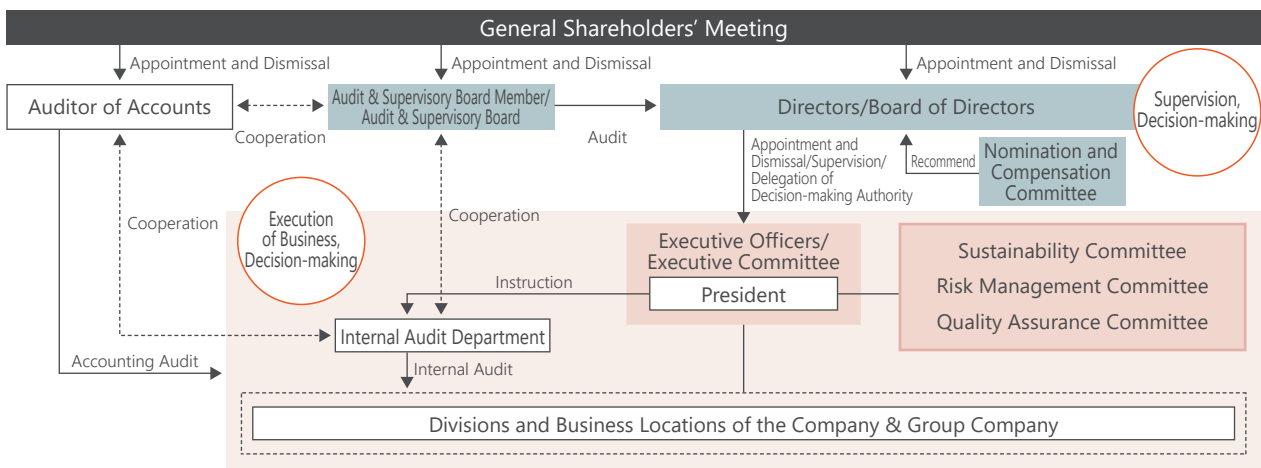
Basic Approach to Corporate Governance

To improve the profitability and the capital efficiency of Nissui and its Group companies, as well as to promoting initiatives toward sustainability to encourage sustainable growth and the mid- to long-term enhancement of corporate value, the Board of Directors will demonstrate the major direction in corporate strategies and other matters and will place greater emphasis on supervising functions while retaining important decision-making functions.

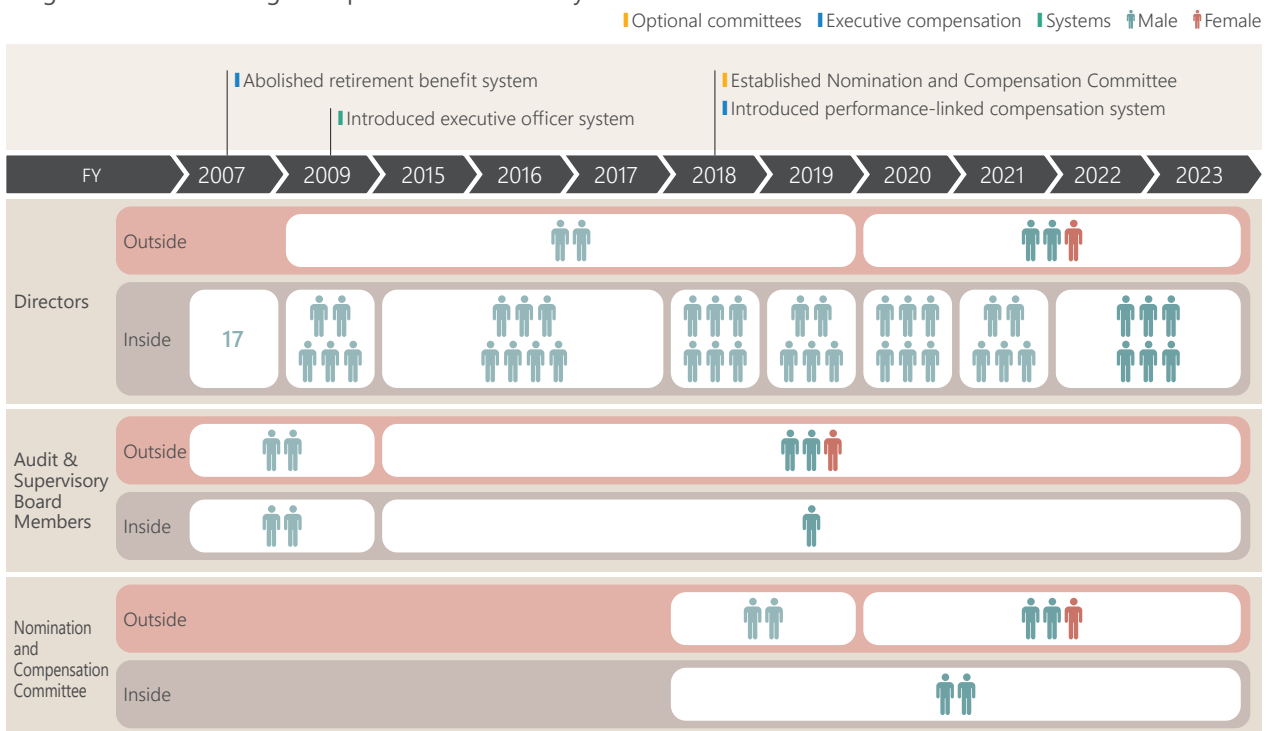
The decision-making functions have been empowered to the Executive Officers (and Executive Committee) headed by the President to speed up the decision-making process and to further separate supervision and execution.

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 & supervisory board, based on its belief in the effectiveness of an audit system over management comprising four Audit & Supervisory Board members, including Outside Audit & Supervisory Board Member who are independent of management.

Diagram: System of Corporate Governance (as of June 28, 2023)



Progress toward a Stronger Corporate Governance System



Board of Directors

The role of the Board of Directors is to show the overall direction of the Company such as its mission, vision and mid- to long-term management strategies, etc., and to carry out important decision-making on business operations and provide appropriate supervision, to facilitate sustainable growth and mid- 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 integration between businesses, in addition to expertise and experience in such areas 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 gender diversity, in its structure.

Nomination and Compensation Committee

The Nomination and Compensation Committee is an optional committee that serves as advisory bodies to the Board of Directors. The Committee consists of three Independent Outside Directors and two Representative Directors, and is chaired by an Outside Directors.

The Nomination Committee deliberates on issues such as the selection and dismissal of candidates for officers including the President and succession planning to make recommendations 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 the amount of individual compensation, the Committee determines the basic amount of compensation based on corporate performance and business performance targets including sustainability, and evaluates individual performance to make recommendations to the Board of Directors. The final amount to be paid to each Directors, etc. is determined by the Compensation Committee delegated by the Board of Directors.

Executive Committee

An executive officer system has been adopted to carry out even more flexible and efficient business operations. The Executive Committee consists of Executive Officers who have been appointed by the Board of Directors, and hold a meeting, at least once a month, in principle, to make timely and appropriate decisions and share information regarding major business execution upon sufficient and multifaceted deliberations, in an effort to promote the sustainable growth and enhancement of corporate value of Nissui and its Group companies.

Audit & Supervisory Board

Nissui appoints Audit & Supervisory Board Members who have the expertise required for auditing such knowledge 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 Director who are independent of management. Each Audit & Supervisory Board Member attends the Board of Directors meetings and audits the execution of duties by the Directors and attends the Executive Committee, when necessary.

Other Committees

■ Sustainability Committee

The Sustainability Committee, chaired by the President and comprising Executive Officers and Outside Directors, is held six times a year. It consists of seven subcommittees to promote priority issues (Marine Resource Sustainability Subcommittee, Sustainable Procurement Subcommittee, Marine Environment Subcommittee, Plastics Subcommittee, Food Loss and Waste Subcommittee, Diversity Subcommittee and Human Rights Subcommittee) and the Environmental Subcommittee, to which Executive Officers have been appointed as Subcommittee Chairpersons, with members have been appointed by Subcommittee Chairpersons.

■ Risk Management Committee

The Risk Management Committee, chaired by the President and comprising all Executive Officers, is convened yearly. The Risk Management Committee strives to build, maintain and improve the risk management system of the Nissui Group based on the risk management rules. The Executive Officer (in charge of risk management) periodically reports its activities to the Board of Directors.

■ Quality Assurance Committee

The Quality Assurance Committee shares customer feedback, discusses complaints and requests received and fine-tunes the quality assurance system. The Committee, chaired by the President and two Outside Committee Members, meets once a month.

Corporate Governance

Roles of the Directors and Audit & Supervisory Board Members

Name	Position and Responsibilities	Number of Years on the Board	Number of Shares Owned (As of June 28, 2023)	Attendance (FY2022)			
				Board of Directors	Audit & Supervisory Board	Nomination and Compensation Committee	
						Nomination	Compensation
Shingo Hamada	Representative Director, President & CEO Chief Executive Officer (CEO) Member of Nomination and Compensation Committee	6	32,800	22/22	–	5/5	7/7
Seiji Takahashi	Representative Director, Senior Managing Executive Officer Marine Products Business Operating Officer Member of Nomination and Compensation Committee	8	19,900	22/22	–	5/5	7/7
Shinya Yamamoto	Director, Managing Executive Officer Chief Financial Officer (CFO), In charge of Corporate Administration Group	8	56,400	21/22	–	–	–
Koji Umeda	Director, Managing Executive Officer Food Products Business Operating Officer, In charge of Marketing Planning Department and Strategic Sales Department	3	14,200	22/22	–	–	–
Shinya Yamashita	Director, Managing Executive Officer Fine Chemicals Business Operating Officer, In charge of R&D Group	2	30,600	22/22	–	–	–
Masahide Asai	Director, Executive Officer International Business Operating Officer and Business Supervisor in South America, In charge of International Business Development Department and Strategic Sales Department, President of Nissui America Latina S.A.(N.A.L.)	1	4,700	15/16	–	–	–
Mikito Nagai	Outside Director Chair of Nomination and Compensation Committee	3	–	21/22	–	5/5	6/7
Tokio Matsuo	Outside Director Member of Nomination and Compensation Committee	2	–	22/22	–	5/5	7/7
Atsumi Eguchi	Outside Director Member of Nomination and Compensation Committee	0	–	–	–	–	–
Hiroyuki Hamano	Standing Audit & Supervisory Board Member	4	6,100	22/22	14/14	–	–
Shino Hirose	Outside Audit & Supervisory Board Member	7	–	22/22	14/14	–	–
Masahiro Yamamoto	Outside Audit & Supervisory Board Member	2	–	22/22	14/14	–	–
Tadashi Kanki	Outside Audit & Supervisory Board Member	2	–	22/22	14/14	–	–

Evaluation of the Effectiveness of the Board of Directors

In accordance with Supplementary Principle 4.11.3 of the Corporate Governance Code, Nissui Corporation conducts an evaluation of the effectiveness of its Board of Directors once a year, beginning in FY2016.

For this evaluation, each executive is asked to complete a questionnaire. Issues evident from the questionnaire are then extracted and the executives discuss ways of overcoming them, with a view to improving the effectiveness of the Board of Directors. In the six years since evaluations began, the Company has worked to improve various aspects of this process, including the timing with which themes are selected for discussion, time allotted, sharing of Executive Committee materials and details of discussions, and expansion and enhancement of the content of items reported. We believe that the discussions of the Board of Directors on this matter have become more active and effective with each successive year.

Overview of Implementation in FY2022

Until FY2021, internal executives facilitated discussions. In FY2022, an outside executive took up this role. In preparation for discussions, the secretariat held multiple interviews with the outside executive. Results of interviews were shared and topics to be discussed were selected.

Participants: Nine Directors, four Audit & Supervisory Board Members

January 2023

A points-based questionnaire (four-point scale) was conducted.

February and March 2023

Results of the questionnaire were collated.
Issues were extracted.
Individual interviews were conducted.

May 2023

Discussions were held.

	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
	○			○	○	○	○	○	○	○
	○		○			○	○	○	○	
		○				○	○	○		○
			○	○	○					
					○	○				
	○		○			○				
	○		○				○	○	○	
				○				○	○	○
		○				○	○	○	○	○
		○					○	○	○	○
							○	○	○	○

Survey Items

- 1 Composition of the Board of Directors (size, number of members, diversity, inside/outside ratio, etc.)
- 2 Operation and support framework of the Board of Directors (annual schedule, content and quantity of documents used, leadership of the chair, etc.)
- 3 Agenda items for the Board of Directors (number of agenda items, details of agenda items, appropriateness of criteria for matters to be discussed, etc.)
- 4 External communications (quality and appropriateness of details of disclosure to stakeholders, etc.)
- 5 Training of Inside and Outside Directors

Overview of Survey Results and Issues Identified

The executives generally rate the current performance of the Board of Directors high in that the Directors engage in vigorous discussions, freely expressing a variety of views. However, considerable room for improvement remains in several areas, including decision-making and leadership as viewed from a Company-wide perspective, transfer of authority to the Executive Committee, and the quantity and content of materials provided to the Board of Directors. In FY2022, personnel strategy and succession were identified as issues.

Interview Topics

Based on the FY2022 issues, the secretariat extracted the following topics for the interviews. All executives were interviewed individually on these topics.

- 1 Revision of policies for maximizing the function of the Board of Directors and of the composition of the Board of Directors
- 2 Measures related to human capital strategy and succession (including personnel training methods)
- 3 Discussion themes on growth strategy for achieving the long-term vision
- 4 Details of measures for sustainability and revision of IR strategy

Results of Discussions

Discussions on how to overcome the issues raised were held in late May. Details of the evaluation of the Board of Directors' effectiveness, including the results of discussions, are posted on the Nissui website and in the FY2022 Securities Report.

Evaluation of Effectiveness of the Board of Directors

▶ https://www.nissui.co.jp/english/vision_policy/governance.html#gov07

Corporate Governance

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.

1. The compensation system shall support the achievement of the Company's mission and vision.
2. The compensation system shall be designed to eliminate short-term bias and motivate the mid- to long-term improvement of corporate value.
3. The compensation system shall be effective in maintaining and securing outstanding talents.
4. The compensation system shall be designed in a transparent, fair and reasonable manner from the standpoint of accountability to stakeholders including the shareholders and employees, and shall ensure appropriate determination processes.
5. The compensation system shall be aligned to the roles and responsibilities entailed by each rank, and to performance.

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 Directors and consists of three Outside Directors and two Representative Directors (Chairperson: Mikito Nagai), with the aim of ensuring compensation commensurate with the company's stage. Specifically, it is determined by the Board of Directors upon deliberation of (i) the basic policy for compensation; (ii) the compensation system; (iii) the compensation levels; and (iv) compensation item composition ratio; among other things, based on comparative verification against benchmark groups. The amount of each compensation paid to individual Directors shall be determined by the Compensation Committee delegated 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 Audit and supervisory Board Members receive only basic compensation.

Until FY2022, the ratio between basic compensation, performance-linked compensation, and stock-based compensation of Directors was roughly targeted at 65:30:5 when business performance targets were achieved at 100%.

The proportion of basic compensation, performance-linked compensation, and stock-based compensation is approx. 65:30:5, given that the performance targets are fully achieved. To calculate the ratio, the stock-based compensation will be converted into a yearly compensation.

The retirement benefit system for Directors and Audit & Supervisory Board Members was abolished on the day of the 92nd Ordinary General Shareholders' Meeting held on June 27, 2007.

1 Basic compensation

The basic compensation consists of three elements, namely, representative consideration, supervisory consideration, and executive consideration, and executive consideration is set according to the job rank.

2 Performance-linked compensation

$$\begin{array}{c} \text{Performance-linked} \\ \text{compensation} \end{array} = \begin{array}{c} \text{Consolidated ordinary profit or} \\ \text{the total amount of dividends,} \\ \text{each multiplied by a certain} \\ \text{percentage, whichever is the} \\ \text{smaller amount} \end{array} \times \begin{array}{c} \text{Distribution rate} \\ \text{by job rank} \end{array} \times \begin{array}{c} \text{Evaluation for each individual} \\ \text{(80 – 120\%)} \\ \text{<Evaluation item>} \\ \text{Business performance targets} \\ \text{including sustainability} \end{array}$$

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.

This compensation uses "consolidated ordinary profit," which is a performance evaluation indicator, and "total amount of dividends" conscious of shareholders' perspectives as indicators, and 1% of "consolidated ordinary profit" or 10% of "total amount of dividends," whichever is smaller, is paid according to the job rank as the basic amount of the compensation. Evaluation for each individual was introduced in FY2021 with an aim to clarify the degree of contribution of each officer to the business performance for a single fiscal year. Business performance targets including sustainability were selected as items used in the evaluation for each individual, which is assessed within the range between 80% and 120%. The basic amount of performance-linked compensation paid, 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. The amount of each compensation paid to individual officers shall be determined by the Compensation Committee delegated by the Board of Directors.

3 Stock-based compensation



The Company has adopted a Board Benefit Trust framework under the performance-linked stock-based compensation plan implemented in FY2018 in which stock-based compensation is provided to Executive Officers as non-monetary compensation in order to clarify a link between compensation of Executive Officers and business performance/stock value, and to raise awareness of improving business performance and increasing corporate value over the medium to long term.

After revision (from FY2022)		
	Items	Reasons for Selection
Financials	Net Sales Consolidated Ordinary Income 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 own group sites Improvement of employee engagement scores Sales of health category products	To conduct sustainable procurement To contribute to addressing climate change and preserving the marine environment To enable diverse human resources to play an active role To solve health issues

As shown in the table above, financial and non-financial (sustainability) are set as indicators for evaluating 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 each position by the percentage of achievement of the company's performance and reflecting the evaluation of each individual.

The number of shares to be awarded is then calculated by multiplying the predetermined base points for each position by the percentage of achievement of the Company's performance and reflecting the individual evaluation. 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 decides.

Total Amount of Executive Compensation, etc. for FY2022

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. (Unit: million yen)	Total amount by type of compensation, etc. (in millions of yen)			Number of officers paid
		Basic Compensation	Performance-linked compensation	Stock-based compensation	
Directors (excluding Outside Director)	338	211	110 *	16	6 (Stock-based compensation: 6)
Audit & Supervisory Board Members (excluding Outside Audit & Supervisory Board Member)	26	26	–	–	1
Outside Director	36	36	–	–	3
Outside Audit & Supervisory Board Member	38	38	–	–	3

* The performance-linked compensation of Directors includes an amount estimated to be paid in June 2023.

Policies on the Reduction of Cross-shareholdings

1 Policies on the Reduction of Cross-shareholdings

The Company understands that collaboration with various companies is necessary to expand its business and achieve sustainable growth. Based on this understanding, if a cross-shareholding relationship with a company, in particular, is expected to lead to retaining and strengthening business ties over the mid- to long-term, considering the business relationship and costs, the Company continues the cross-shareholding in principle. However, when holding the cross-holding shares becomes less significant, the Company sells them.

2 Review of individual cross-shareholdings

Each year, the Board of Directors reviews all cross-shareholdings on an individual stock basis in light of underlying economic rationality, the purpose of holding, and other factors from a mid- to long-term perspective. More specifically, the Company decides whether the holding purpose is appropriate given the indices such as "achievement of targets for each individual stock and transactions for the past three years" and "percentage achievement of target ROIC."

In FY2022, we sold a total of 10 stocks, 8 listed stocks (including 3 cross-held stocks), and 2 unlisted stocks, including partial sales. In fiscal 2023, we will sell several stocks.