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Nippon Suisan Kaisha, Ltd.

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The corporate governance of Nippon Suisan Kaisha, Ltd. is described below.

I. Basic Approach to Corporate Governance, Capital Structure, Corporate Profile and Other Basic Information

1. Basic Approach

Nissui upholds the Policy toward Society “to behave with integrity as a company and an individual” in its Code of Ethics.

Board Members who engage in management for the benefit of the shareholders shall strive to enhance the functions of the Board of Directors, the decision-making body for the Company’s business execution, and ensure flexible decision-making and the transparency of management.

The Audit & Supervisory Board Members shall ensure its independence while enhancing and strengthening its oversight function over the business execution of the Board Members.

【Reasons for Non-Compliance with the Principles of the Corporate Governance Code】

The Company implements all the principles of the Corporate Governance Code.

【Disclosures Based on Each Principle of the Corporate Governance Code】

(Principle 1-4)

(i) Policy regarding the reduction of listed shares held in cross-shareholdings

The Company, in recognition of the importance of maintaining cooperative relationships with various companies for the expansion of its businesses and its sustainable growth, upholds the principle of holding shares of companies in cross-shareholdings, upon taking into account the Company’s business relationships and capital costs, if and only if it leads to maintaining and reinforcing medium- to long-term transactions with such companies.

(ii) Assessment of appropriateness of individual cross-shareholdings

With respect to all cross-shareholdings, each year, the Board of Directors assesses the economic rationale, the

purpose of holding and other factors of each issue, from a medium- to long-term perspective. Specifically, the rationale for holding is determined through various indicators including the “transaction status” and “ROA” of the shares held.

(iii) Standards for the exercise of voting rights associated with the cross-shareholdings

The Company determines whether to vote for or against each proposal and exercises its voting rights upon comprehensively taking into account whether the proposal is in line with its policy regarding cross-shareholdings and whether it will contribute to enhancing the corporate value of the investee.

(Principle 1-7)

The Company has determined that competitive transactions and conflict-of-interest transactions between the Company and Board Members or companies over which a Board Member has substantial control shall require the deliberation and resolution of the Board of Directors and that Board Members who have interests in the said transaction shall be excluded from the resolution. Additionally, Board Members who have engaged in such transactions shall report important the material matters of the transaction without delay to the Board of Directors.

(Principle 2-6)

The Company, in order to ensure the appropriate operation of its defined benefit pension fund, has established a DB Pension Fund Committee comprising the CFO, persons who are well-versed in the fields of human resources and finance, and the labor unions. The DB Pension Fund Committee also incorporates consulting by outside experts.

The DB Pension Fund Committee selects the investment management organization through an assessment of the organization’s investment results by comparison with various benchmarks and other methods, as well as the status of its initiatives toward the Stewardship Code. The Company has also confirmed the status of initiatives toward the Stewardship Code of its current investment management organization.

(Principle 3-1)

(1) Based on its basic management policy of “Nissui will champion the sustainable utilization of marine resources and the preservation of the earth environment and continue to create diverse values from resources including marine resources, thus helping individual consumers across the world to maintain a fit and healthy lifestyle, as well as contributing to a bright future,” the Company aims to become a manufacturer utilizing unique technologies to deliver health from sustainable marine resources to people around the world and has formulated the Mid-Term Business Plan "MVIP + (Plus) 2020 (FY2018 to FY2020) and discloses its business reports including its major business strategies and finance and dividend strategies at briefing sessions and other IR events.

(2) Nissui upholds the Policy toward Society “to behave with integrity as a company and an individual” in its Code of Ethics. Board Members who engage in management for the benefit of the shareholders shall strive to

enhance the functions of the Board of Directors, the decision-making body for the Company's business execution, and ensure flexible decision-making and the transparency of management. The Audit & Supervisory Board Members shall ensure its independence while enhancing and strengthening its oversight function over the business execution of the Board Members.

(3) The basic policy of the compensation system for Board Members consists of (i) The compensation system shall support the achievement of the Company's Basic Management Policy. (ii) The compensation system shall be designed to reflect medium- to long-term management strategies, and as means to achieve such management strategies strives to eliminate short-term bias and motivate the medium- to long-term improvement of corporate value. (iii) The compensation system shall be effective in maintaining and securing outstanding talent. (iv) 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. And (v) The compensation system shall be aligned to the roles and responsibilities entailed by each rank and to performance.

Under the above policy, the Company's executive compensation system for Board Members and Executive Officers comprises the three elements of 1) basic compensation which has been determined as a fixed compensation according to the rank of the officer, 2) performance-linked compensation (annual incentive) which is linked to annual business performance and 3) stock-based compensation (medium-term incentive) which is linked to the level of achievement of the Medium-Term Business Plan. Compensation levels and the proportion of each type of compensation are set, upon comparison with industry peers and similar-sized enterprises, based on the financial condition of the Company.

The Company's executive compensation for Board Members and Executive Officers is determined in the following manner. Once a year, as a general rule, the Nomination and Compensation Committee comprising the Representative Board Member and Outside Board Members, which was established in fiscal 2018 as a voluntary advisory body of the Board of Directors, deliberates the policy for the determination of executive compensation, the details of the executive compensation system and compensation levels, and makes recommendations to the Board of Directors. The Board of Directors, keeping mind this recommendation, resolves the executive compensation within the range of the amount of compensation approved by the General Shareholders' Meeting held on June 25, 2009, regarding 1) the fixed compensation and 2) the performance-linked compensation and 3) by the General Shareholders' Meeting held on June 27, 2018, regarding stock-based compensation.

(4) With respect to nomination of candidates for Board Members and election of senior management, twice a year, as a general rule, the Nomination and Compensation Committee, a voluntary committee comprising the Representative Board Member and Outside Board Members, deliberate the election and dismissal of executive candidates including the CEO, succession plans and other matters, and make recommendations to the Board of Directors. The Board of Directors, keeping in mind this recommendation, resolves the election and appointment of talent who are well-versed in the Company's business and with expertise while at the same time well-balanced and capable of making appropriate decisions on business management in general. For Outside Board Members,

talent who are capable of leveraging the abundant experience and high insight acquired at listed companies in the management of the Company are elected, while for candidates of Audit & Supervisory Board Members, talent with extensive knowledge in a wide range of fields and expertise required for auditing including knowledge of finance/accounting are selected. Election of candidates for Audit & Supervisory Board Members obtain prior approval of the Audit & Supervisory Board.

(5) The Company discloses the reasons for the election and dismissal of all candidates for Board Members and Audit & Supervisory Board Members in the notice of convocation of the General Shareholders' Meetings.

(Supplementary Principle 4-1-1)

The Company has adopted the executive officer system and has established the Executive Committee.

The matters to be resolved by the Board of Directors are set forth in the Board of Directors Regulations. In addition to matters prescribed by laws and regulations as well as the Articles of Incorporation, the Board of Directors approve the annual budget, determine the medium-term business plan and resolve important matters for the Company and the Group including the division duties of the Executive Officers. Furthermore, the other matters are resolved by the Executive Committee and business execution has been delegated to the Executive Officers within the scope of each duty.

(Principle 4-9)

The Company designates Outside Board Members who satisfy the "Independence Criteria of Outside Executives" set forth by the Company, in addition to the independence criteria set by the Tokyo Stock Exchange, as independent officers. For details of the Company's independence criteria, see II. 1. "Independence Criteria of Outside Executives" under "Independent Officers" of this Report.

(Supplementary Principle 4-11-1)

In order for Nissui, which aims for growth and whose three core businesses are marine products, foods and fine chemicals, to conduct effective and active discussions at the Board of Directors meetings, a balance of talent is required with extensive knowledge, experience and insight into each business, the flexibility and creativity to promote the fusion of business in the areas bordering each field, and outstanding expertise in fields such as finance and accounting. In terms of the size of the Board, ten to 15 members including Audit & Supervisory Board Members are thought to be appropriate.

For the policy and procedure on the election of Board Members, see Principle 3-1-(4).

(Supplementary Principle 4-11-2)

In order for the Board Members and the Audit & Supervisory Board Members to appropriately fulfill their responsibilities, their concurrent positions at other companies have been limited to a reasonable extent. Each year, the Company discloses the main concurrent positions held by the Board Members and Audit & Supervisory

Board Members at other companies in the Business Report.

(Supplementary Principle 4-11-3)

1. Evaluation method

In fiscal 2016 and fiscal 2017, the Company evaluated the effectiveness of its Board of Directors by conducting 36-question, multiple choice surveys (also stating the reasons for the choices) and open surveys with nearly the same content on all executives including Audit & Supervisory Board Members, comparing and analyzing the results of the inside executives and outside executives, and conducting discussions by all executives based thereon. As a result, it was found that there were hardly any differences between the inside and outside executives; that an active exchange of opinion was being conducted under the leadership of the Chairperson; due respect was being given to the opinions of the Outside Board Members and the Audit & Supervisory Board Members; and that the Board of Directors was mostly being operated in an acceptable manner. However, the following items were mentioned as issues for two consecutive years.

- (a) Clear distinction between the roles of Board of Directors and the Executive Committee
- (b) Improvement of discussions toward the major direction of corporate strategies and the achievement of the medium-term business plan
- (c) Diversity of the Board of Directors

Consequently, in fiscal 2018, given that items (a) and (c) that have been recognized as issues are already being deliberated separately, the focus was narrowed down to item (b) and a survey centering on eight open-ended questions on the ideal way for Nissui to address this issue and a confirmation of the current situation was conducted.

2. Summary of the evaluation results

In light of the past two evaluations of effectiveness of the Board of Directors, the Company, in addressing the issue of (b) above, clarified the contents of the discussions of the Board of Directors, among other efforts, in order to improve the basic strategies and the major discussions so that the Board may fulfill its role of decision-making and oversight to the fullest extent. From the latest survey results, it became evident that some improvements had been made from the previous situation but the following were also mentioned as items inviting numerous comments and items highlighting the difference in perception between the outside executives and inside executives.

- (i) Measures to address the insufficient discussions of medium- to long-term management strategies
- (ii) The significance and the ideal way of expanding the management strategy meeting
- (iii) The relationship between oversight and execution and the ideal form of business reporting

3. Discussion

At the free discussion with the participation of all executives (held in May), the discussion was narrowed down to items in 2. above and proactive exchange of opinions toward solving the Company's issues was held. The Company believes that difference in perception among the executives was narrowed. Based on the results of these discussions, the Company intends to make further efforts toward improving the Board of Directors.

(Supplementary Principle 4-14-2)

The Company offers the opportunity to acquire the basic knowledge such as law and finance required of executives, while at the same time it offers opportunities to participate in individual seminars, as necessary, and visit various business locations including the subsidiaries. The Company also conducts workshops on law revisions and timely themes relating to corporate management, among others, thereby offering executives the opportunity to continuously enhance their executive knowledge. In fiscal 2018, the Company invited outside lecturers to conduct workshops on “The Economies of Asia and the Middle East” and “The Food Situation from the Perspective of Big Data.”

(Principle 5-1)

The Company will take the following initiatives to hold constructive dialogues (interviews) with shareholders that will contribute to its sustainable growth and the medium- to long-term improvement of corporate value.

(1) The Company will coordinate with the CFO, as well as the Executive Officer in charge, the Corporate Strategic Planning & IR Department, Finance and Accounting Department and the Legal Department, and conduct regular exchanges of opinion based on the respective specialized fields in order to hold constructive dialogues with shareholders.

(2) In addition to individual interviews, the Company will conduct financial results briefings and briefings on the medium-term business plan, while at the same time post the videos of such briefings and disclose financial results materials (including the English versions) on its website.

(3) The Company will share the opinions of shareholders and analysts with senior management at the meetings of the Board of Directors and the Executive Committee.

(4) The Company, in order to avoid important, undisclosed, internal information (insider information) from being leaked to third parties at the dialogues (interviews) with shareholders, thoroughly engage in information control, based on the Management Regulations of Insider Information and Insider Trading.

II. Business Management Organization and Other Corporate Governance Systems regarding Decision-making, Business Execution and Oversight

1. Matters Relating to the Organizational Composition and Operation

Organizational form	Company with Audit & Supervisory Board
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【Board Members】

Number of Board Members stipulated in the Articles of Incorporation	10
Term of office of Board Members stipulated in the Articles of Incorporation	1 year
Chairperson of the Board	President

Number of Board Members	7
Appointment of Outside Board Members	Appointed
Number of Outside Board Members	2
Number of independent officers among the Outside Board Members	2

Relationship with the Company

Name	Designation as independent officer	Supplementary explanation of the applicable items	Reasons for appointment
Kazuo Ohki	○	—	As Mr. Ohki meets the requirements of independent officers set forth by the Tokyo Stock Exchange and the "Independence Criteria of Outside Executives" set forth by the Company and thus does not pose any conflict of interests with general shareholders, the Company has deemed him suitable as an independent officer.
Keisuke Yokoo	○	Former Outside Audit & Supervisory Board Member of the Company Mr. Yokoo served at the Industrial Bank of Japan, Limited (current Mizuho Bank, Limited), the Company's main bank, until June 2001.	The Company elected him Outside Board Member with the expectation that he will utilize his abundant knowledge as an Outside Audit & Supervisory Board Member, in addition to his extensive insight accumulated over the years through his experience at financial institutions and as a representative director.

Voluntary establishment of committee(s) corresponding to the Nomination or Compensation Committee	Established
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Establishment Status of the Voluntary Committee(s), Composition and Attributes of the Chairperson

Committee corresponding to a Nomination Committee

Name of committee			Nomination and Compensation Committee			
Number of members	Number of full-time members	Number of Inside Board Members	Number of Outside Board Members	Number of outside experts	Number of other members	Chairperson
4	0	2	2	0	0	Outside Board Member

Committee corresponding to a Compensation Committee

Name of committee			Nomination and Compensation Committee			
Number of members	Number of full-time members	Number of members	Number of full-time members	Number of members	Number of full-time members	Chairperson
4	0	2	2	0	0	Outside Board Member

Supplementary Explanation

The Company, effective June 27, 2018, established the Nomination and Compensation Committee as a voluntary advisory body of the Board of Directors to deliberate the nominations and compensation of Board Members and Executive Officers, to enhance the oversight function of the Board of Directors and to strengthen the corporate governance structure. The Nomination and Compensation Committee is chaired by an Outside Board Member and comprises the Representative Board Member and Outside Board Members.

【Audit & Supervisory Board members】

Establishment of an Audit & Supervisory Board	Established
Number of Audit & Supervisory Board Members stipulated in the Articles of Incorporation	5
Number of Audit & Supervisory Board Members	4

Cooperation Among Audit & Supervisory Board Members, Accounting Auditor and the Internal Audit Department

Audit & Supervisory Board Members periodically receive reports on audit plans and audit results from the Accounting Auditor, while at the same time mutually coordinate with them by witnessing certain audits

conducted by the Accounting Auditor.

Audit & Supervisory Board Members exchange the necessary information and opinions with the Internal Audit Department.

The Internal Audit Department reports the results of the operational audits of the Company and its Group companies to the Audit & Supervisory Board Members, while at the same time consult with the external Accounting Auditor about the evaluation procedures, scope and schedule at the time of formulating the annual evaluation plan, and determine an evaluation policy. Furthermore, to ensure the close cooperation between the external Accounting Auditor and the Internal Audit Department, frequent exchanges of information are conducted between the Internal Audit Department and the external Accounting Auditor and corrections are made, as necessary, when deficiencies and problems in internal controls are discovered.

Appointment of Outside Audit & Supervisory Board Members	Appointed
Number of Outside Audit & Supervisory Board Members	3
Number of independent officers among Outside Audit & Supervisory Board Members	3

Relationship with the Company

Name	Designation as independent officer	Supplementary explanation of the relationship	Reasons for appointment
Shino Hirose	○	Lawyer	Ms. Hirose is well-versed in corporate law, as well as in business in China from having served at the Japanese Embassy in Beijing, as a public servant for a fixed term with the Ministry of Foreign Affairs. The Company has elected her as an Outside Audit & Supervisory Board Member with the expectation that she will draw on her expertise in conducting the audits of the Company. Ms. Hirose belongs to the law firm, Abe, Ikubo & Katayama.
Motohide Ozawa	○	Certified Public Accountant	Mr. Ozawa, as a Certified Public Accountant, has served as a Representative Partner at a major accounting firm and as Specially-appointed Professor of International Accounting, Professional

			Graduate Schools. The Company has elected him as an Outside Audit & Supervisory Board Member with the expectation that he will draw on his expertise and extensive knowledge from having served as outside auditor of other companies in conducting the audits of the Company.
Toshinari Iyoda	○	He served at Mizuho Corporate Bank, Limited (current Mizuho Bank, Limited), the Company's main bank until March 2005.	The Company has elected him as an Outside Audit & Supervisory Board Member with the expectation that he will draw on his long years of experience at a financial institution and deep insight and experience from having served as a standing corporate auditor of listed companies in conducting the audits of the Company.

【Independent Officers】

Number of independent officers	5
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Matters Relating to Independent Officers

The Company designates Outside Executives who satisfy the conditions below, in addition to the independence criteria set by the Tokyo Stock Exchange, as independent officers.

[Independence Criteria of Outside Executives]

The Board of Directors of the Company shall recognize an Outside Board Member (Note 1) and an Outside Audit & Supervisory Board Member (Note 2) (hereinafter “Outside Executive (s)”) to be independent if he or she does not meet any of the standards listed below.

Note:

1. “Outside Board Member” denotes an Outside Director, pursuant to Article 2, item xv of the Companies Act.
2. “Outside Audit & Supervisory Board Member” denotes an Outside Company Auditor, pursuant to Article 2, item xvi of the Companies Act.

1. A person for whom the Company or the Company's consolidated subsidiaries (hereinafter the “Nissui

Group”) is a major business partner (client) (Note 1) or a person engaged in business execution (Note 2) thereof

Note:

1. “A person for whom the Nissui Group is a major business partner (client)” denotes a person who has received payment equivalent to 2% or more of the consolidated net sales of that person from the Nissui Group in the past three fiscal years.
2. “A person engaged in business execution” denotes an executive managing director, executive director, Executive officer or manager or other employees (hereinafter the same shall apply).

2. A person who is a major business partner (client) of the Nissui Group (Note) or a person engaged in business execution thereof

Note: “A person who is a major business partner (client) of the Nissui Group” denotes a person who has made payment equivalent to 2% or more of the consolidated net sales of the Company to the Nissui Group in the past three fiscal years.

3. A consultant, an accounting professional or a legal professional compensated by the Nissui Group with large amounts of money or other financial benefits other than as executive compensation (Note) (If these benefits are received by an incorporated entity, union or association, then a person who belongs to such organization)

Note: “Compensated by the Nissui Group with large amounts of money or other financial benefits other than as executive compensation” denotes being compensated with money or other financial benefits (other than as executive compensations) by the Nissui Group in amounts on average for the past three fiscal years, in excess of ¥10 million per year, in the case of individuals; and the higher of 2% of net sales/total income of the organization and ¥10 million, in the case of organizations to which the professional belongs.

4. A person engaged in business execution of a company, in cases where the Executive Board Member or Standing Audit & Supervisory Board Member of the Nissui Group serves as an outside officer of the said company

5. A person who belongs or who has belonged in the past to an organization receiving large amounts of donations (Note) from the Nissui Group

Note: “Large amounts of donations” denotes donations in excess of ¥10 million per year on average for the past three fiscal years.

6. A spouse or close relative within the second degree of kinship of the following persons (Limited to persons in important positions)

(1) Persons who fall under items 1 through 5

(2) A person engaged in business execution of the Nissui Group