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#### **Wishes on the front cover design**

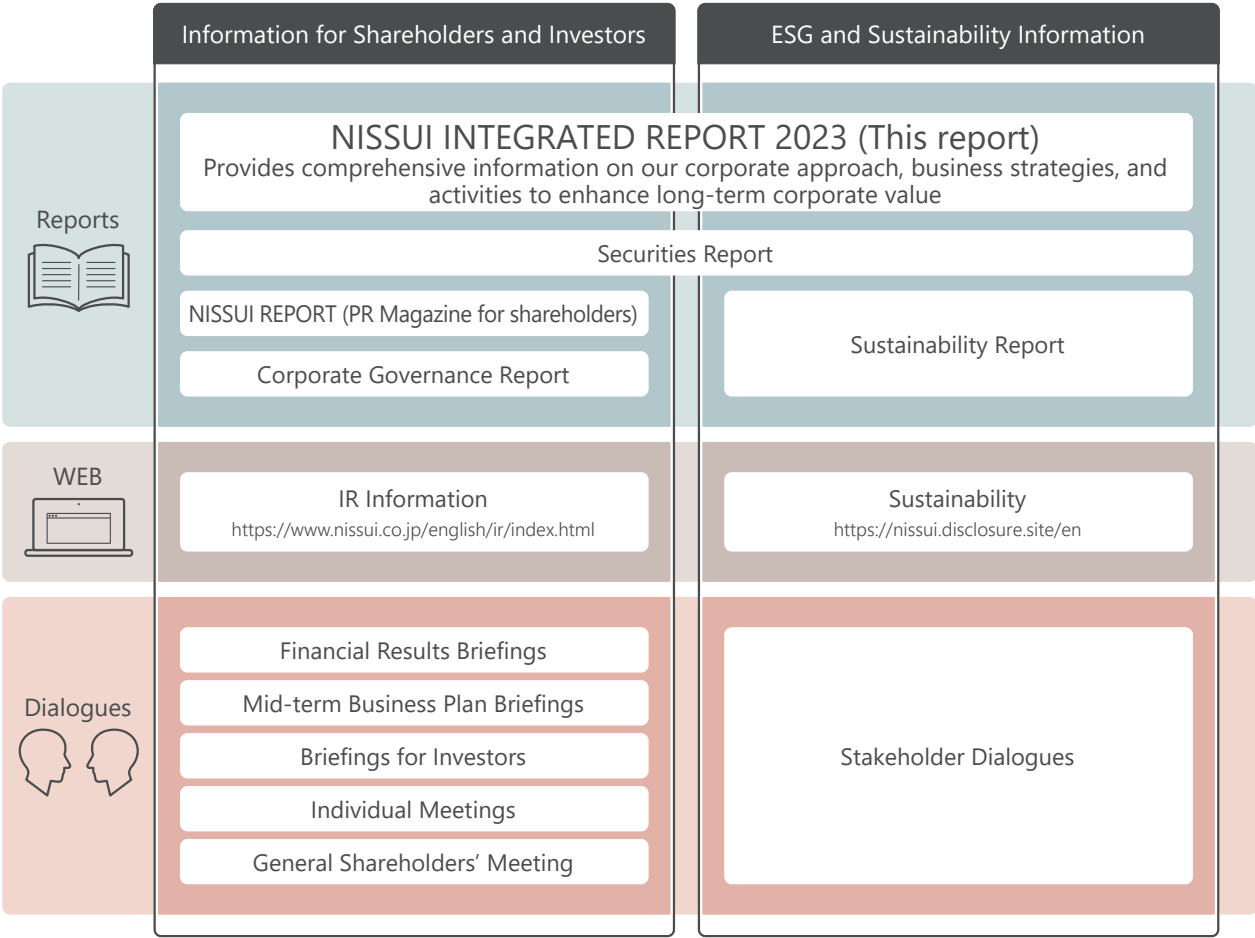
The front cover design, which shows our white-meat fish value chain spans the world, linked by connecting frames using a motif based on the shape of our brand symbol, represents the strength of the Nissui Group and its global network.

# NISSUI INTEGRATED REPORT 2023

NISSUI GROUP    INTEGRATED REPORT 2023



Our Communication Tools



Editorial Policy

Nissui Corporation issues an integrated report as a communication tool mainly for our shareholders and investors. This report conveys our approach to corporate value enhancement by describing the Group's new vision announced in April 2022, and our strategy and business performance, linked to ESG and sustainability information. The Company discloses information in different media as well as this report, which we hope you will find useful for a deeper understanding of the Company.

Report Period

The report mainly covers activities conducted from April 1, 2022, to March 31, 2023. However, when appropriate, exceptions to this general rule are made, as when citing past circumstances and data or using recent examples for illustration purposes.

Report Boundary

This report represents group company in Japan and outside Japan of Nissui Corporation.

Referenced Guidelines

- The IFRS Foundation "The Integrated Reporting Framework"
- Global Reporting Initiative (GRI) "GRI Sustainability Reporting Standards"
- The Task Force on Climate-related Financial Disclosures (TCFD) recommendations
- The Task Force on Nature-related Financial Disclosures (TNFD) recommendations
- Ministry of Economy, Trade and Industry "The Guidance for Collaborative Value Creation"

Disclaimer Regarding Forward-looking Statements

The business projections and other forward-looking statements contained in this report are based on certain reasonable assumptions of management and are derived from the information currently available to the Company. Please be advised that actual business performance may significantly differ from these business projections due to various factors.

Issued: October 2023

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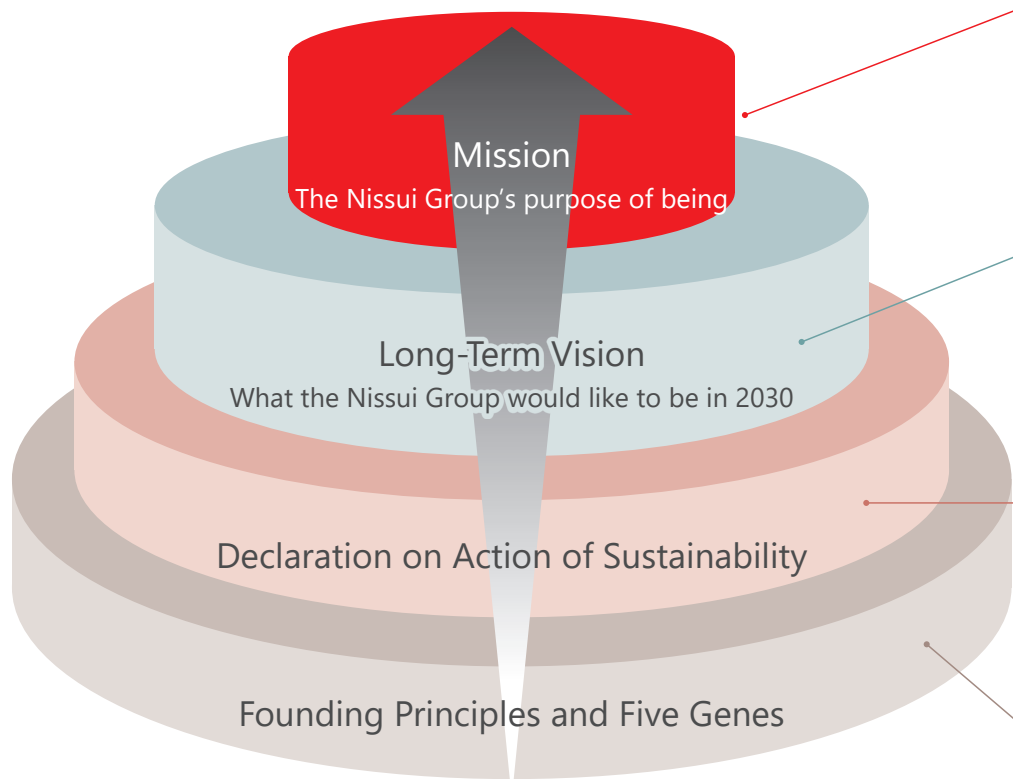
# Nissui Group's Value Creation

## Nissui Group's Value Creation

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# Business Philosophy Framework

In 2022, the Nissui Group redefined its mission (purpose of being). Addressing societal issues by exploring new possibilities for food in line with the changing times and environment is the Nissui Group's primary responsibility and purpose of being. Our mission is based on the foundations provided by Nissui's "Founding Principles and Five Genes" and by our "Declaration on Action of Sustainability," which outlines our commitment to sustainability. Through the businesses based on our mission, we are aiming to realize our long-term vision, "Good Foods 2030," and to achieve sustainable growth.



Nissui began trawl fishing operations in 1911, 112 years ago, with the construction of its first fishing boat. The concept that "the fishing industry is the key to solving the problem of over-population and food shortages" (as expressed in Kosuke Kunishi's collection of essays) and Nissui's "Founding Principles" have been passed down over the years, being incorporated into our business model in ways appropriate to the values espoused in each era. Over time, our business has expanded through various innovative changes, such as moving into food processing that made it easier for people to consume fish, and starting to process fish oil, a by-product of fish processing, as a raw material for healthcare products, so as not to waste resources. Besides continuing, as we have done ever since our company was founded, to contribute toward the realization of healthy, enriched lives by creating multi-faceted value from nature's bounty and delivering it to people worldwide, all Nissui Group employees throughout the world will also continue working, through food, to address the various societal issues.

## Mission (Purpose of Being)

### Thoughts behind the mission

- Shift toward a "food solutions" company
- Pioneering spirit natured, developed and honed by the Ocean
- The commitment to move towards a sustainable future in sight

### Mission

With the wellbeing of the ocean and people as our compass, we are driven to offer the world better food choices.

We are determined to harness the power of our pioneering spirit and industry expertise to create a healthier, more sustainable future through innovative food solutions.

## Long-Term Vision "Good Foods 2030"

A leading company that delivers friendly foods for people and the earth

## Declaration on Action of Sustainability

Declaration on Action of Sustainability  
▶ <https://nissui.disclosure.site/en/themes/126>

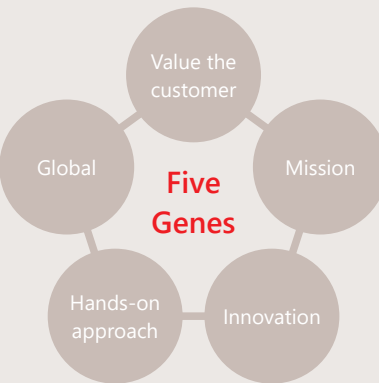
The Nissui Group will appreciate the earth and the sea, and create diverse values from Five Genes (Mission, Innovation, Hands-on approach, Global, Value the customer) inherited since its foundation and try to solve social issues through business activities.

For the Customers	For the Employees	For the Business Partners
For the Environment	For the Shareholder and Investors	For Society

## Founding Principles and Five Genes

A tap water supply system is exactly what marine products should be like in their production and distribution.

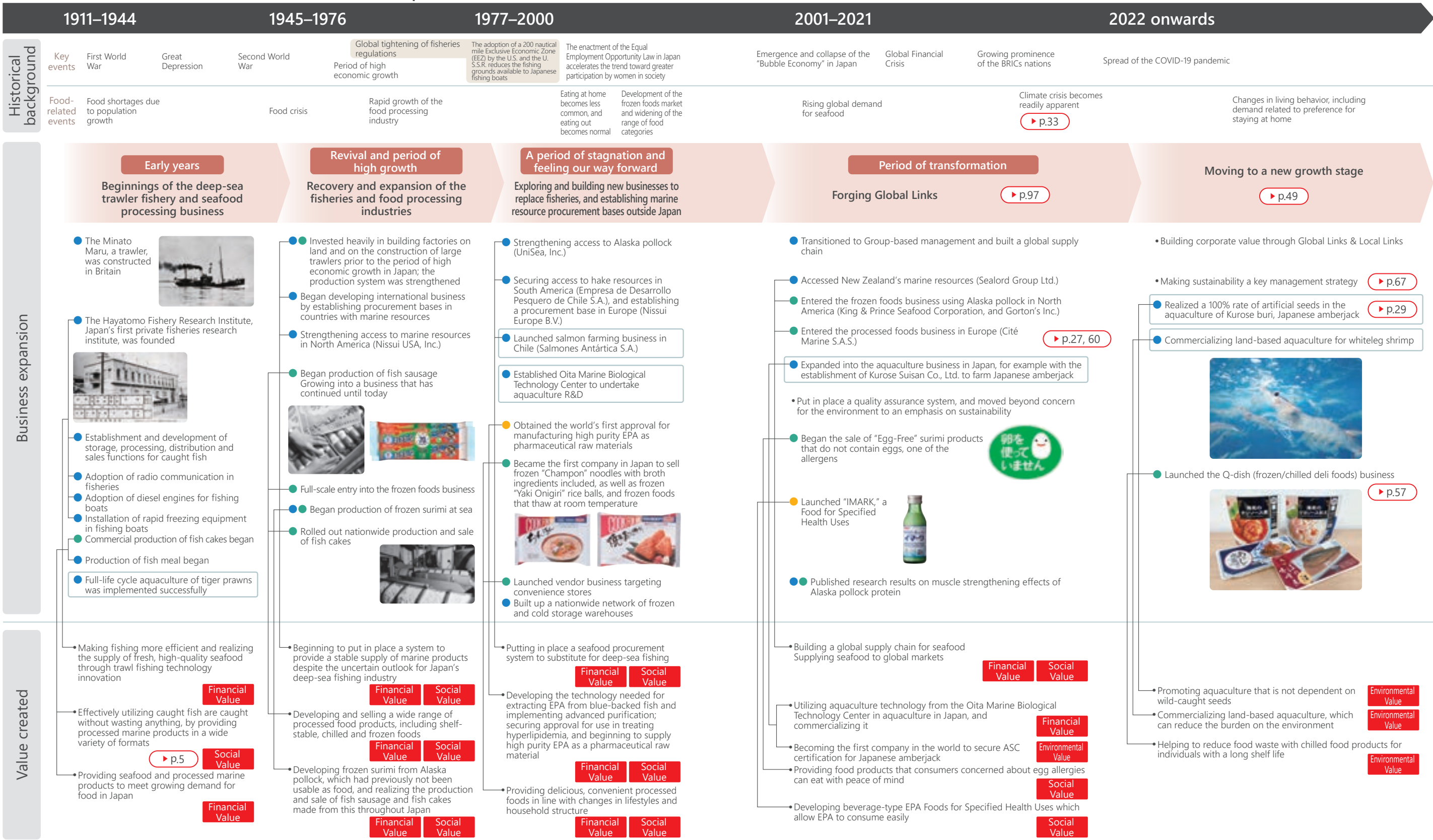
We seek marine resources from everywhere in the world, ensure that products are always as fresh as possible, set up their worldwide marketing network, just like the tap water pipeline, and distribute them, adjusting their marketing prices in response to demand. Excess costs related to the distribution of marine products also need to be eliminated to realize the distribution costs lowest possible. Earnings through speculation should not be sought in the course of this supply.



# A History of Value Creation

– The Innovative Food Solutions that the Nissui Group has Provided Over the Years

● ... Marine Products Business ● ... Food Products Business ● ... Fine Chemicals Business □ ... Aquaculture-Related Activities





# At a Glance

## Fried marine foods

Frozen marine foods for household use

**No.1**<sup>\*1</sup> Market share in the U.S.



Chilled fried white-meat fish for household use

**No.1**<sup>\*3</sup> Market share in France



Frozen fried white-meat fish for household use

**No.1**<sup>\*2</sup> Market share in New Zealand



## Long-Term Vision

Net Sales **1.0** trillion

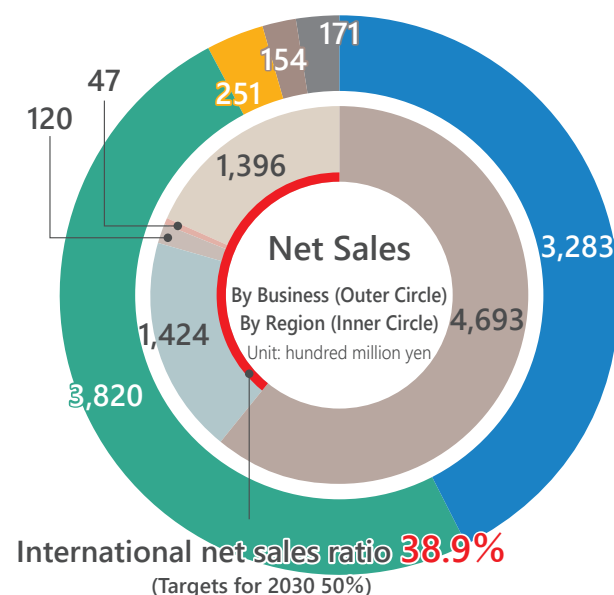
## Targets for FY2030

Operating Profits **50.0** billion

FY2022 Net Sales

**7,681**

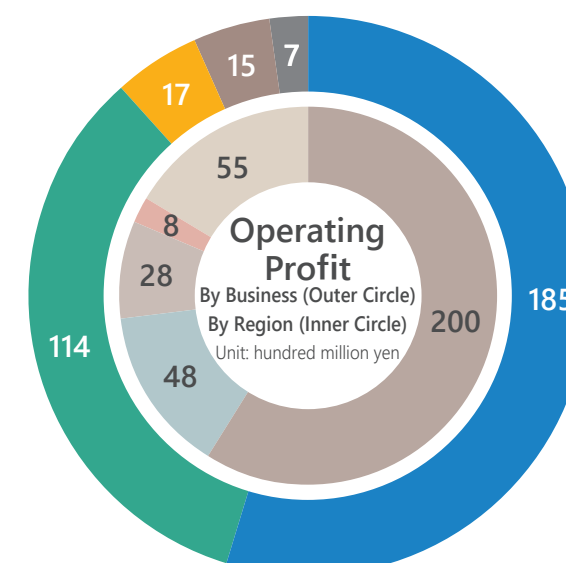
■ Marine Products Business ■ Food Products Business ■ Fine Chemicals Business  
■ General Distribution Business ■ Other  
■ Japan ■ North America ■ South America ■ Asia and Oceania ■ Europe



FY2022 Operating Profit

**244**

(Unit: hundred million yen)



(Note) Company-wide expenses included in the actual operating profit are excluded from the figures in the operating profit pie chart

## Aquaculture

Salmon trout (FY2022)

Approx. **22,000MT** Harvest volume  
Approx. **40%**<sup>\*3</sup> Market share in Chile



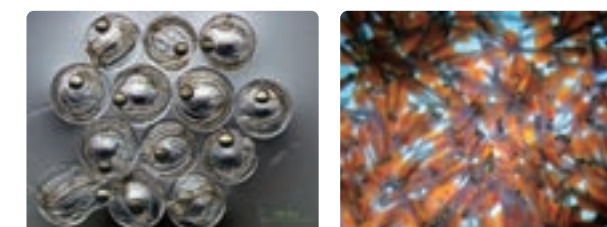
Farmed Japanese amberjack(FY2022)

Approx. **9,000MT** Harvest volume  
Approx. **9%**<sup>\*3</sup> Market share in Japan



Rate of artificial seeds in farmed Japanese amberjack

Share of **100%** realized: FY2022 output:  
(A first in Japan<sup>\*3</sup>)



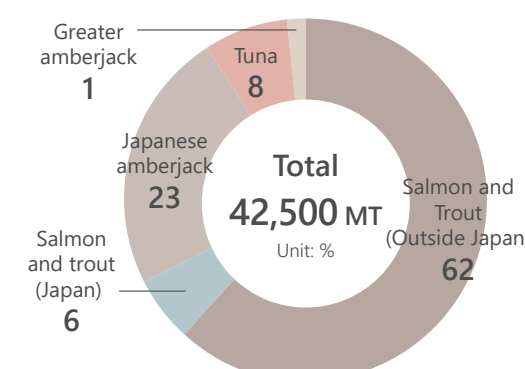
Fried marine foods for household use and food service (fried white-meat fish and fried shrimp)  
Net Sales

**No.1**<sup>\*3</sup> Global market share:



Farmed fish harvest volume

**42,500MT** FY2022



<sup>\*1</sup> IRI, Frozen marine foods for household use in the U.S. – Share by value (Aug. 2022 – Aug. 2023)  
<sup>\*2</sup> Circana, Frozen fried white-meat fish for household use – Share by weight (Aug. 2022 – Aug. 2023)  
<sup>\*3</sup> Nissui research

Message from the President

Steadfast Execution of Management Strategies Aimed at Realizing Our Long-Term Vision and Commitment to Enhancing Corporate Value

S. Hamada  
Representative Director,  
President  
Chief Executive Officer (CEO)



Looking Back at the Previous Fiscal Year and Ahead to the Future

In FY2022, the inaugural year of our Mid-Term Business Plan “Good Foods Recipe1,” we succeeded in updating both net sales and profit for the period to their all-time highs with a 10% increase in net sales and a 22% rise in profit respectively. Our Marine Products Business showed robust sales both in Japan and outside Japan, supported by progress in our Japan-based aquaculture operations and substantial cost reductions in our North American businesses, resulting in a significant increase in earnings. In contrast, the Food Products Business maintained steady sales growth in both Japanese and international markets, but faced significant cost pressures from rising raw material and energy prices, exacerbated by currency depreciation. The Fine Chemicals Business faced several challenges, most notably with the divestment of all shares in our consolidated listed subsidiary, Nissui Pharmaceutical Co., Ltd. (now Shimadzu Diagnostics Corporation), and

was further impacted by disruptions in the export of pharmaceutical raw materials. While our financial numbers suggest that we have successfully responded to environmental changes, since I became President in 2021, the external environment has been changing dramatically, including the COVID-19 pandemic, the Ukraine situation, currency fluctuations, rising resource prices, human capital acquisition, and the development of AI and Food Tech and I have been acutely reminded of the importance of agility and flexibility in responding to change. However, thanks to the many years of efforts by my senior colleagues, our three main businesses have been able to generate balanced profits while complementing each other. While it is too early to be overly optimistic about the future, I believe that the achievement of the financial targets, including net sales, set out in our Mid-Term Business Plan is well within our reach.

Specifically, in the Marine Products Business, the expansion of global demand for seafood continues to be a positive driver, and we have successfully adapted to fluctuating market conditions by progressively increasing the international net sales ratio and expanding our aquaculture business, which has solidified profitability and created a robust business structure capable of generating profits despite market fluctuations. In the Food Products Business as well, our focus on expanding our high-margin international sales enabled us to maintain a stable profit base under the severe global business environment of last year. At present, our foundation is being strengthened not only by the expansion and improved penetration of price increases in Japanese and international sales, but also by the refinement of our profitability through strategic reductions in unprofitable products. In the Fine Chemicals Business, the current suspension of exports of pharmaceutical raw materials to North America is creating a challenging environment.

However, we are optimistic about the prospects for FY2024, which include the start of shipments to Europe, the resumption of exports to North America, sales expansion in Japan. In FY2022, we initiated a comprehensive campaign to elevate our return on invested capital (ROIC) by concentrating on enhancements to the cash conversion cycle (CCC). In hindsight, there was a tendency to overly focus on the CCC. For FY2023, our efforts to improve ROIC will expand beyond working capital compression (the denominator of ROIC) to include measures such as product line reduction. In addition, we have clarified the specific actions necessary to increase our operating profit after tax (the numerator of our ROIC) for each of our businesses and Group companies. By fostering a Group-wide commitment to ROIC improvement, we are poised to take informed, strategic actions that will enhance the corporate value of the Nissui Group.

Initiatives for Each Business to Improve ROIC in FY2023

	Marine Products	Food Products	Fine Chemicals
Improvement of ROIC = NOPAT (Net Operating Profit after Tax) / Invested Capital	<b>Business expansion</b> <ul style="list-style-type: none"><li>Expansion of coho salmon farming in Japan</li><li>Entering the home delivery business in the UK, supplying processed seafood through the EC</li></ul>	<b>Japan</b> <ul style="list-style-type: none"><li>Expanding high-value-added and health product utilizing unique technologies</li><li>Increasing of sales and operating profit through chilled integration and expansion into the food business</li><li>Item reduction</li></ul> <b>North America, Europe</b> <ul style="list-style-type: none"><li>Expanding in product categories in North America and sales areas in Europe to expand the scale of earnings</li></ul>	<b>International expansion of pharmaceutical raw materials</b> <ul style="list-style-type: none"><li>Completion of application for pharmaceutical raw materials for Europe</li></ul> <b>Plan to use MSC-certified fish oil as raw materials</b> <ul style="list-style-type: none"><li>Expansion of online and retail sales</li></ul> <ul style="list-style-type: none"><li>Expansion of EPA and DHA product lineup</li><li>Expanding sales channels for products using fast-twitch protein powder</li></ul>
	<b>High added value</b> <ul style="list-style-type: none"><li>Promoting food processing and expanding high gross margin products</li></ul>		
	<b>Efficiency and optimization</b> <ul style="list-style-type: none"><li>Cost reduction through efficient operation between aquaculture companies</li></ul>		
	<b>Inventory reduction</b> <ul style="list-style-type: none"><li>Increase inventory turnover and reduces working capital</li></ul>	<b>Japan</b> <ul style="list-style-type: none"><li>Optimization of chilled and food factory</li></ul>	<b>Improvement of production efficiency</b> <ul style="list-style-type: none"><li>Thorough inventory management at production plants in Japan</li></ul>

※Going beyond mere raw marine materials, our products are processed further than fillets, with consumer convenience in mind, such as kirimi (cut fish), slices, flakes, grilled and simmered fish, peeled shrimp, etc.

The Nissui Group's Mission (Purpose of Being)

In April 2022, we unveiled our mission along with our long-term vision, “Good Foods 2030.” In December of the same year, we changed our trading name from “Nippon Suisan Kaisha, Ltd.” to “Nissui Corporation,” embarking on a new growth path. The mission we have defined puts “food” at the forefront and aims to “create a healthier and more sustainable future through innovative food solutions.” In considering our strengths and competitive

advantages in achieving this, we recognize that our scope extends beyond marine products. We possess broader potential and have decided to emphasize “food” as an overarching concept that includes our marine products heritage. This strategy isn't entirely new, but rather builds on our founding principles. Our original philosophy was imbued with a profound spirit: To provide nutritious fish at reasonable prices to (at the time) nutritionally deficient Japanese citizens, not



## Message from the President

only to meet dietary needs, but also to eliminate inefficiencies and excess costs. Irrespective of changing times and circumstances, it is our enduring responsibility and purpose of being to relentlessly explore new possibilities in food, thus addressing the societal issues of the time.

To reinforce this mission, we have established "One Table Meetings" as a new platform for dialog between management and employees at Nissui Group companies in Japan. Aiming to candidly communicate our thoughts, I have personally visited around 60% of our sites (achieving full coverage when including visits by other executives) and received a variety of opinions from employees. Meanwhile, to share information among our international Group companies, we held the NGLC (Nissui Global Links Conference) in Tokyo last November and in Barcelona this April, along with a world-renowned seafood expo, where we explained our mission. In the past, the Nissui Group has created synergy by each company utilizing its individual



President Hamada (center) giving an explanation at the NGLC held in April 2023

strengths. By reaching consensus on the mission to explore innovative food solutions, we aim to strengthen the Group's cohesion and generate greater synergy and value than ever before. Furthermore, with the newly established symbol mark of "Nissui Global Links," we intend to imprint the Nissui Group's global outreach in the minds of both our internal team and external audiences.



Nissui Global Links

► [https://www.nissui.co.jp/english/vision\\_policy/brand/globallinks.html](https://www.nissui.co.jp/english/vision_policy/brand/globallinks.html)

## Innovative Food Solutions for a Healthier, More Sustainable Future

The concept of innovative food solutions is only just beginning to take shape, but we are beginning to see it come to fruition, and I would like to share a few examples with you.

### Creation of New Business Ventures

We have a history of venturing into uncharted waters to develop marine resources, and I am committed to continuing and nurturing this entrepreneurial spirit for the benefit of future generations. Two years ago, with the aim of being unconfined by existing businesses, the Business Development Department was set up directly under the President to promote new business ventures that have the potential to grow to tens of billions of yen and to foster an entrepreneurial spirit, especially among our younger staff. Among the first initiatives spearheaded by this department are capital participation and business cooperation with an Australian startup that aims to develop the land-based aquaculture of "Asparagopsis" seaweed, which could reduce methane gas emissions from cattle, and the launch of a frozen pet food brand called "PAWSOME DELI."

We are also conducting internal solicitations for new business Ventures, one of which is the "Integrated Distribution Business," a specialized distribution platform for marine products. This initiative allows for centralized IT management of all processes from the light processing of marine products to picking, storage, and distribution. By consolidating and meeting the functionalities retailers demand across our Group, we aim to broaden our business horizons.



Mr. Scott Elliott (left), CEO of Australian startup Immersion Group, aiming for land-based aquaculture of "Asparagopsis" seaweed, alongside President Hamada (right)

### Achievements in Marine Research & Aquaculture Technology Development

Since 2016, our Oita Marine Biological Technology Center (Saiki City, Oita Prefecture) has conducted a feasibility study on the land-based aquaculture of whiteleg shrimp. Having developed a viable approach that enables the production of high-quality products with minimal environmental impact, we launched this venture as a business in April 2023. It was Nissui that established the first private marine research institute in Japan back in 1920, achieving a world's first in the full-life cycle aquaculture of tiger prawns. The full-life cycle aquaculture of Kurose buri, Japanese amberjack, which also incorporates our advanced knowledge and techniques in aquaculture accumulated over the years, stands as a testament to our strengths. This level of expertise in aquaculture technology is, I believe, unmatched anywhere else in the world. Furthermore, the ability to translate R&D into business opportunities

and the strength of our sales force are unique assets that set us apart from the competition.

### Innovative Food Solutions Expanding internationally

At Gorton's in North America, we have introduced a line of household-use frozen food "Air Fried" that have successfully halved the lipid content compared to existing product, receiving favorable reviews. Similarly, King & Prince Seafood Corp. in North America is expanding its range of Asian foods, including shumai and takoyaki. These products are currently produced and exported from Japan, with plans to explore local manufacturing options. Meanwhile, in Europe, Cité Marine S.A.S. is expected to expand its operations with increased production capabilities for both chilled seafood fries and plant-based foods. In addition, Danish Salmon A/S is in the process of expanding its land-based aquaculture production systems, setting the stage for increased production.

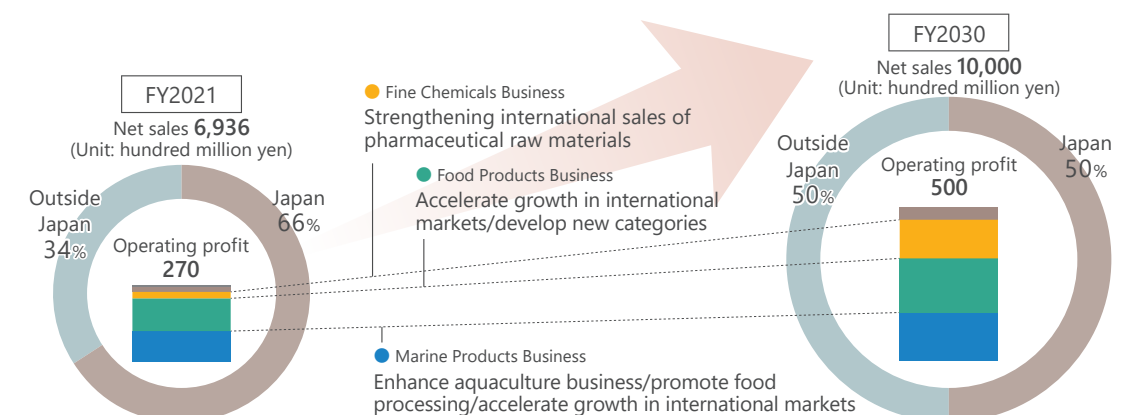
## Portfolio Management to Enhance Corporate Value

As part of our long-term vision, Nissui has established "Reinforcing business portfolio management" and "Advancement of sustainability management" as the pillars of the long-term vision, and have accordingly set KPIs across finance, social, human capital, and environmental values. In terms of financial value, we aim to reach a net sales target of 1 trillion yen, an operating profit of 50 billion yen, and achieve a 50% international net sales ratio by FY2030. Our strategy includes accelerating the growth of our Food Products and Marine Products Businesses abroad and boosting the profitability of our Fine Chemicals and Aquaculture Businesses.

Specifically, in our International Food Products Business, we aim for growth in areas with increasing demand, such as seafood fries, health-oriented products, Asian products, and plant-based foods. For our Food Products Business in Japan, we intend to grow new categories that also utilize our expertise in

chilled and frozen foods, such as the "Q-dish" business, in addition to our existing categories. In our Aquaculture Business, we plan to increase our harvest volume by 15% from 2022 to 2024, focusing on breeds such as Japanese amberjack and coho salmon. The full-life cycle farmed Kurose buri, Japanese amberjack, is a prime example of our competitive edge, with the ability to ship during the summer when other companies cannot. By refining such differentiated products, we strengthen our position against market fluctuations and aim to stabilize earnings. Our Fine Chemicals Business is also advancing preparations for the authorization of pharmaceutical raw materials in Europe, with the goal of establishing a internationally reputation as a supplier of EPA.

The key strength of our Group is our value chain: the ability to procure marine resources, add significant value and market them internationally. In addition, we have a unique business model in which our three main





Message from the President

businesses—Marine Products, Food Products, and Fine Chemicals—create synergy and mutually support each other, forming a robust framework. Rather than focusing on the expansion of specific businesses, our strategy ensures that each sector can generate balanced earnings, which in turn strengthens our resilience to environmental changes and reinforces management stability. Historically, significant volatility arose primarily from excessively optimistic foreign investment decisions and fluctuations in the seafood market. We have been able to reduce this volatility through reinforced management of investment projects, careful inventory control, expansion of our aquaculture business, promotion of food processing, and by adding high value to our products through our manufacturing capabilities. This multi-faceted approach is setting the stage for a more stable revenue structure as our three main sectors grow and provide mutual support. For example, in FY2022, strong profits from our Marine Products Business helped offset difficulties in our Food Products Business, while in FY2023, we anticipate the Food Products Business will offset any declines in the Marine Products Business. Furthermore, by increasing the

international net sales ratio, we can mitigate the effects of currency exchange fluctuations.

Going forward, we believe it is necessary to invest in manufacturing functions in profitable international markets with access to resources and growth potential, particularly in North America and Europe. We have allocated a total investment amount of 120 billion yen for the Mid-Term Business Plan period. In terms of investments, we conduct thorough preliminary research and also monitor the progress of annual KPIs set for each investment and financing activity. By understanding the risks at both the entry and exit points and discussing them from various perspectives, we have created a conference environment in which decisions on withdrawals can be made decisively. While the M&A budget for FY2023 is currently set at 20 billion yen, we believe that the crucial factor is the return on investment, and we are willing to increase the allocation for investments that are expected to be effective. By using metrics such as ROIC and cost of capital, we aim to improve the quality of our portfolio discussions and practice more capital-efficient management.

Sustainability the Foundation for Sustained Growth

In the “sustainability management,” another pillar aimed at achieving our long-term vision, we are committed to creating value in society, for our human capital, and in the environment, with the goal of converting these into financial value. I am convinced that the key to creating innovative food solutions lies in human capital, which is why we have deliberately positioned value in human capital among the four core values of our long-term vision.

I joined Nissui in a research role, fascinated by the romance of the sea and the excitement of hypothesis-driven research as an undergraduate. However, my experience as a factory manager made me realize the indispensable role of human capital. For example, the products produced in a factory are not completely identical. Even on the same production line, operators adjust machinery settings based on their observations, such as noticing something is not right or the lack of sheen, resulting in subtle differences in the final product. This realization has reinforced my belief that regardless of advances in automation and machinery, the pivotal importance of human capital remains. As society rapidly moves toward greater AI adoption and digitization, the onus is on our talented workforce to effectively utilize these technologies. Accordingly, nurturing a digitally savvy workforce is of paramount importance to Nissui.

The increasing mobility of talent underscores the need for the Group to be seen as an attractive place to work by offering stimulating career opportunities. It is the responsibility of management to proactively create such an environment. The growth of the Group is critically dependent on our international expansion, for which the development of a global talent pool is essential. In addition, it is important for the development of future management talent to involve our management team in the management of Group companies, and instilling a solid management acumen.

Diversity and inclusion present an important challenge. We have many female employees with outstanding skills and potential, and it is imperative that we engage them in meaningful dialogue to ensure they excel in appropriate roles. At this year’s entrance ceremony, I used the parable of the frog in



New employee entrance ceremony

the well to inspire our new employees, emphasizing that while they may not be familiar with the vast ocean, they know the depth and blue of the sky—knowledge we value and want to integrate. The innovative ideas and perspectives that come from diversity are essential to the growth of the Group.

The Nissui Group’s operations are heavily dependent on natural capital, a factor that raises critical issues from both a risk and opportunity perspective. The Group is conducting its third survey of procured natural marine resources sustainability and plans to publish the results in FY2024. It is critical that we expand our efforts beyond simply assessing the status of key fish species and translate this knowledge into tangible procurement improvement strategies by next spring.

For this fiscal year, we are streamlining our biodiversity efforts in line with the framework of the Task force on Nature-related Financial Disclosures (TNFD), and we are actively addressing the challenges that fisheries and aquaculture operations pose to the marine environment.

In terms of decarbonization and achieving carbon neutrality, we announced our endorsement of the recommendations of the Task force on Climate-related Financial Disclosures (TCFD) in November 2021 and are seeking to improve both our actions and our disclosures. In pursuit of the ambitious goal of carbon neutrality by 2050 (Scope 1, 2 emissions), we are

actively seeking a variety of collaborations with external partners.

The KPIs for social, human capital and environmental value set out in our long-term vision have their origins in the materiality we set in 2016. However, given the significant changes in the environment since then, we are in the process of reviewing this materiality. The results of sustainability initiatives are long-term and not easily quantifiable in immediate financial metrics such as ROIC, but they play a critical role in mitigating a wide range of risks. Our continued commitment to these initiatives is designed to secure the trust of our investors.

I tend to approach things with a logical mindset, managing by the numbers with meticulous attention to detail, and steadily advancing our efforts. However, sometimes, an “animal-like” intuition comes into play, preventing my judgments from being too reliant on forecasting alone and allowing for a balanced approach. Without getting caught up in immediate tasks, I aim to manage by backcasting from a long-term, larger perspective and advancing management step by step.

Strengthening Risk Management to Stay Ahead of the Curve

We are currently revising the risk management system across the Group. Until now, our Risk Management Committee has overseen subcommittees for ethics, occupational safety, post-disaster BCP, and information security. In addition, sustainability-related risks were managed by the Sustainability Committee, while quality-related risks were managed centrally by the Quality Assurance Committee. This structure was predominantly national and fragmented by topic across subcommittees. We are transitioning to a

system that threads these disparate elements together, enabling a holistic view of all risks, and determining priorities for a thorough evaluation. By timely and accurately identifying risks throughout the Group and proactively incorporating them into our management strategies, we intend to navigate potential growth opportunities and risks for the future.

Message to Stakeholders

The Nissui Group is currently poised for a significant rebirth. This fall, we will initiate the development of our next Mid-Term Business Plan, a pivotal step toward our goals for 2030. Our strength is evident in the value chain, as explained in this integrated report. I am confident that we can further reinforce this value chain. Rather than a slender thread, we are transforming it into a robust and resilient force that

can withstand adversity. United globally, the Nissui Group will continue to strive to enhance corporate value, grounded in our mission. We invite your continued anticipation and support for the Nissui Group’s promising journey ahead.

Recognizing Risks and Opportunities

Governance and Risk Management to Make Value Creation Durable

Approach to Governance

One of the basic strategies specified in our Mid-Term Business Plan is strengthening governance. For Nissui, the purpose of governance is to improve profitability and capital efficiency and boost sustainable growth and mid- to long-term corporate value.

In corporate governance, every year Nissui evaluates the effectiveness of the Board of Directors, promoting constant improvement of the Board's effectiveness. Beginning in FY2022, we include sustainability as one of the elements used to determine executive compensation, as part of a larger effort to design systems for heightening Directors' awareness of the need to improve corporate value. In terms of Group governance, we are redoubling our efforts to obtain a 50% international net sales by 2030. One such measure is Global Links, one of the Nissui Group's strengths. Global Links is a network of enterprises in Japan and outside Japan that are tasked with functions from resource access to production and sales. By bringing together the unique strengths of each company, Global Links generates powerful Group-wide synergies. Because food culture and values differ widely from region to region, it makes sense from the perspective of rapid decision-making to delegate discretion to local management wherever possible. Conversely, from the viewpoints of risk control and capital efficiency, it is important to maintain a firm central grip to strengthen global governance.

For Nissui, strengthening the effectiveness of governance will of course require the formulation of rules and reinforcement of systems of management and auditing. However, these alone will not be sufficient. We think it even more important that we share the mission of creating innovative food solutions and the resolute will to achieve it. For this purpose, we are continuously building Group-wide understanding of our mission and long-term vision. In FY2023 we updated the Global Links logo (see image at right). We hope the new logo will assist in sharing the mission, stimulating Group solidarity and serving as a unifying force.



Group Governance System

Nissui requires all its subsidiaries to comply with its governance regulations. Regarding the "important items" specified in the regulations, the Company operates a governance system in which the important items are deliberated on by the Board of Directors and important "reporting items" are reported regularly. To oversee each company from a Group management perspective, Executive Officers of the Company are nominated to serve as "responsible managing directors" for those companies. The responsible managing directors manage and supervise the companies and, through Company members seconded to Group companies as Directors or Audit & Supervisory Board Members, ensure that the Boards of Directors of Group companies fulfill their roles and carry out their duties appropriately.

The internal auditing division carries out internal audits under the direct supervision of the President and reports the results to the President, Audit & Supervisory Board Members and the Board of Directors of Nissui. In addition, the internal auditing division shares audit results and the issues they raise with other divisions within the Company that are involved in Group company management and works with those divisions to find solutions and improve the governance level of the Nissui Group.

TOPICS

### Nissui Global Links Conference (NGLC)

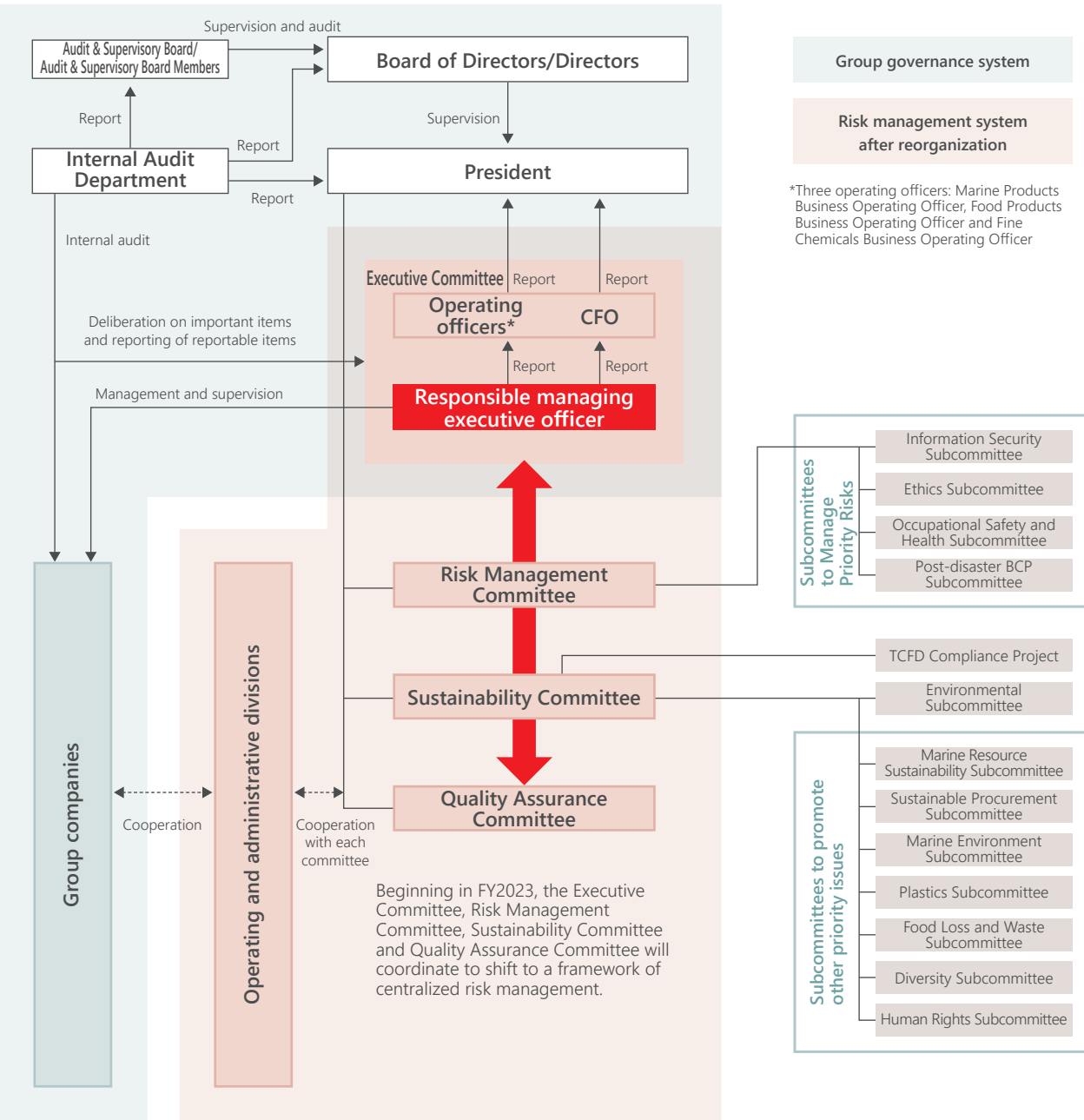
As a means of strengthening communication with our Group company outside Japan the Nissui Global Leadership Conference (NGLC), aimed at top management, has been held annually since 2002. At these conferences, the Nissui Group President personally communicates the Group's mission and Global Links philosophy. The 40th NGLC, held in Barcelona in April 2023, focused on reaffirming the mission and long-term vision set in FY2022 with our Group companies outside Japan and introducing the new "Global Links" symbol mark. The message that was conveyed emphasized that moving forward, each company's business activities will come together under the Global Links symbol, contributing to the collective value of the Nissui Group. Feedback from those attending was positive, with one participant commenting: "Previously, presenting our businesses as being part of the Nissui Group was challenging. The Global Links symbol will now make it easier for our activities to be recognized as an integral part of the Group, both internally and externally. We look forward to engaging in new communication as members of the Nissui Group, fostering greater collaboration within the Group."

Current Risk Management System

The Risk Management Committee meets four times a year to develop and operate risk management systems. This committee consists of four subcommittees, each of which addresses key risks affecting the Group's management base: the Information Security Subcommittee, the Ethics Subcommittee, the Occupational Safety and Health Subcommittee and the Post-Disaster BCP Subcommittee. The Executive Officer in charge of risk management provides regular activity reports to the Board of Directors. In similar fashion, the Sustainability Committee deliberates on risks and opportunities through eight subcommittees: the Environmental Subcommittee, the Marine Resource Sustainability Subcommittee, the Sustainable Procurement Subcommittee, the Marine Environment Subcommittee, the Plastics Subcommittee, the Food Loss and Waste Subcommittee, the Diversity Subcommittee and the Human Rights Subcommittee. One current issue, however, is that risk management is handled separately by each committee.

Reorganizing Risk Management

The Nissui Group aims to expand its business activities internationally. Such expansion exposes the Group to impacts from economic, social and environmental changes; clearly, the Group must prepare for such risks, which will continue to grow in diversity and complexity. In FY2023 the Group is reviewing the risk management response of each committee to each theme, identifying risks from a Group-wide perspective that transcends the remit of each committee and drive the PDCA cycle to effect changes in its organization.

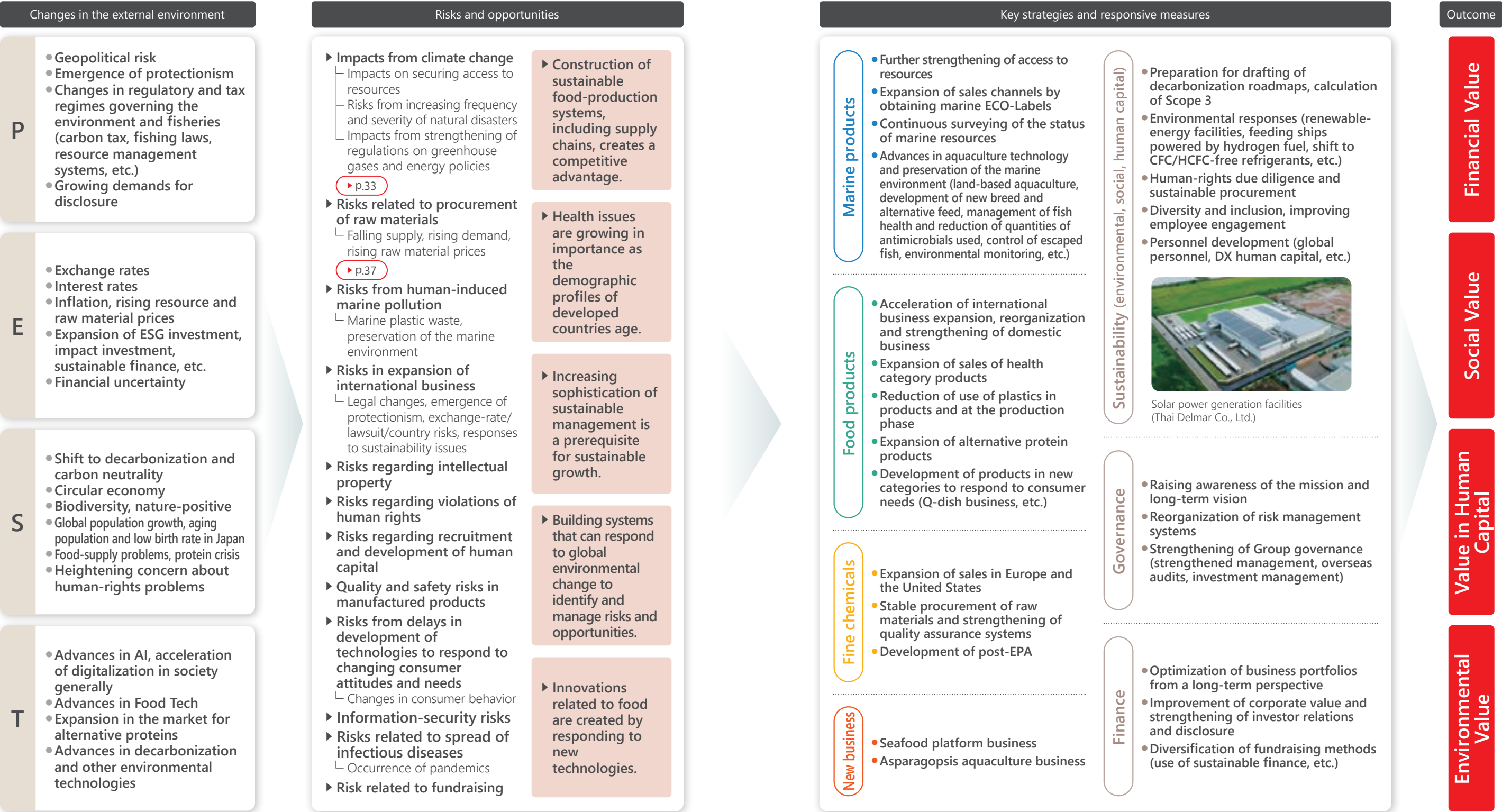




Recognizing Risks and Opportunities

Risks and Opportunities and the External Environment

Creating value in the mid- to long-term requires strategic responses to changes in the external environment, including politics, economy, society, technology and other factors. By reducing risks and creating opportunities Group-wide, the Nissui Group is building four types of value: financial, social, human capital and environmental.





# Nissui Group's Value Creation Process

The Nissui Group's vision for 2030 is to be "a leading company that delivers friendly foods both for people and the earth." With that goal in mind, the Group has set key performance indicators (KPIs) for four values: Economy, society, human capital and the environment.

By strengthening business portfolio management and embarking on new businesses, we will maximize value through capital reallocation.



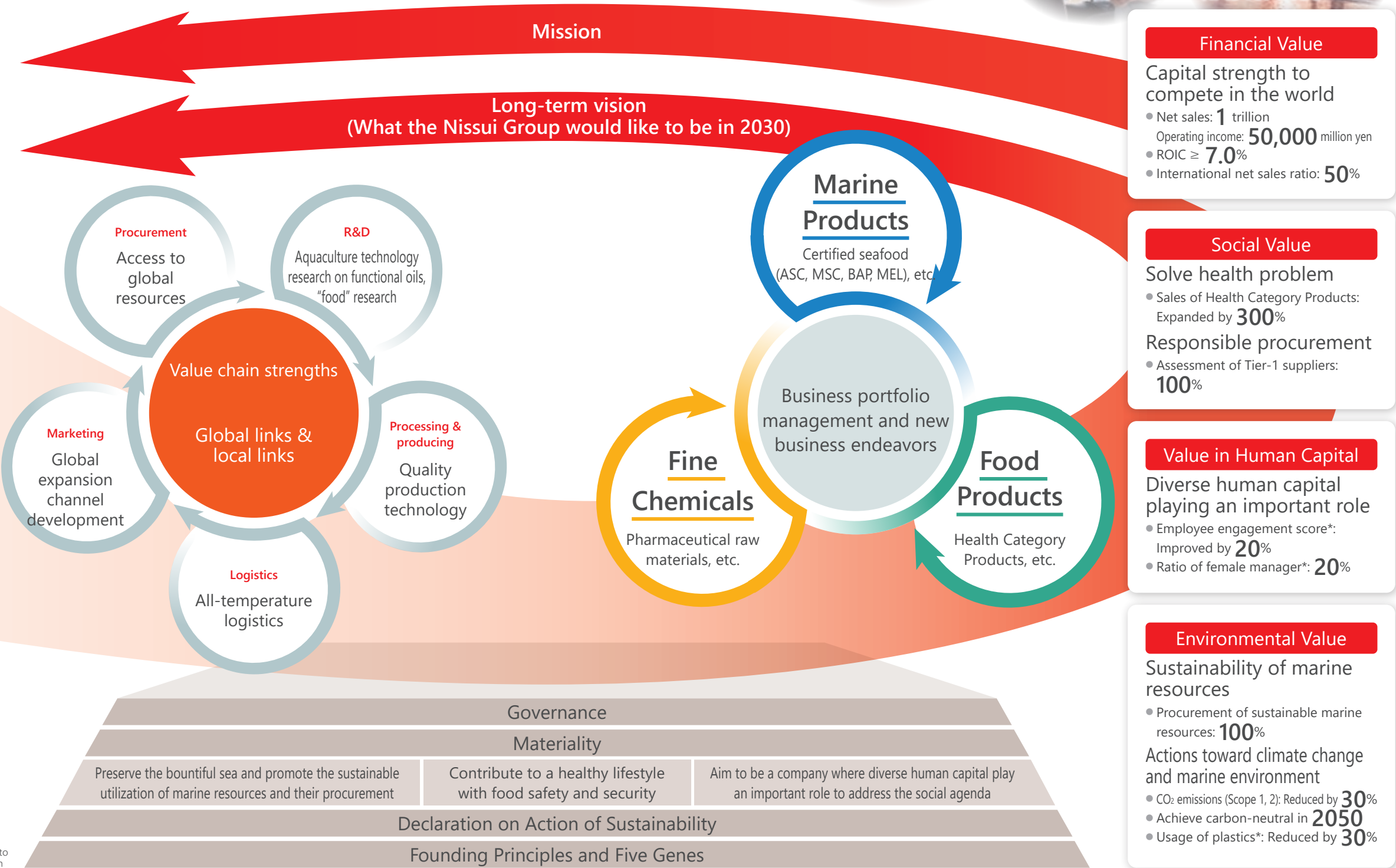
KPIs for 2030

Changes in the external environment

p.19

- ▶ **Financial capital**
  - Total assets: **549,000** million yen
  - Shareholder's equity: **216,800** million yen
  - Equity ratio **39.5%**
- ▶ **Manufacturing capital**
  - Aquaculture sites: **71**<sup>\*1</sup>
  - GFSI certified business locations: **31**
- ▶ **Intellectual capital**
  - R&D expenses: **4,600** million yen
  - R&D human capital: **150** persons
  - Tokyo Innovation Center
  - Oita Marine Biological Technology Center
- ▶ **Human capital**
  - Number of employees: **9,515** persons (consolidated)
  - Selected as a Health & Productivity Stock for five consecutive years
- ▶ **Social capital**
  - Trust and Nissui brand built on more than **110** years of history
- ▶ **Natural capital**
  - Sustainable procurement rate of marine resources: **71%**
  - Global supply chain (procurement of marine resources from over **48** countries)

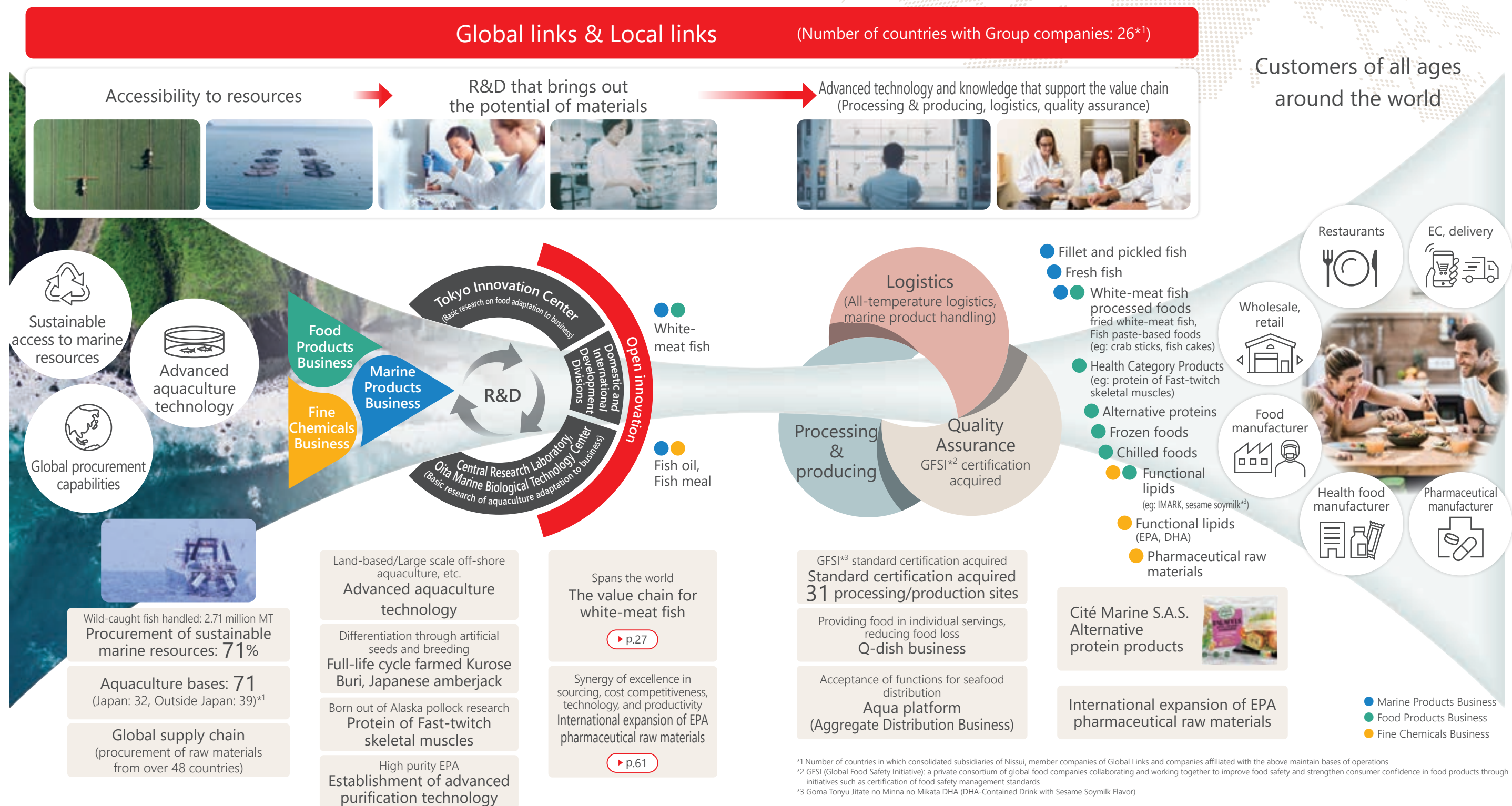
<sup>\*1</sup> Subjects are subsidiaries, and 1 aquaculture area is counted as 1 base  
<sup>\*2</sup> GFSI (Global Food Safety Initiative): a private consortium of global food companies collaborating and working together to improve food safety and strengthen consumer confidence in food products through initiatives such as certification of food safety management standards



\*Figures are for Nissui only

## Nissui Group's Strength: Value Chain

The Nissui Group's strength lies in its value chain, which includes processing, production, quality assurance, and a wide range of product rollout channels. Our accessibility to resources allows us to procure marine resources and other materials from around the world, and our R&D brings out the potential of materials for adding higher value. Through the synergy of our three main businesses – Marin products, Food products, and Fine Chemicals –, we will maximize the value of our materials and provide innovative food solutions to people around the world.





## Nissui Group's Competitive Advantage

### Nissui Group's Competitive Advantage

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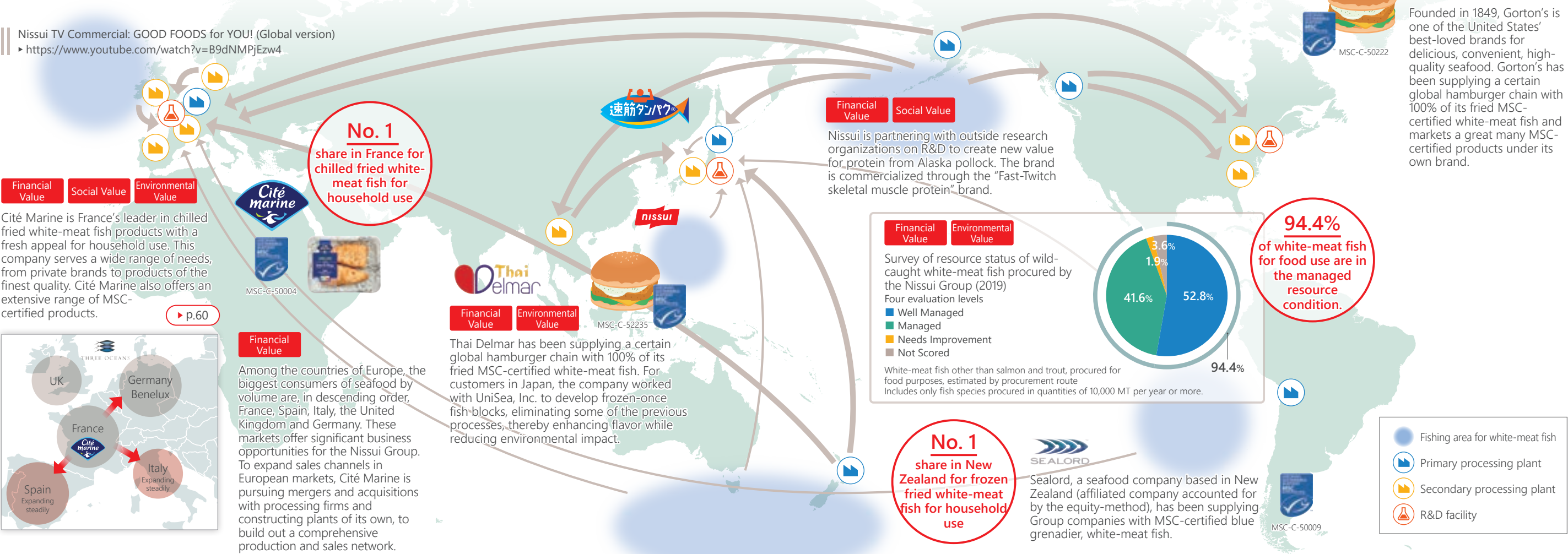
- 27 ■ The White-Meat Fish Value Chain Spans the World
  - 29 ■ Advancement of the Aquaculture Business
  - 33 ■ Aiming to Enhance the Sustainability of Natural Capital
  - 39 ■ Outside Directors Roundtable Discussion, Message from a Newly-Appointed Outside Director
-



# The White-Meat Fish Value Chain Spans the World

The Nissui Group, sharing its mission Group-wide, is building a global network (Global Links & Local Links) to co-create innovative food solutions. A prime example of the competitive edge this network delivers is the Group's value chain for white-meat fish. Group sales of fried white-meat fish are No. 1 in the world (according to Nissui surveys). Group companies leverage their access to resources to conduct sustainable resource procurement, then provide those resources to other Group companies through Global Links & Local Links. The white-meat fish thus procured is processed into fried fish, surimi-based products or other finished goods according to the food cultures of each country, and value is added through marketing and R&D, serving customers in both B2B and B2C business models.

Nissui TV Commercial: GOOD FOODS for YOU! (Global version)  
▶ <https://www.youtube.com/watch?v=B9dNMPjEzw4>



**Serving diverse food needs as a core producer in Europe**

Eric Le Hénaff  
President  
Cité Marine S.A.S.

Europe is a continent of diverse food cultures and values. Cité Marine is highly regarded as a company that serves the widely varied needs of its customers quickly and with attention to detail. To expand sales in Europe, the company is building out its production organization and forging synergies with other Group companies.

**Penetrating Asian markets with the advantage of top-level quality control**

Takakuni Yanagihara  
Managing Director  
Thai Delmar Co., Ltd.

Thai Delmar enjoys a well-deserved reputation for top-level quality control, not only following the strict standards of its customers but also establishing even more stringent standards of its own. Our eco-friendly factories are another crucial advantage as we penetrate B2B markets across Asia.

**Supporting the Group with resource-managed marine products and processed goods**

Tom Enlow  
President  
UniSea, Inc.

As a major processor of wild Alaskan wild-caught seafood, UniSea enjoys a favorable position from which to exercise synergies with numerous Group companies. Our seasoned and talented people are the greatest strength backing our highly efficient, high-quality production.

**Burnishing our brand with strengths in marketing and development**

Kurt Hogan  
President & CEO  
Gorton's, Inc.

The greatest strength of Gorton's is the Gorton's brand. Gorton's is one of America's most trusted, most recognized brands in the field. Gorton's health-oriented "Air Fried" products testify to its excellence in developing products suited to market trends, while the company's effective marketing through social media attracts growing ranks of new customers.

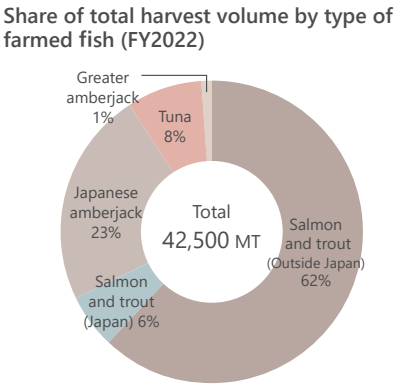
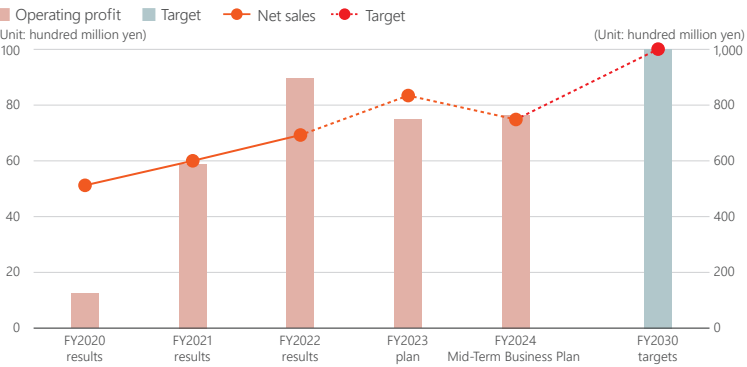
# Advancement of the Aquaculture Business



Demand for seafood is expected to grow worldwide, particularly in Asia and Africa. In its long-term vision for 2030, Nissui positions “expansion of the aquaculture business” as a key factor in its future growth, as the Company looks forward to serving the burgeoning demand for these products.

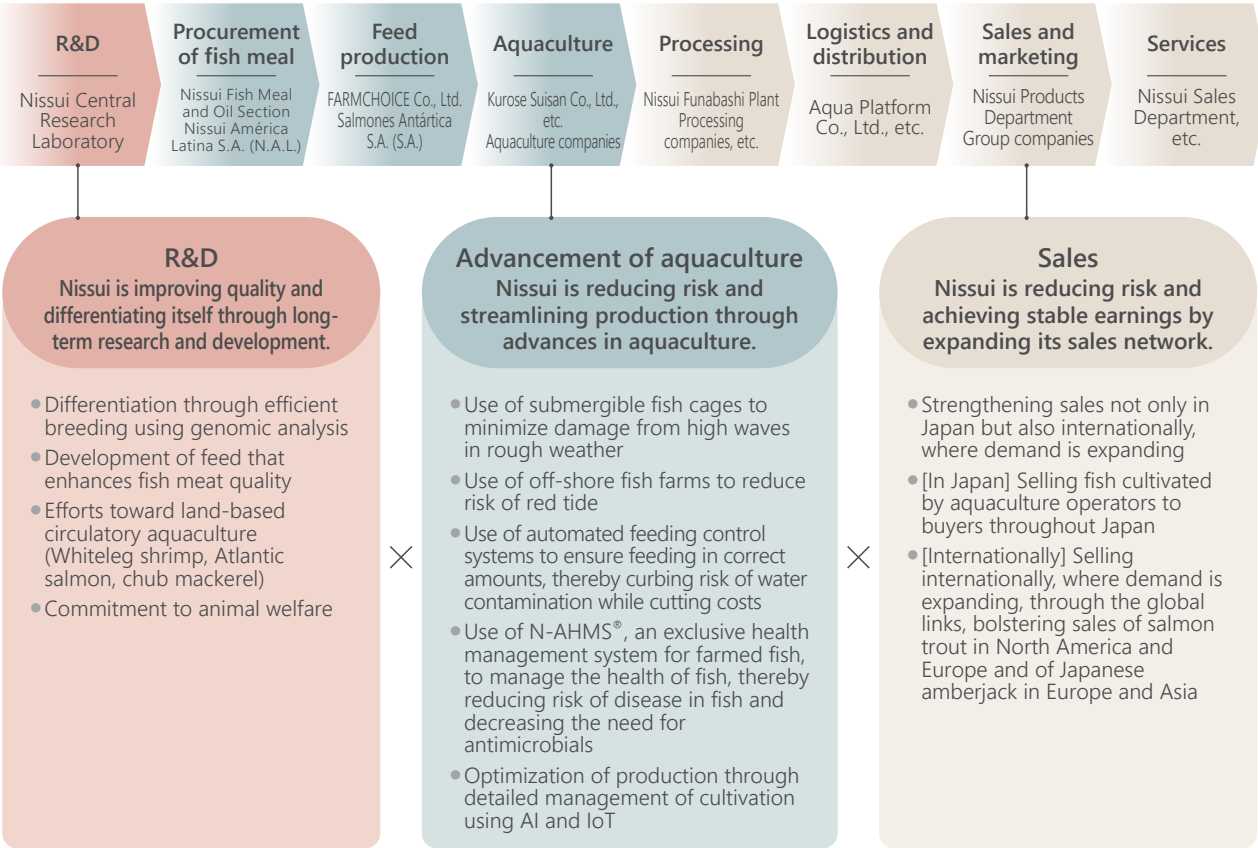
**Teru Tanaka**  
Deputy Marine Products Business Operating Officer  
In charge of Aquaculture Business Promotion Department

**Targets for 2030 in Aquaculture** Net sales **100 billion yen**•Operating profit **10 billion yen**



## Full Aquaculture Value Chain

Nissui reduces cost and risk taking advantage of the full value chain from research and development through material purchasing and aquaculture to processing and sales, achieving highly competitive supply on the world market.



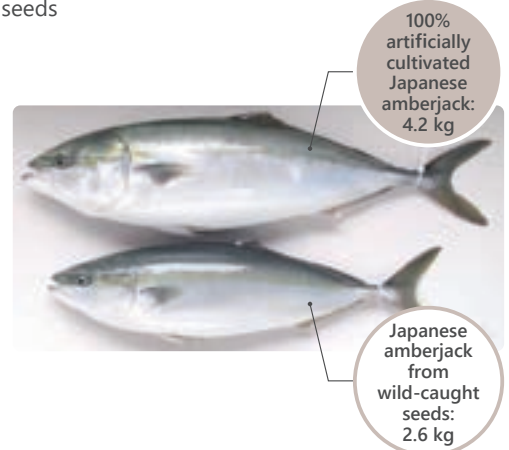
## Full-life cycle aquaculture for Kurose Buri, Japanese amberjack, breeding is established by genomic analysis to supply delicious Japanese amberjack year-round.

- Selective breeding is used to produce quick-maturing Japanese amberjack. This solution reduces the risk of natural disasters, enabling us to reduce inventories.
- Advances in breeding and feeding make fish more delicious and oil-rich and less prone to discoloration from processing, enabling us to furnish customers with products that suit their needs.
- Controlling the roe collection season enables us to ship products year-round, improving their ability to respond flexibly to changing market conditions.

In conventional aquaculture, wild-caught seeds are used. With its Kurose Buri, Japanese amberjack, Kurose Suisan Co., Ltd. is the first company in Japan to use 100% artificial seeds. By artificially controlling sunlight and water temperature, which vary day-to-day in the nature, Kurose Suisan succeeded in collecting roe and sperm effectively from the parent fish. The artificial seeds of Japanese amberjack can thus be produced year-round in a planned manner. As a result, whereas natural Japanese amberjack are caught in winter, Kurose Suisan is able to produce and ship delicious Japanese amberjack even in spring and summer.

Like Wagyu breeding, Kurose Suisan’s breeding system uses DNA to select breeding pairs. Genealogy is managed to prevent inbreeding. Kurose Suisan practices selective breeding, carefully choosing Japanese amberjack specimens from each generation so that only Japanese amberjack of excellent characteristics, including weight, oil content, proportion and genetic immune response, become breeding pairs for the next generation.

Two-year breeding period: Difference between Kurose Suisan’s artificial seeds versus wild-caught seeds



8 hours after sashimi processing (stored at 15°C)



The quality of farmed Japanese amberjack depends heavily on its feed. Normally, the dark muscle meat (blood-rich meat close to the spine) of Japanese amberjack begins to discolor shortly after processing. However, Marbles, an original feed developed by Nissui, is compounded with chili pepper, which delays dark-meat discoloration and improves oil content and texture, enabling cultivation of high-quality farmed Japanese amberjack.

## Honing Our Competitive Edge



Off-Shore Fish Farming: Japanese Amberjack

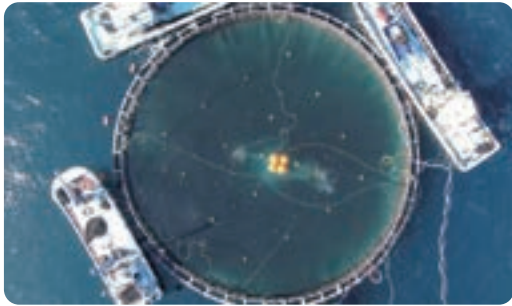
Farming Japanese amberjack is switching over to use of large submersible fish cages in off-shore fish farms in Japan, applying technology to overcome the harsh environment of the ocean. Remote feeding systems are also being introduced to automate operations and reduce personnel requirements, thus ensuring stable supplies.



Fish farming using submersible fish cages

Increasing the Size of Fish Cages

To achieve its target harvest volume of 30 million farmed Japanese amberjack by FY2030, Nissui is moving forward with development of off-shore fish farming technologies. By switching from 10 m fish cages to 30 m cages in diameter, Nissui has succeeded in boosting production volume per block by 50%, raising both efficiency and productivity. Conquering the harsh environment of off-shore fish farms enables Nissui to achieve its sustainable aquaculture business.



Enlargement of aquaculture units using large fish cages (30 m in diameter)

Advantages of off-shore fishing grounds

- Large numbers of fish can be cultivated at once, raising productivity.
- An environment conducive to fish cultivation is easier to maintain in off-shore farming than in coastal farming.

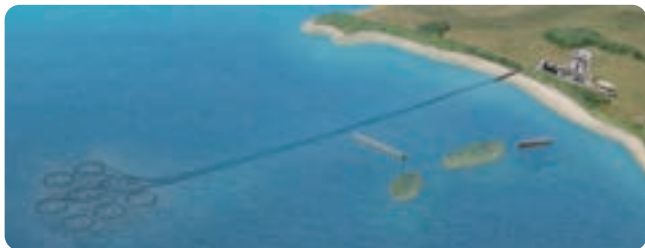
Disadvantages of off-shore fishing grounds

- Trade-off with the harsh environment of the open sea for rearing.
- Restrictions on feeding operations.

The Remote Feeding System Concept

Smart aquaculture technologies such as remote feeding systems improve the efficiency of aquaculture. By introducing such innovations, Nissui is developing a comprehensive suite of aquaculture solutions. Remote feeding systems improve productivity through automation and personnel reduction, enabling safe and uninterrupted feeding operation. Inside the fish cages, appetite sensors, underwater cameras and sensors for dissolved oxygen and temperature are installed, monitoring the status of farmed-fish cultivation and the fish-cage environment in real time. Times, quantity, and intervals of feeding can all be adjusted remotely. Already, in the case of salmon aquaculture, Nissui has introduced an original feeding system that feeds fish according to their appetite, maximizing fish growth and minimizing impact on the surrounding environment from unconsumed feed.

Nissui installs land-based silos and connects them to off-shore fish farms by laying pipes along the ocean floor. Feed is sent to the fish cages by compressed air. This innovation greatly reduces the need for fish-feeding vessels, reducing labor requirements and slashing CO<sub>2</sub> emissions.



The remote feeding system concept



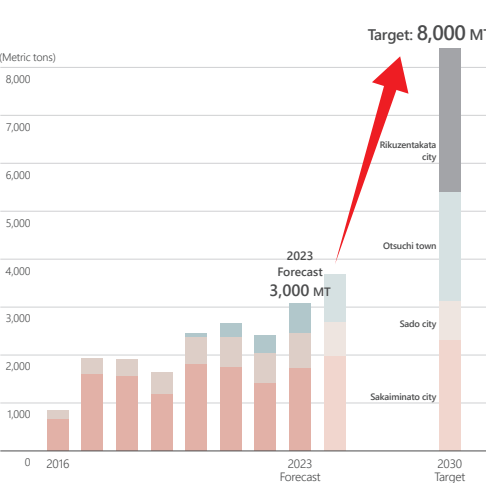
Land-based silos used in a remote feeding system  
Source: Nippon Steel Engineering Co., Ltd.

Expansion of Production through Development of Fish Farms in Various Locations: Salmon

For domestically farmed salmon, Nissui is advancing stable production by improving aquaculture management at three locations in Japan: Sakaiminato city, Tottori Prefecture; Sado city, Niigata Prefecture; and Otsuchi town, Iwate Prefecture. In Otsuchi town, Nissui is expanding its scale of operations. In November 2023, the Company plans to begin test cultivation at Rikuzentakata city, Iwate Prefecture. Nissui is constantly working to expand production and ensure efficient and reliable operations.



Production results and plans for salmon in Japan



Efforts Toward Land-Based Circulatory Aquaculture: Whiteleg Shrimp, Chub Mackerel, Salmon Trout

Nissui is moving forward with land-based circulatory aquaculture to secure future supplies of seafood and as a strategy for growth.

Following on from its establishment of land-based aquaculture of whiteleg shrimp in April 2023, Nissui is conducting a feasibility study on land-based circulatory aquaculture of chub mackerel, aiming for commercialization in FY2026.

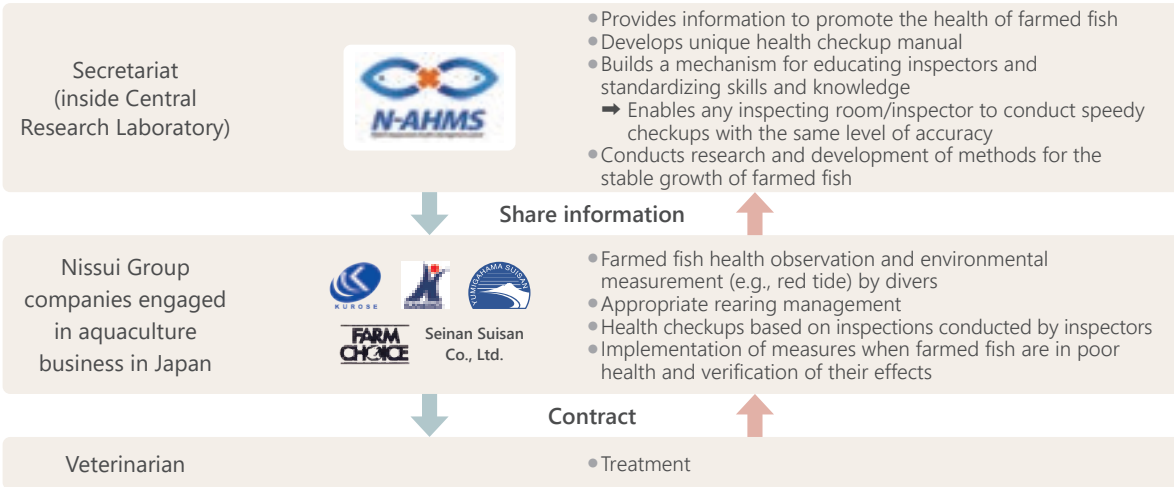


Yumigahama Suisan Kaisha, Ltd.'s Yonago Land-Based Circulatory Aquaculture Center, where Nissui is conducting a feasibility study on land-based circulatory cultivation of chub mackerel

TOPICS

Nissui Group's Fish Health Management: N-AHMS®

The Nissui Group has built a system to manage the health of farmed fish in Japan named N-AHMS (NISSUI Aquaculture Health Management System). Under N-AHMS, standardization of inspection quality is pursued through the establishment of an in-house certification scheme for grade-A inspectors in charge of checking the health of farmed fish, etc. aimed at improving the accuracy and reliability of health checkups of farmed fish.





# Aiming to Enhance the Sustainability of Natural Capital

Climate Change Biodiversity

The Nissui Group's business depends not just on white-meat fish and aquaculture but on natural capital in general. As a beneficiary of ecosystem services in a broad sense, the Group recognizes the potential loss of sustainability of natural capital as a significant risk. Climate change in particular relates to a wide range of risks affecting the Group. Given that changes in biodiversity and climate interact with each other, both constitute serious risks to the procurement of ingredients and other aspects of Group business. For these reasons, environmental issues require comprehensive approaches and responses. Addressing those risks is a vital task for enhancing the Group's resilience and a key to growth opportunities.

## Climate Change

Initiatives for TCFD Recommendations  
▶ <https://nissui.disclosure.site/en/themes/223>

Climate change impacts other risks. For the Nissui Group, which aspires to sustainable growth over the mid- to long-term, the risks are great but so are the opportunities. For that reason, the Group conducts scenario analysis based on the TCFD Declaration (declaration of the Task Force on Climate-related Disclosures), assessing risks and opportunities and their financial impact, and weaves the results into its management strategy. This fiscal year, the Group is repeating from the previous fiscal year its analysis of the Marine Products and Food Products Businesses and adding analysis of the Fine Chemicals Business. We are participating in two scenarios from the Intergovernmental Panel on Climate Change (IPCC), namely RCP 2.6 (scenario with warming of less than 2°C) and RCP 8.5 (scenario with warming of 4°C), as well as a scenario from the International Energy Agency (IEA). Our analysis indicated that, in the 1.5°C/2°C scenario, the introduction of a carbon tax would introduce an operating cost obstructive to business growth; accordingly, slashing greenhouse-gas emissions aggressively, raising the efficiency of production activities and capturing new customer demand would lead to business growth. Under the 4°C scenario, however, physical risk from intensification of natural disasters would be a factor obstructing business growth, so we could minimize impact on earnings by advancing the sophistication of our aquaculture business.

Since not only response to risks but also capturing of opportunities are vital for securing growth, the Group is pursuing close coordination among the Sustainability Committee, various subcommittees and the Risk Management Committee to devise specific response measures and strategies.

## 1.5°C/2°C Scenario

Risks / Opportunities	Classification	Main risks and opportunities that are expected	Impact on business	Timing of impact	Financial impact	Main countermeasures
Transition risk	Regulations	Impact of tightening environment-related regulations	Increase in costs of dealing with introduction of carbon pricing	Medium-term	High	• Set emissions reduction target for each business location • Introduce renewable energy sources more widely, invest in energy-saving equipment • Reduce plastics in containers and packaging • Execute modal shift and improve transportation efficiency • Reduce food loss and waste • Consider introducing ICP
			Increase in costs of dealing with tougher regulations on energy-saving, greenhouse gas emissions, etc.	Medium-term	High	• Switch to natural refrigerants
	Reputation	Deterioration in reputation among investors and financial institutions in cases where action against climate change is inadequate	—	Medium-term	High	• Set CO <sub>2</sub> emissions reduction target, including emissions up to Scope 3 • Proactively disclose information on action against climate change
Opportunities	Products and services	Changes in consumers' purchasing behavior (greater environmental awareness, consideration for sustainability)	Increase in demand for sustainability-conscious products	Short-term	High	• Continue to conduct survey on status of procured marine resources • Handle more environmentally-friendly products and certified products
			Increase in demand for alternative protein sources due to growing demand for low-carbon products	Medium-term	High	• Develop and expand alternative protein products
			Increase in demand for marine resources as a low-carbon food source	Long-term	Medium	• Conduct LCA and proactively disclose information
	Resource efficiency	Reduction of operating costs by implementing energy-saving technology and adopting renewable energy and fuel substitution	Reduction of operating costs through reduction and streamlining of energy consumption	Medium-term	Medium	• Support for energy-efficient and energy-saving equipment

Timing of impact was divided into short-term (within 3 years), medium-term (3 to 10 years) and long-term (10 to about 20 years).  
The respective financial impacts were large (1 billion yen or more), intermediate (from 300 million yen to 1 billion yen) and small (300 million yen or less).

## 4°C Scenario

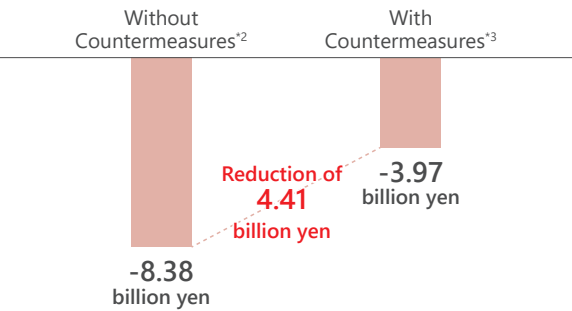
Risks / Opportunities	Classification	Main risks and opportunities expected	Impact on business	Timing of impact	Financial impact	Main countermeasures
Physical risk	Acute	Increase in business suspension risk and administrative costs due to increasing severity of wind and flood disasters	Damage due to manufacturing/logistics sites being struck by disaster	Medium-term	Medium	• Hedge risks by dispersing bases • Review the content of insurance to prepare against physical damage • Review BCP and conduct in-house drills
			Damage due to destruction of aquaculture facilities	Short-term	Low	• Introduce submersible fish cages and reinforce facilities • Predict red tide and minimize damage • Enhance land-based aquaculture solutions
		Procurement risk of raw materials (rice, chicken) due to abnormal climate	Higher cost of procurement of raw materials	Short-term	Medium	• Reduce risks by dispersing places of production and diversifying suppliers
			Decrease in catch, and higher cost of procurement of raw materials	Long-term	Low	• Securing inventories of fish oils that are a source of EPA (Japanese anchovy) • Development of alternative materials (post-EPA)
	Acute, Chronic	Business suspension risk of drought	Drought damage at aquaculture sites	Short-term	Medium	• Identification of high-risk sites, transfer to other sites and reinforcement of equipment
			Drought damage to manufacturing/logistics sites	Short-term	Medium	• Restriction of water use, use of well water • Scattering of sites over multiple locations to hedge risk
Opportunities	Chronic	Procurement risk of marine resources due to changes in marine environment	Decrease in catch of wild-caught fish and farmed fish	Medium-term	Low	• Build procurement networks • Enhance land-based aquaculture solutions • Develop high-temperature-tolerant breeds and explore places suited to aquaculture
			Decrease in catch and increase in procurement cost of fish serving as the ingredient for aquaculture feed	Medium-term	High	• Develop alternative feed (low-fishmeal formula feed)
	Products and services	Increase in demand through products and services for dealing with disasters and climate change	Increase in aquaculture demand in association with decrease in natural resources	Short-term	High	• Enhance land-based aquaculture solutions • Develop high-temperature-tolerant breeds and explore places suited to aquaculture
			Decrease in costs based on smart aquaculture solutions	Short-term	Medium	• Improve efficiency and save labor by utilizing AI and IoT
		Greater awareness of health in association with temperature rise	Increase in demand for products that meet demand for health	Short-term	Medium	• Expand sales of products in the field of health • Pursue functionality of marine products

Timing of impact was divided into short-term (within 3 years), medium-term (3 to 10 years) and long-term (10 to about 20 years).  
The respective financial impacts were large (1 billion yen or more), intermediate (from 300 million yen to 1 billion yen) and small (300 million yen or less).

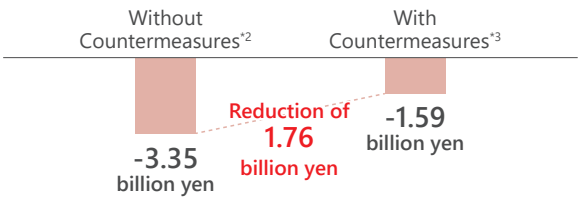
## Transition risk Impact of Carbon Pricing

For carbon pricing, whose impact was particularly large in terms of financial impact, estimates were made on the premise of the following basis of calculation. Future CO<sub>2</sub> emissions (Scope 1 and Scope 2) were calculated based on the sales forecast for 2030, and the amount of impact in terms of operation cost was calculated by multiplying it with the carbon price according to IEA's forecast with respect to each scenario, i.e., 2°C scenario and 4°C scenario<sup>\*1</sup>. This revealed that a reduction in total CO<sub>2</sub> emissions by 30%, which is our target for 2030, will translate into a Group-wide reduction amounting to 4.41 billion yen in the 2°C scenario and 1.76 billion yen in the 4°C scenario.

### 2°C Scenario



### 4°C Scenario



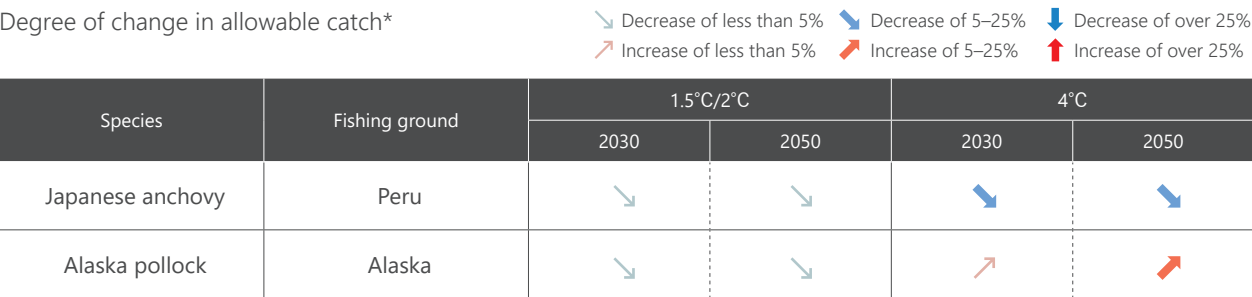
<sup>\*1</sup> Carbon tax: Assumed to be USD135/t-CO<sub>2</sub> in the 2°C scenario and USD54/t-CO<sub>2</sub> in the 4°C scenario, assuming an exchange rate of USD1.00=JPY118 in both scenarios (Referenced IEA World Energy Outlook 2022).  
<sup>\*2</sup> Without Countermeasures: With respect to Scope 1, 2 emissions, per-unit CO<sub>2</sub> emissions released are assumed to be at a similar level as in the base year, i.e., FY2018.  
<sup>\*3</sup> With Countermeasures: With respect to Scope 1, 2 emissions, CO<sub>2</sub> emissions are assumed to be reduced by 30% from the FY2018 level through the achievement of the 2030 target.

Improving the Sustainability of Natural Capital

Climate Change Biodiversity

Physical risk Evaluation of Impact on Natural Marine Resources (Japanese Anchovy and Alaska Pollock)

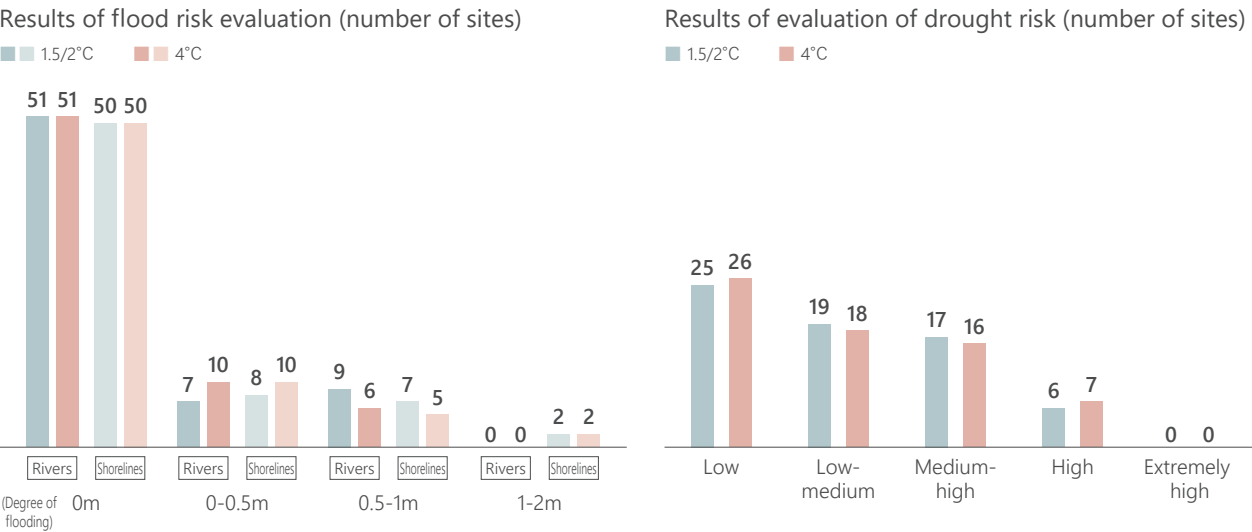
In FY2022, the Nissui Group used a model from the United Nations Food and Agriculture Organization (FAO) to evaluate expected changes in allowable catch of two important fish species that the Group sources in large quantities. Two scenarios were developed and applied to Japanese anchovy and Alaska pollock, to assess allowable catch of each in 2030 and 2050. In the 1.5°C scenario, allowable catch for both species was forecast to decrease slightly in 2030 and 2050. In the 4°C scenario, allowable catch for Japanese anchovy was forecast to decrease both in 2030 and 2050, while allowable catch for Alaska pollock was forecast to increase slightly in 2030 but to increase more significantly in 2050. Because the change in allowable catch in 2030 was modest, it was confirmed that impact on the Group's finances would be modest. However, because the degree of change in allowable catch in 2050 was relatively high, a concerted response was deemed to be necessary. This need was particularly pronounced for Japanese anchovy, which was forecast to decline.



\*Nissui estimates based on "Impacts of climate change on fisheries and aquaculture (2018)," United Nations Food and Agriculture Organization (FAO)

Physical risk Evaluation of Water Risk

In FY2022, the Group applied Aqueduct, a standard of the World Resources Institute (WRI), to evaluate individual manufacturing and logistics sites in Japan and overseas. Regarding opportunity loss from production shutdowns due to water damage, the flood depths specified in Aqueduct for the locations of each site were used to identify the number of days of production shutdown and the degree (percentage) of inventory damage at each site; this information was then used to calculate the financial impact of water damage. The results confirmed that the level of financial impact was intermediate. Regarding water stress (drought), while none of the Group's sites corresponded to the highest risk level, it was determined that some production sites in Japan, Thailand and the Americas were located in regions subject to water stress. Going forward, the Group will continue to implement measures to reduce water use and explore ways of refining methods of evaluating water risk.



Metrics and Targets

Results (Scope 1,2) p.93

Today the Nissui Group is steadily cutting emissions at a pace exceeding the original plan. To achieve still further reductions, the Nissui Group is striving at every business location to reduce energy use, upgrade to more efficient equipment that uses less energy, and advancing the use of renewable energy and a modal shift. We have plotted a roadmap to carbon neutrality by 2050 and are drafting a plan for reduction of CO<sub>2</sub> emissions over the medium to long term. In aquaculture, for example, the Group is working toward this goal by developing "remote feeding systems," in which feed is piped to farming sites from silos on land, as well as "hydrogen-powered feeding vessels."

p.31

CO<sub>2</sub> Emissions (Scope 1, 2) Reduction Target: Compared to FY2018, Total Emissions

Nissui Group will aim to reduce CO<sub>2</sub> emissions by 10% by 2024, 30% by 2030

→ Achieve carbon neutrality by 2050

Targets and Measures to Realize Sustainable Use

We will promote initiatives also with respect to wild-caught marine resources to be procured, plastics, food loss and waste, water, etc. by announcing their respective targets and measures to realize sustainable use.

- Sustainability Targets and Results
- https://nissui.disclosure.site/en/themes/150
- ESG Data Book (Scope 3)
- https://nissui.disclosure.site/en/themes/119#225

TOPICS

Opportunities

By commercializing land-based aquaculture of Asparagopsis, the Nissui Group aims to curtail greenhouse-gas emissions throughout its supply chain.



In May 2023, Nissui concluded a business partnership agreement with Seascope Restorations Australia (trade name: Immersion Group, "IG") to land-based aquaculture of Asparagopsis. Asparagopsis is a type of red seaweed that is attracting attention for its ability to suppress the generation of methane gas by ruminants, which makes it a potentially valuable tool for reducing greenhouse-gas emissions in the livestock industry. Asparagopsis suppresses methane emissions from cattle by up to 98% by inhibiting methanogenic bacteria, and has also been found to improve growth by up to 22% - 26% by improving metabolism. Based on these findings, research is now underway to cultivate and produce Asparagopsis as a feedstuff. IG builds technologies for producing seeds and is developing an original system for high-efficiency land-based aquaculture, with plans calling for construction of a pilot plant in Australia to move toward commercialization. Nissui is supporting the construction of this pilot plant and expansion of processing facilities. Beginning in 2024, we will proceed with commercialization through verification of effectiveness and safety, and sales in Japan, thereby reducing greenhouse-gas emissions throughout our supply chain. Moreover, this partnership will make it easier to access knowledge and technology related to land-based aquaculture of seaweed, generating synergies with our aquaculture business.

Aiming to Enhance the Sustainability of Natural Capital

Climate Change Biodiversity

Biodiversity

Biodiversity Preservation  
▶ <https://nissui.disclosure.site/en/themes/89>

Access to resources is the strength of the Nissui Group. The Group's ability to procure materials from around the world, with focus on marine products, is the wellspring of its value creation. By the same token, however, our business activities are heavily dependent on natural capital and easily impacted by changes to it. Always mindful that we do business by receiving the bounty of earth and sea, we constantly gauge the dependence and impact of our value chain on biodiversity. The Nissui Group strives to avoid and minimize negative impacts from its operations, and to restore and regenerate where possible.

The Nissui Group recognizes the preservation of biodiversity as a vital management issue. In September 2023, the Group joined the TNFD\*1 Forum. Aiming to provide disclosure in accordance with the TNFD framework, the Group implemented the LEAP\*2 approach on a trial basis, assessing its dependence and impact on nature and evaluating associated risks and opportunities.

Evaluating Risks and Opportunities with the LEAP Approach

In the LEAP approach, companies typically identify their geographical regions of priority and assess their dependence and impact on its natural environment in the "Locate" step. The Nissui Group modified this approach, identifying no geographical region but instead evaluating the upstream processes of its value chain, fisheries and aquaculture, from a bird's-eye view.

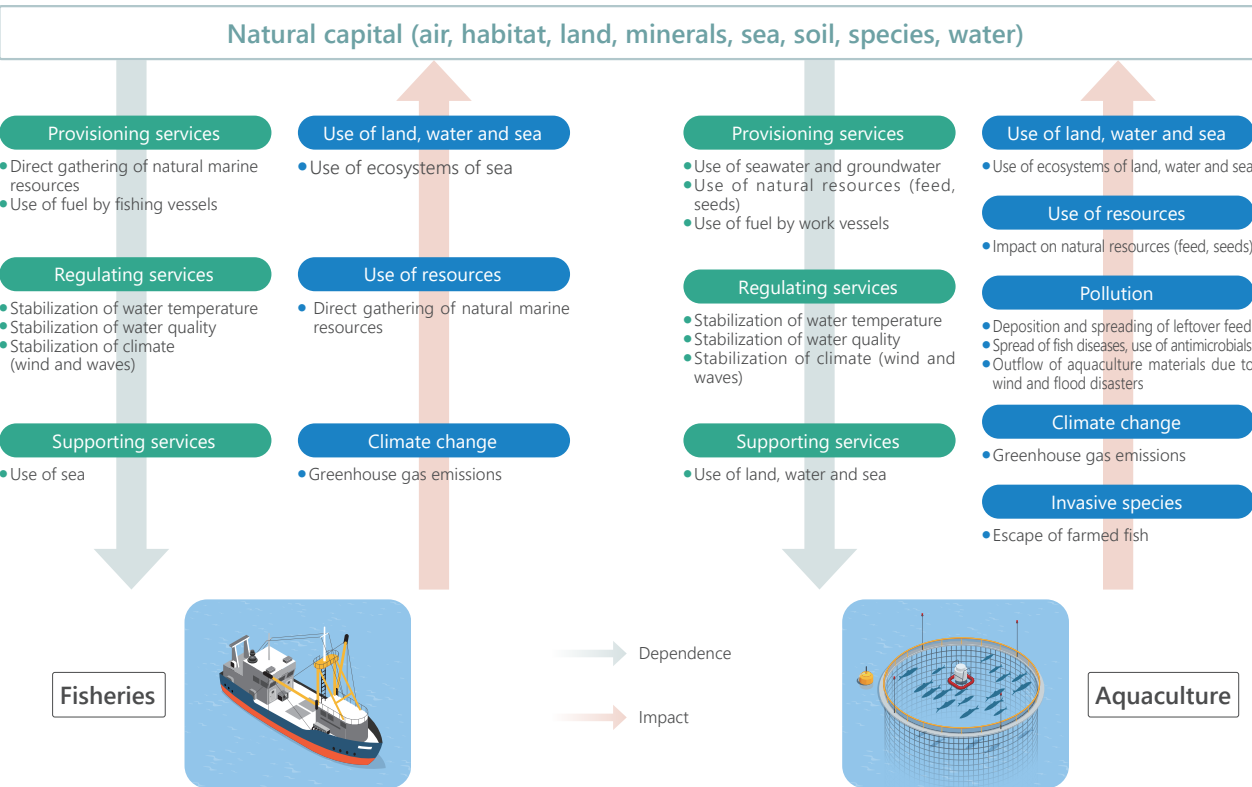
Locate: Find the Group's Points of Contact with Nature

- Natural marine resources (direct operation and procurement): 21 of the world's FAO Major Fishing Areas
- Farming sites (direct operation): 32 locations in Japan and 39 locations outside Japan

Evaluate: Diagnose Dependence and Impact

To clarify the relationship between the Group's dependence on nature for its fisheries and aquaculture operations and the impact those operations have on nature, the Nissui Group conducted a two-step evaluation. First, the Group used ENCORE\*3 to conduct a primary evaluation. Next, the Group conducted a secondary (qualitative) evaluation tailored to the current state of Group operations.

The results showed that fisheries in the Group were found to be highly dependent on marine habitat services for specific regions of ocean and marine resources. The degree of impact on resource quantity and on species depended on the size of the catch. In the case of aquaculture, the Group was found to be dependent on particular areas of land, water and sea used, as well as on services to adjust ecosystem features such as water temperature and quality. Impact on nature was found in the form of deterioration of water quality and water pollution around farming sites.



Assess: Evaluate Risks and Opportunities

Based on the evaluation of dependence and impact on nature it conducted in the "Evaluate" step above, the Nissui Group deduced the nature-related risks and opportunities to which it needed to respond.

Main Risks and Opportunities Expected

Object	Risks/ Opportunities	Main risks and opportunities expected	Impact on business	Main responses
Fisheries	Physical risk	Depletion of marine resources	• Reduced procurement volumes • Increased procurement costs	• Further strengthening of access to resources • Construction of procurement networks • Strengthening of aquaculture business • Development of substitutes for marine resources
	Transitional risk	Strengthening of fishing regulations		
	Opportunities	Stabilization of supply chains through sustainable procurement	• Stabilization of revenues, expansion of sales channels	• Confirmation of status of resources when procuring • Acquisition of fisheries certification and increased handling of certified products
Aquaculture ▶ p.35	Physical risk	Suspension of business and increasing management costs from increasing severity of wind and flood disasters	• Losses from damage of aquaculture facilities	• Introduction of submersible fish cages and reinforcement of facilities • Strengthening capabilities in land-based aquaculture
		Spread of fish diseases	• Loss of assets from mortality of fish stocks	• Preventive management using N-AHMS, an original farmed-fish health management system
	Transitional risk	Strengthening of environmental regulations on aquaculture	• Reduction of scale of business and closure of fish farms • Financial impact from fines and taxes	• Environmental monitoring of fish farms • Reduction of environmental impact from feed (EP feed, automatic feeding systems) • Shift to off-shore farming
	Opportunities	Use of full-life cycle aquaculture technology to reduce dependence on natural resources	• Strengthening resilience, establishing competitive superiority	• Establishment of technology and expansion of range of fish handled
		Reduction of impact on the marine environment using land-based aquaculture technology		
Common to both	Opportunities	Reduction of environmental impact through smart aquaculture	• Reduction of aquaculture cost, improvement of aquaculture performance • Improvement of the work environment	• Production management using AI and IoT • Development of remote feeding systems
		Changing consumer purchasing behavior (Increase in demand for sustainability-oriented products)	• Expansion of sales	• Improvement of business sustainability, increase in handling of certified products • Diligent disclosure

Prepare: Prepare Responses to Nature-Related Risks and Opportunities and Issue Reports

The Nissui Group has made "preserve the bountiful sea and promote the sustainable utilization of marine resources and their procurement" its materiality. Accordingly, the Group is committed to securing the sustainability of marine resources and preserving the marine environment as vital management issues. Under the umbrella of the Sustainability Committee, the Group has established five subcommittees: the Marine Resource Sustainability Subcommittee, the Sustainable Procurement Subcommittee, the Marine Environment Subcommittee, the Plastics Subcommittee and the Environmental Subcommittee. These subcommittees work across organizational lines to grapple with sustainability issues.

The Nissui Group is proud to participate in SeaBOS, an international initiative to preserve the marine environment and marine resources and the sustainable use of resources. In cooperation with leading companies and scientists in seafood industries around the world, the Group is working diligently to find workable solutions.

Object	Metrics	Targets	Target fiscal year
Fisheries and aquaculture	Sustainable procurement rate	Procurement of sustainable marine resources: 100%	2030
	Procurement of endangered (marine) species	For marine resources in severe danger of extinction*4, the Group will suspend the procurement of those resources if tangible and scientific measures are not taken to recover them by 2030.	
	CO2 emissions	Reduced by 30% (Scopes 1,2. Base year: FY2018)	
Aquaculture	Degree of replacement of polystyrene foam floats in nylon covers	Replacement with floats that have a low risk of becoming plastics that outflow into the ocean: 100%	2024

\*1 The Task Force on Nature-related Financial Disclosures (TNFD) is an international organization whose aim is to build a framework through which private enterprises and financial institutions can conduct appropriate evaluation and disclosure of risks and opportunities related to natural capital and biodiversity.  
\*2 The LEAP ("Locate, Evaluate, Assess, Prepare") approach is an analytical process developed by TNFD to serve as a guide on evaluating nature-related risks and opportunities.  
\*3 Exploring Natural Capital Opportunities, Risks and Exposure (ENCORE) is a tool for evaluating dependence and impact on natural capital for each business sector and production process.  
\*4 These are Category I endangered species as defined by the International Union for Conservation of Nature (IUCN) (species listed as critically endangered (CR) or endangered (EN) on the IUCN Red List of Threatened Species).



Aiming for Nissui Group's Sustainable Growth and  
Enhancement of Corporate Value

**Mikito Nagai**  
Outside Director  
Chair of Nomination and  
Compensation Committee

**Tokio Matsuo**  
Outside Director  
Member of Nomination and  
Compensation Committee

Supporting the Group's Growth from a  
Long-Term, Company-Wide Perspective

**Nagai:** In my role as an Outside Director, the goal is to understand the current management team's vision for achieving our long-term vision and to provide support from three different perspectives: a long-term view, a global view, and a view that comes from outside the traditional norms of the industry and the Company. Our focus is to support growth rather than to constrain it. The effectiveness of the Board of Directors is assessed annually through surveys of all members, and the Board of Directors meets in a form that allows for free and open discussion among all members. We have seen improvements in the effectiveness of our decision-making processes, and this has received positive feedback. As a result, my role at this time leans more towards pressing the accelerator pedal than applying the brakes.

**Matsuo:** Based on my own experiences and insights, I see my role as providing constructive perspectives from an angle that is not often present in the Company. For example, during the effectiveness review, it was noted that discussions from a mid- to long-term perspective were insufficient. While I don't see this as a major concern when it comes to big-picture suggestions, when it comes to relatively detailed input related to specific business divisions, internal directors of the Board tend to remain confined within the boundaries and

responsibilities of their own division. Effecting a change in mindset and actions to support the Group's growth from a long-term, Company-wide perspective is no easy task, even for me. However, it is the role of the Board of Directors to deliberate from a Group-wide perspective, and I believe that by constantly keeping this in mind, perspectives will naturally broaden.

**Nagai:** I believe we should also focus on developing talent for management succession beyond the current directors. For example, it is imperative to provide opportunities for individuals to gain experience in cross-functional roles from a young age, and to expose them to departments that require a holistic understanding of the entire Company. This is an area that President Hamada is already aware of, and I expect progress to continue in the future. I want to point out this is an important aspect. Furthermore, as I mentioned last year, although our long-term vision, "what the Nissui Group would like to be in 2030" is ambitious, the transition from this vision to a backcasting Mid-Term Business Plan still seems to have a "cumulative" approach, and we haven't fully moved beyond long-term business planning.

**Matsuo:** In my view, what matters is whether executives and employees can understand the backcasting approach from our long-term vision and adapt their thinking and behavior based on this long-term vision. I'm looking forward to seeing how we can change the "cumulative" way of thinking and acting that we've had so far, and I'll be keenly watching very closely.

Strengths and Challenges of the Nissui  
Group from an Outside Director's  
Perspective

**Nagai:** I'd like to highlight four strengths. First, we have global access to marine resources that will increase in value over the long term. Second, our advanced breeding and DX efforts have increased the sophistication of our technological capabilities in aquaculture. Third, we have the ability to expand our business globally. And, fourth, our R&D capabilities. The Group's operation outside Japan include acquiring prominent local companies and leveraging their brands, making our global expansion unique among Japanese food companies. In terms of R&D, for example, we've become a global leading supplier with our proprietary technology for extracting and refining high purity EPA from fish oil. I hope that by synergizing these strengths, we can further enhance our competitive advantage.

**Matsuo:** To offer a different perspective from Mr. Nagai, I believe our strength undoubtedly lies in our people. Everyone in the Group is extremely hardworking, dedicated to achieving our goals, and committed to successfully completing the tasks assigned to them, and therein lies our biggest strength. Their strong commitment to compliance and their proactive approach to risk management contribute significantly to our corporate culture. While we certainly value individuals who can lead transformative initiatives and promote diversity, I consider our exceptionally skilled workforce to be our greatest asset.

**Nagai:** In order for us to realize "what the Nissui Group would like to be in 2030," it is essential that we develop a sound human capital strategy and a human capital portfolio that will support it. While this topic has been discussed several times at our Board meetings, I believe there's still much more to be done. We need to step up our efforts, particularly with regard to the strategic attraction and development of global talent, including foreign nationals. It is imperative that we accelerate our planning and execution in this area. To further leverage our strengths and foster synergies within our businesses, we should also be more deliberate about internal transfers across divisions.

**Matsuo:** It's not just human capital; it's also about DX. It's important to maintain a clear Company-wide mindset and direction, because without a roadmap, there's a concern that individual tweaks could lead to a misalignment of our direction.

**Nagai:** For example, when it comes to our human capital strategy and portfolio, I realize that while HR plays a central role in its development, it's essential to align it with our future business portfolio. This requires the active involvement not only of HR, but also of our business units and planning departments to jointly shape the Company's perspective. President Hamada shares this awareness, and I urge that we accelerate the process

of refining the Company-wide mindset. Discussions on human capital occupied a significant portion of our agenda during the past fiscal year, and we intend to continue to make this a major topic of discussion at upcoming Board of Directors meetings. It remains a critical issue to address as we look to the future.

Business Portfolio and ROIC  
Considerations

**Matsuo:** Improving ROIC is one of the basic strategies in our Mid-Term Business Plan. We have made progress in evaluating our businesses based on ROIC in order to optimize our business portfolio. While there are still differences among our businesses, we have finally reached a point where we can discuss concrete measures to improve ROIC.

**Nagai:** That said, we're just getting started. In the past, many companies emphasized ROE as an indicator of capital efficiency, but we have introduced ROIC as an indicator of capital efficiency. In addition, from the perspective of market valuation and shareholder returns, we believe that PBR should also be given greater importance.

Following the introduction of ROIC, discussions on capital cost-conscious investment decisions, business selection and focus have gained momentum. The implementation of CCC has also helped to raise awareness of cash flow generation at the operational level. However, we have yet to delve into discussions regarding the numerical targets for our long-term vision – specifically, what kind of business structure and scale are required for achievement of those targets, and how our balance sheet should look at that time. It seems that this will take a little more time.

Given our history of selecting businesses with capital efficiency in mind, I would rather maintain a vigilant stance, avoiding an over-emphasis on ROIC and the potential trap of narrowing our perspective. A low ROIC doesn't automatically mean we should exit a business;



## Outside Directors Roundtable Discussion, Message from the Newly Appointed Outside Director



the key is how we strategically combine and enhance our various businesses. In my view, the essence of effective management lies in our ability to integrate the synergies inherent in our diverse portfolio of businesses into the ROIC framework and to account for future environmental costs. These considerations occupy a critical place in the current landscape of the Company. As a result, I am actively monitoring these discussions while keeping my foot on the accelerator. To bridge the gap between our current situation and "what the Nissui Group would like to be" envisioned in our long-term vision, I believe it is imperative to make further investments in our focus areas and to intensify our consideration of potential M&A opportunities.

### Challenges for Achieving Our Mission in the Mid-to Long-Term

**Matsuo:** Tackling climate change and promoting decarbonization is undoubtedly essential. However, I believe that what society really wants from the Group is to ensure the sustainability of marine resources. It is imperative to balance the resolution of societal issues with the expansion of our business and to effectively demonstrate this balance to stakeholders, including investors. While we have already undertaken various initiatives, I feel that there may still be a gap in external disclosure and explanation.

We are currently in the process of reviewing materiality. To ensure that materiality isn't just a superficial concept, it's crucial that we define concrete measures, including KPIs, and provide comprehensive explanations and disclosures.

**Nagai:** I completely agree. In addition, in terms of exploring the markets of innovative food solutions, I have two particular expectations. The first is the expansion of our overseas seafood business in a horizontal manner. In Europe and the United States, we have been successful in acquiring prominent companies and leveraging their locally established brands. It's worth

considering whether we can replicate this success in Asia or explore business expansions based on the knowledge we've gained in Europe and the United States. Second, I am excited about new developments in the food business here in Japan. There are ongoing challenges related to food for the elderly, nutritional meals, individualized dining options, convenience, and meeting the needs of those who find it difficult to shop. I want to see creative, cross-functional approaches to addressing these societal issues through innovative food solutions. I have high hopes for Ms. Eguchi, our new Outside Director, especially in areas such as strengthening marketing efforts to meet consumer needs.

**Matsuo:** As our Group is primarily engaged in B-to-C business, I believe that increasing consumer awareness of our various initiatives and value creation efforts will contribute to enhancing our brand strength. My hope is that the Group will demonstrate leadership as a globally renowned marine foods company and further communicate what we aim to be in the future to external stakeholders.

I also expect the Group to face various challenges in the future. As we mentioned at the beginning of our discussion regarding management succession, I believe it's essential to prepare for multiple scenarios in order to adapt to changing environmental conditions. Leadership should also be diversified, and I believe that categorizing leadership into different types and pooling human capital according to these definitions is a necessary step.

**Nagai:** In terms of leadership, I also believe that the top of the Group should have the ability to convey its own message to various global companies. For example, when President Hamada was formulating the long-term vision and Mid-Term Business Plan, he wanted to encourage extensive internal discussion about the future direction of the Group. I was deeply impressed by President Hamada's dedication and leadership as he actively sought diverse opinions from within the Company and created numerous opportunities for dialogue, which he then put into practice.

In addition, the department heads who oversee each site should be individuals with flexible thinking and the ability to take action in exploring innovative food solutions. In essence, they should be leaders who can appropriately recognize and encourage the free and flexible ideas of each individual in the workplace to foster the development of innovative food solutions.

**Matsuo:** In the context of promoting the active participation of diverse talent, fostering the participation of women is also an important priority. President Hamada is actively implementing measures within the Company to promote the advancement of women, and is working to establish a system that will enable women to play an active role at all levels in the future.

In addition, accelerating our M&A efforts is critical to achieving our 2030 growth strategy, and I'm also concerned about progress on this front. M&As involve many aspects that are beyond our direct control, so it is

important to consider what we can do to ensure that this area proceeds as closely as possible according to plan.

**Nagai:** Indeed, we could use more proactivity, such as actively seeking out M&A opportunities and promising technologies on our own. It may be necessary for the business, R&D, and corporate divisions to work together to strengthen these capabilities. I would like to reiterate the importance of developing talent that can take a holistic view of the business. Every employee should have a broad perspective and contribute to business

### Message from the Newly Appointed Outside Director

Throughout my career, I have been deeply involved in creating and communicating new value, primarily within the R&D, Public Relations, Communications and CSR departments of two prominent food companies. My contributions significantly enhanced the brand value of these companies. I am eager to use this wealth of experience to play a key role in realizing our long-term vision of "Good Foods 2030."

The image of the Company has traditionally been that of a Japanese seafood company. However, I now sense a resolute commitment to exploring innovative food solutions, a mission we embraced when we adopted the name "Nissui." From the perspective of sustainability management, I firmly believe that the Group has immense potential to lead the world in promoting the sustainability of marine resources and the preservation of the marine environment. There is a strong demand from society as a whole for us to do more to address critical issues such as climate change and biodiversity.

In terms of business growth, I am focusing on research and development that drives innovation, drawing from my past experience in R&D. I have high expectations for the evolution and commercialization of core technologies, including functional lipids like EPA, fast-twitch skeletal muscle protein, and aquaculture technologies, including selective breeding. I am looking forward to these core technologies advancing. In addition, I am confident that capturing latent needs and challenges and communicating these values to society and consumers more effectively than ever before will contribute to enhancing the "Nissui" brand's value and gaining trust from our customers. The R&D departments are not solely focused on technological innovation; it's also crucial that they engage in two-way communication with our customers to identify unmet needs and address pain points and collaborate with the marketing departments to drive the creation of the next wave of value. By offering unique ingredients and products from the customer's perspective, we can bring innovative food solutions to countries around the world. While research and technology development is time-

growth by exploring innovative food solutions. If we cultivate that atmosphere throughout the organization, it will enhance employee engagement, and I am very hopeful in this regard.

consuming and often fraught with setbacks, I encourage proactive alliances to address any shortcomings, be unwavering in facing challenges, and lead the Company to success at an accelerated pace.

In addition, during my many years in the corporate world, I have been steadfast in my commitment to promoting the advancement of women. Diversity and communication are important keywords in management. To truly emerge as a global leading company, we must become an organization where all individuals can work equally and comfortably, regardless of race, nationality, gender, or any other factor. Therefore, open communication across departments, within our organization, and with society at large is essential. We strive to be an organization that encourages open and honest discussion, effectively communicates valuable information both internally and externally, and promotes meaningful dialogue.

As I embark on this new chapter in the management of our business, I will not forget my core principles. I will respond in a timely manner to changes in society and leverage our strengths to make a significant contribution to the growth of the Group.



Atsumi Eguchi

Outside Director, Member of Nomination and Compensation Committee





## Mid- to Long-Term Growth Strategy

### Mid- to Long-Term Growth Strategy

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Message from the CFO



Financially Underpinning the Construction of a Robust Value Chain to Enhance Corporate Value

Shinya Yamamoto

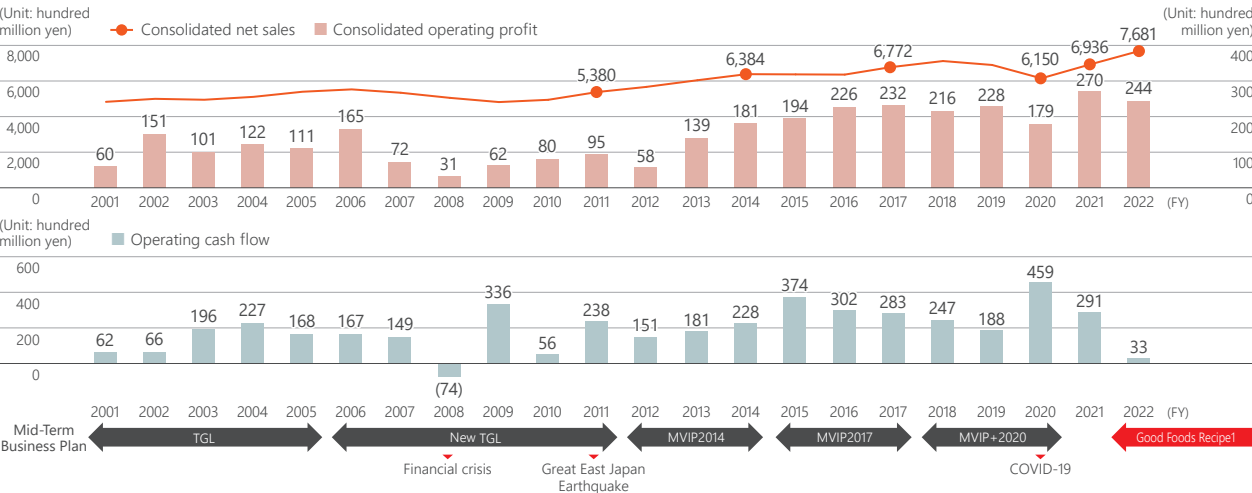
Director, Managing Executive Officer  
Chief Financial Officer (CFO),  
In charge of Corporate Administration Group

Toward Realizing Our Long-Term Vision

In our long-term vision “Good Foods 2030,” the Nissui Group has set targets of 1 trillion yen in net sales as financial value, 50 billion yen in operating profit, and a 50% International net sales ratio. To realize this long-term vision, it is essential to strengthen the organic growth and profitability of our existing businesses and to proactively and effectively allocate management resources to growth focus areas, thus building a more robust value chain.

Looking back at our past, the Nissui Group has been actively engaged in international investment to drive growth since 2000. However, there were times when earnings were unstable due to some speculative investments driven by high expectations. Since 2010, by divesting unprofitable businesses and improving our corporate governance and risk management, we have simultaneously strengthened our corporate structure and expanded our main businesses leading to a dramatic

Changes in net sales, operating profit, and operating cash flow



and consistent improvement in our consolidated earnings.

While we have achieved stability in performance, we must acknowledge a lack of vigor in proactive investment to reach greater heights. There has been no significant improvement in cash flow. While the increase in our earnings has resulted in higher tax payments, I still see significant potential to improve our cash flow generation

Strengthening of Business Portfolio Management

Beginning in FY2022, we introduced business portfolio management with a focus on ROIC, and this fiscal year, we refined our cost of capital, previously calculated for the company as a whole, by business and area to better reflect the characteristics of each business in our analysis and evaluation. We have calculated ROIC spread and moved to evaluating businesses through a four-quadrant analysis based on the two axes of sales growth rate and ROIC spread. Although it is still early days, we base our valuations on the cost differences between businesses and discuss mid- to long-term business portfolio goals and management resource allocation at Board meetings. Business unit leaders will use the results of these discussions to plan investment priorities within their businesses, category expansion or contraction, and capital efficiency measures. They will then execute these plans in coordination with the Board of Directors, aiming for a synchronized management style.

In line with our long-term vision, we have planned to preferentially allocate management resources to our Aquaculture Business, International Marine Products/Food Products Business, and Fine Chemicals Business. We see these as areas that not only promise market growth but also ones where we can further strengthen our unique value chain with the technology and expertise we have cultivated. Last year, in our international business, we acquired a company in France to increase production capacity for white-meat fish fries and alternative protein products, and in the UK, we not only increased production capacity for white-meat fish fries but also acquired a company engaged in home delivery of seafood products. In the aquaculture business, we made investments related to salmon aquaculture in Otsuchi Town, Iwate Prefecture in Japan to expand scale. Last fiscal year, we invested a total of 12.4 billion yen, including maintenance and renewal investments, in these key growth areas.

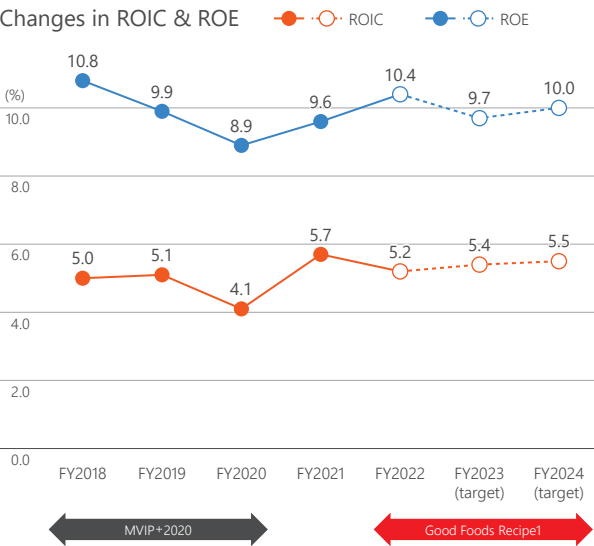
Conversely, we continued to sell shares in companies with limited synergy with the Nissui Group, such as our cold storage business subsidiary Hoshui Corporation and the pharmaceutical company Nissui Pharmaceutical Co., Ltd. (now Shimadzu Diagnostics Corporation), and we have reduced assets by a total of 22.4 billion yen through the sale of cross-shareholdings.

This fiscal year, in addition to the three key growth areas mentioned above, as part of our food products

capabilities. In order to further increase and effectively utilize our cash flow, we have begun to apply business portfolio management throughout the Group since last year. Coupled with sustainability management, we will continue to drive this initiative to strengthen the resilience of our value chain as we pursue our long-term vision.

business growth strategy in Japan, in July we established a holding company for the convenience store (CVS) vendor company (hereinafter referred to as the “chilled products business”) in collaboration with Mitsubishi Corporation and Lawson Inc. This investment not only strengthens the development capabilities and improves the profitability of the chilled products business through increased productivity, but also extends the characteristics of the chilled products business learned from CVS, which can provide a wide variety of menu items from a large number of ingredients, to our frozen foods business to meet customer needs. With the addition of the new company, our Group has gained five production facilities, allowing us to further optimize our investments in the increasingly in-demand chilled and frozen food products sectors.

We will continue to invest in growing fields while improving capital efficiency and profitability in existing businesses through measures such as discontinuing unprofitable items, controlling orders, managing inventories and improving facility utilization rates. At the same time, we will work to identify businesses with limited synergies and divest cross-shareholdings and other assets to promote the transformation to a more appropriate business portfolio.



## Message from the CFO

### Internal Penetration of ROIC

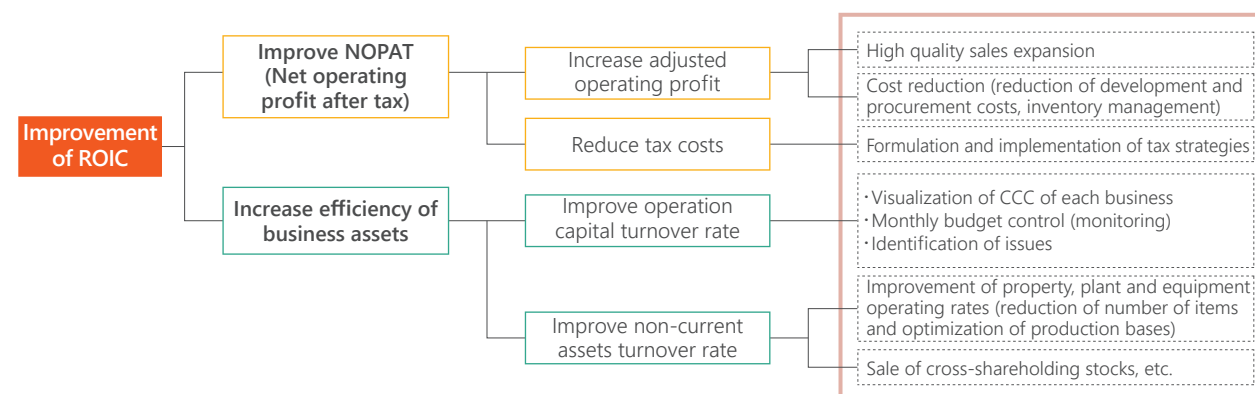
As part of our efforts to extend ROIC to our various sites, we focused last year on working capital and launched an initiative to improve the CCC as an internal KPI. As mentioned above, while earnings have shown an improving trend in recent years, the improvement in operating cash flow has been limited. We aim to improve cash flow generation by increasing the working capital turnover rate. Our first step last year was to make the CCC of each business visible and identify issues, taking into account the unique characteristics of each business. Unfortunately, the unpredictable environment, including the repeated expansions and contractions of COVID-19 and the Ukraine situation, has led to higher levels of inventory being held as safety stock, resulting in a deterioration of the CCC.

However, even under these circumstances, concrete measures have progressed. In a collaboration between two Pacific bluefin tuna aquaculture companies, we are implementing cost reductions by jointly purchasing feed and advancing collaborative aquaculture operations. We have reduced the emphasis on aquaculture practices

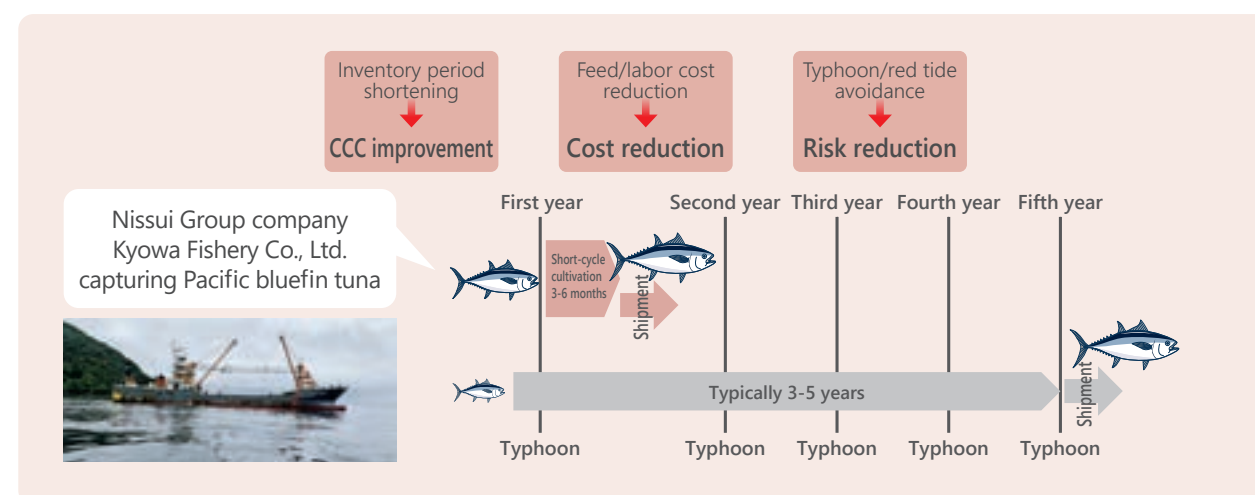
that grow smaller fish over a period of three to five years, and instead have increased the focus on businesses that use the Group's fishing companies to catch Pacific bluefin tuna of a certain size and grow them for about six months. This not only improves CCC by reducing inventory periods, but also contributes significantly to the reduction of costs associated with aquaculture operations and the mitigation of risks from natural disasters such as typhoons, thereby contributing significantly to the improvement of ROIC. (See the diagram below)

While the tangible results of these initiatives are still limited, we carefully monitor the CCC of each business on a monthly basis. We are striving to ensure they are permeated and established within the Group through various activities, including holding briefings to deepen understanding of ROIC and CCC, and sharing details of initiatives at each business and Group company at regular meetings. In addition, as part of our asset-light strategy, we are progressing with initiatives such as optimizing the number of items and categories, production bases, and various operations.

### Measures to enhance ROIC



### Efforts to improve ROIC in Pacific bluefin tuna farming business



## Promotion of Sustainability Management

In our long-term vision "Good Foods 2030," we have defined KPIs that aim to create value in the realms of society, human capital, and the environment, in addition to financial value. How each business contributes to the creation of these values is also an important perspective. Even if ROIC deteriorates temporarily, we will actively invest management resources if they create not only financial value but also social, human capital and environmental value in the future.

For example, we believe that assuring the sustainability of resources goes beyond ensuring the continuity and sustainability of the Nissui Group's businesses; it also serves as a point of differentiation from our competitors. In this regard, our commitment to actions such as combating climate change by reducing

CO<sub>2</sub> emissions, reducing the use of plastics, and sourcing marine resources with verified sustainability requires an assessment of ROIC that goes beyond short-term considerations. Similarly, we view our commitment to an efficient aquaculture business that takes into consideration the marine environment and our efforts to improve human health through the inherent benefits of fish from a similar perspective.

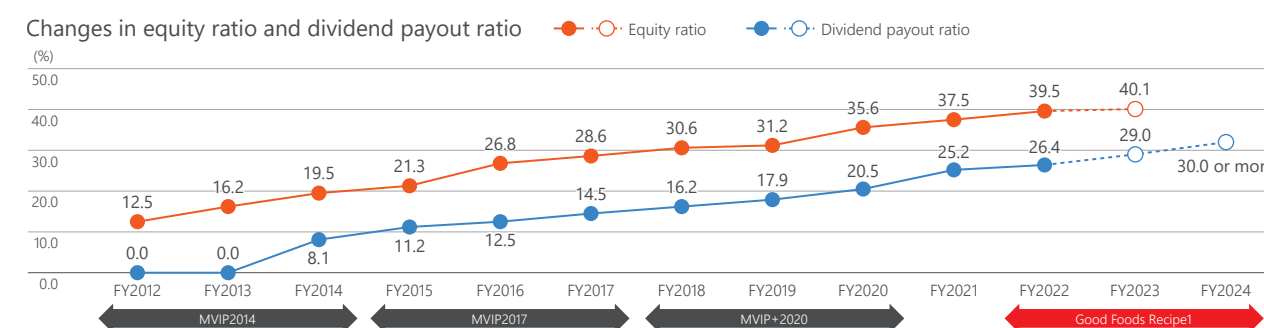
In the case of human capital, as with the environment, it takes time to see the effects of retaining and developing people. Human capital is fundamental to enhancing overall corporate value. We believe it is necessary to make comprehensive decisions from a mid- to long-term perspective.

## Cash Allocation and Shareholder Returns

In terms of cash allocation, our strategy is to actively carry out the growth investments necessary to realize our long-term vision without significantly increasing our borrowing levels. Under the Mid-Term Business Plan "Good Foods Recipe1," we plan to generate over 120 billion yen in cash over three years through initiatives such as improvements in CCC and asset sales, including the divestment of cross-shareholdings. This capital will be used for strategic investments and returns to shareholders. Our planned capital expenditures for this period are approx. 120 billion yen on a completion basis, of which 25 billion yen is earmarked for M&As, primarily to foster growth in our international businesses. In addition to investments in our operations, we will also enhance investments in human capital, R&D, sustainability initiatives, and in strengthening our brand to build a more robust Nissui Group.

To realize these objectives, we need financing that is agile and offers low and stable interest rates. As the era of zero interest rates in Japan shows signs of change, we are considering obtaining an external credit rating to adapt to the evolving financial environment. Obtaining a credit rating and enhancing the ability to manage business risks will require a certain level of equity capital. We intend to deepen our discussions on achieving an optimal debt-equity structure, taking into account our business characteristics and the cost of capital.

Regarding shareholder returns, we plan to raise our dividend payout ratio to 30% or more, aiming for stable dividends. Furthermore, we will consider additional shareholder returns, including stock buybacks, in line with capital market expectations.



In a world full of uncertainties, from environmental challenges and geopolitical risks such as Ukraine situation to financial trends such as currency fluctuations and inflation, the future is increasingly difficult to predict. Against this backdrop, the Nissui Group has taken a bold step by refreshing our mission, our long-term vision, and

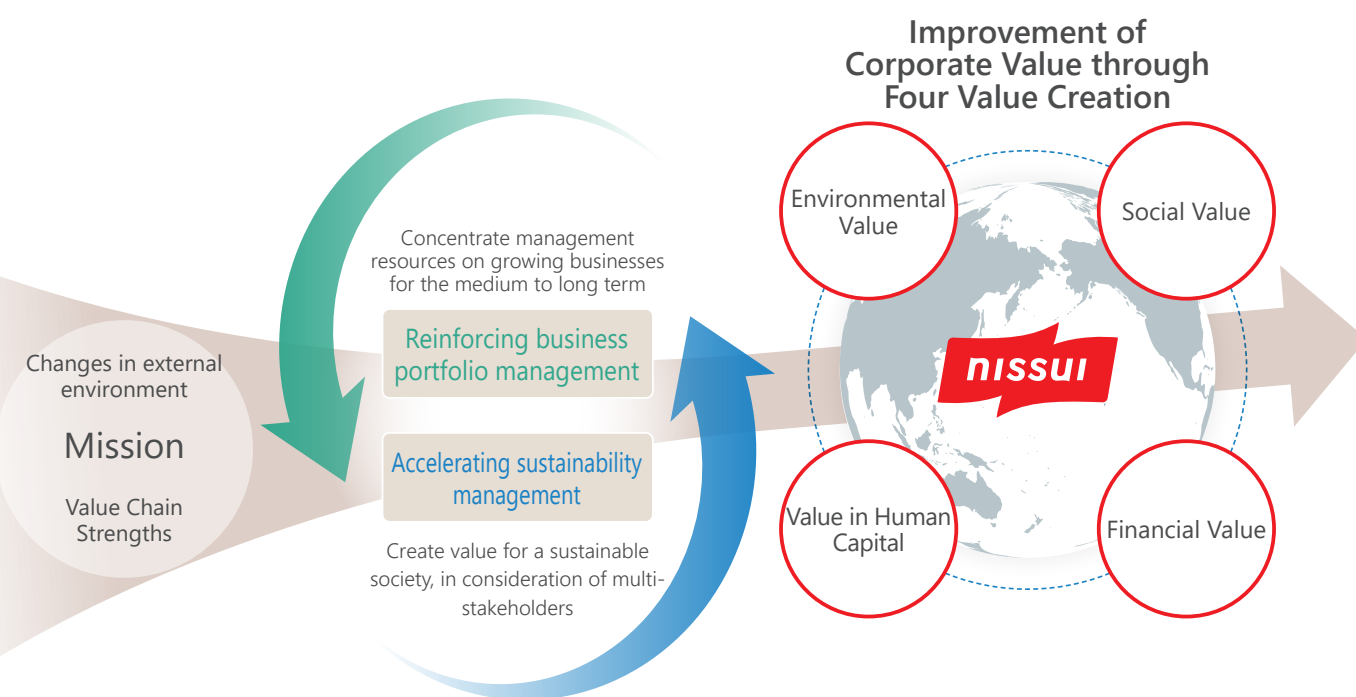
our brand symbol over the past year. In order to continuously increase our corporate value by innovative food solution, we will focus on strengthening our business portfolio management and promote a virtuous cycle to meet the expectations of our shareholders and other stakeholders.



# Long-Term Vision “Good Foods 2030”

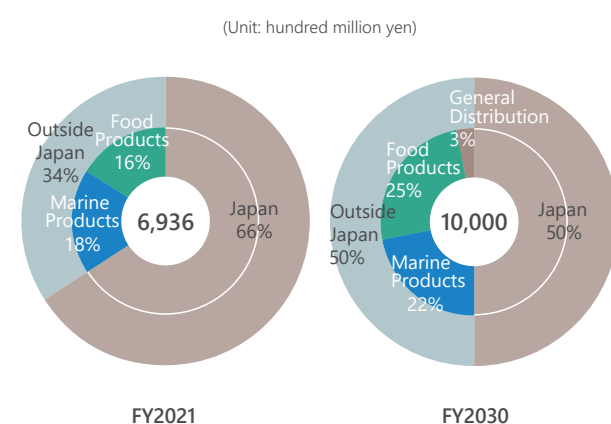
## A Leading Company that Delivers Friendly Foods for People and the Earth

Our goal is to promote “Sustainability Management” that creates value for society while considering the needs of all stakeholders. Additionally, we aim to enhance our corporate value by focusing our resources on growth areas through effective business “Portfolio Management” using ROIC.

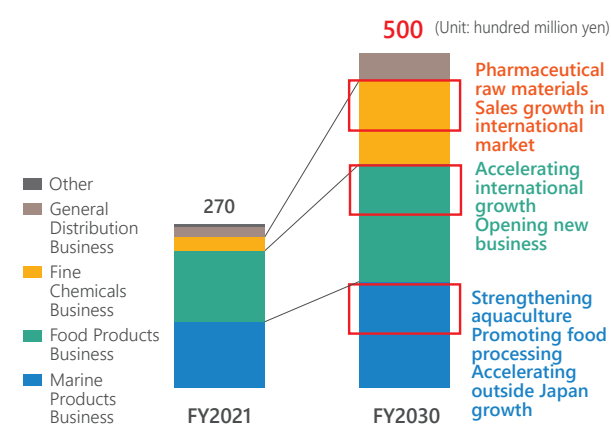


We will aim to become a company capable of earning 1 trillion yen in sales and 50 billion yen in operating profits by FY2030 by accelerating the growth and differentiation of the aquaculture and fine chemicals businesses.

Sales by location



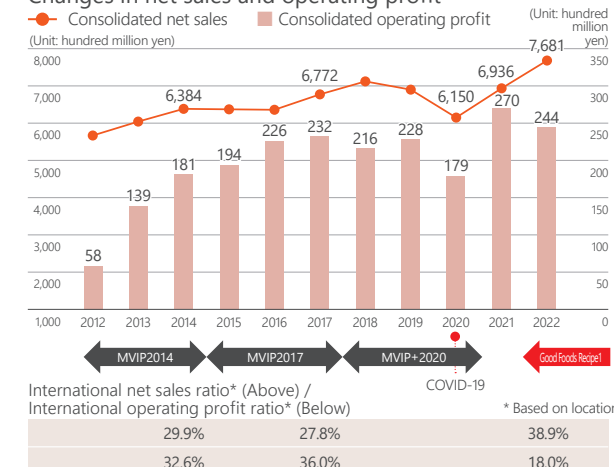
Operating profits make-up



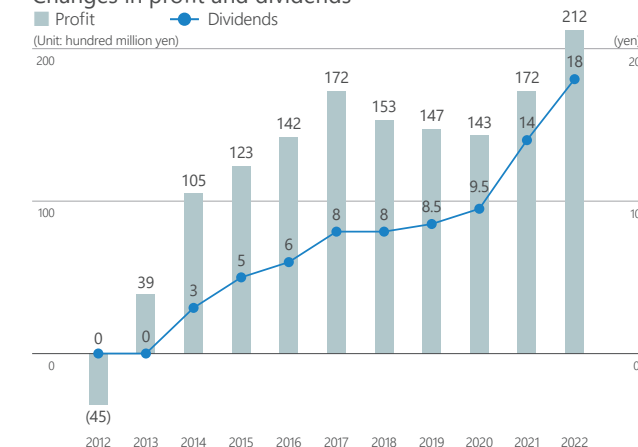
## Nissui in the 2000s – A retrospective

- In 2000, Nissui adopted the “TGL Plan,” a new, growth-oriented business model, and aimed to expand its international business operations.
- While the Company did achieve a temporary boost to earnings, there was also an increase in investment based on optimistic forecasts, and profitability became less stable. This was the spur to adjusting both investment criteria and governance.
- From 2010 onwards, besides making progress in restructuring unprofitable businesses, accelerating its response to new requirements in terms of governance, risk management and sustainability, and proceeding with the strengthening of its fundamentals, Nissui also focused on cultivating its aquaculture business in Japan and on growing its international business operations.

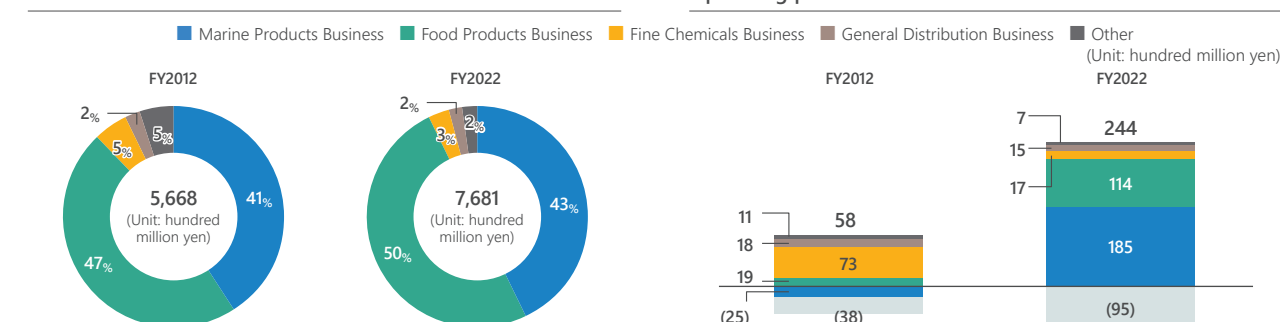
## Changes in net sales and operating profit



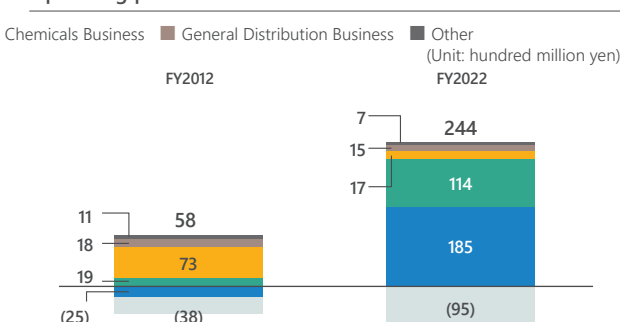
## Changes in profit and dividends



Net sales



Operating profit



## Previous Mid-Term Business Plan, “MVIP+2020,” and results achieved in FY2021

### Summary of results achieved

- Improved revenue performance by restructuring unprofitable businesses
- Achieved growth and improved profitability in the European and North American businesses
- Put the South American aquaculture business on a stable footing and improved its profitability
- Strengthened governance
- Promoted sustainability activities

### Summary of key issues

- Balancing sustainability and business activities
- Ability to generate operating cash flow and capital efficiency
- Realizing further market expansion in the European and North American businesses, and expanding production capacity in these regions
- Expanding international sales of raw materials for pharmaceuticals manufacturing
- Putting the aquaculture business in Japan on a stable footing and improving its profitability
- Responding to the aging of food plants while also boosting their revenue-earning ability
- Building the ability to make Nissui's views known more widely outside the Company

## Six basic strategies of the new Mid-Term Business Plan: “Good Foods Recipe1”

- 1 Evolving Towards Sustainability Management
- 2 Acceleration of International Expansion
- 3 Opening New Businesses & Business Boundary Areas
- 4 Innovating Productivity
- 5 Financial Strategy
- 6 Strengthening Governance

# Mid-Term Business Plan “Good Foods Recipe1”

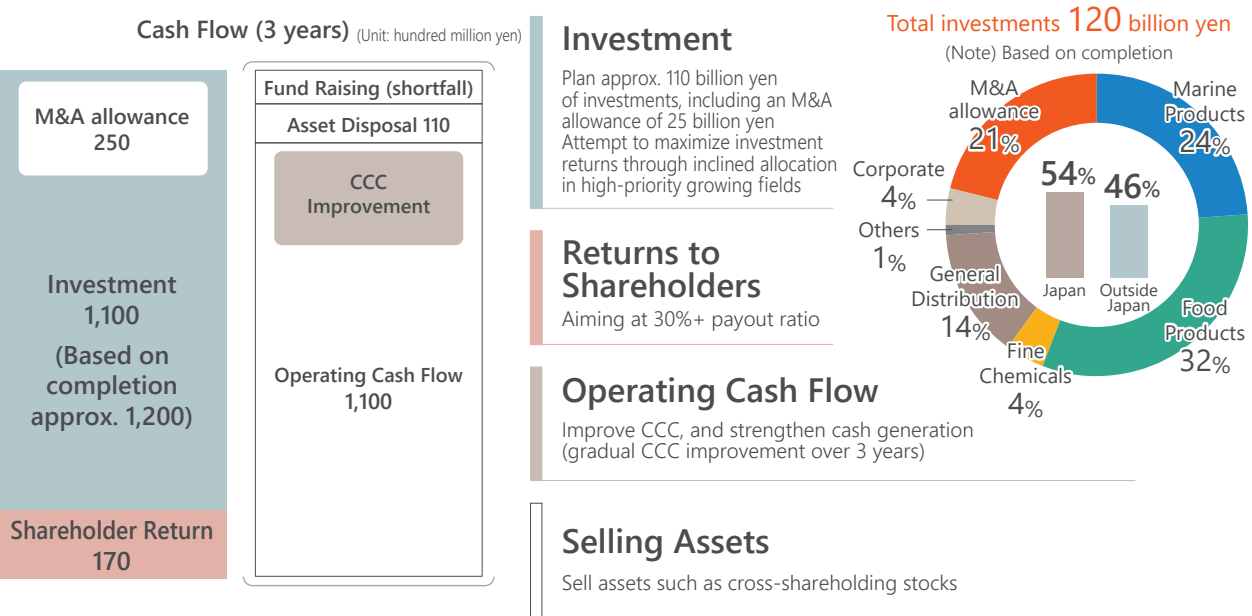
The first year of implementation of the “Good Foods Recipe1,” which was positioned as “moving up toward a higher level,” saw us get off to a good start.

## Positioning of the Long-term Vision and the Mid-term Business Plan “Good Foods Recipe1”



## Investment and Financial Strategy Under the Mid-Term Business Plan

Seeking to balance growth and financial safety, in terms of returning profit to shareholders, we are aiming for a dividend payout ratio of 30% or more.



In 2016, we identified three key issues (materiality), and we have set key performance indicators (KPIs) in relation to the Mid-Term Business Plan “Good Foods Recipe1,” implementation of which began in 2022, and in relation to our long-term vision.

- 3 materiality
  - Preserve the bountiful sea and promote the sustainable utilization of marine resources and their procurement
  - Contribute to a healthy lifestyle with food safety and security
  - Aim to be a company where diverse human capital play an important role to address the social agenda

Values Created	Themes	Goals		FY2022 Results		Mid-term Business Plan (Good Foods Recipe1) KPI for FY2024		Long-term Vision (Good Foods 2030) KPI for FY2030
Financial Value	Capital Strength to Compete in the World	Growth and Profitability	Net Sales (Unit: hundred million yen)	—	7,681	➡	7,900	➡ 10,000
			Operating profit (Unit: hundred million yen)	—	244	➡	320	➡ 500
			Ordinary profit (Unit: hundred million yen)	—	277	➡	350	➡ —
			Profit attributable to owners of parent (Unit: hundred million yen)	—	212	➡	225	➡ —
		Capital Efficiency	ROIC	—	5.2%	➡	5.5% or more	➡ 7.0% or more
		International Expansion	International net sales ratio	—	38.9%	➡	Approx. 38%	➡ 50%
Social Value	Solve Health Problem	Expand Health Category Products	Sales of Health Category Products	FY2021	1.0x	➡	Expanded by 130%	➡ Expanded by 300%
	Sustainable Procurement	Responsible Procurement	Assessment of Tier-1 suppliers	—	22%	➡	Nissui only 100%	➡ Group companies 100%
Value in Human Capital	Diverse Human Capital Playing an Important Role	Employee Engagement	Employee engagement score*	FY2021	1%UP	➡	Improved by 10%	➡ Improved by 20%
		Promotion of Active Female Participation	Ratio of female managers*	—	6.8%	➡	10%	➡ 20%
Environmental Value	Sustainable Procurement	Sustainability of Marine Resources	Procurement of sustainable marine resources	—	Plan to publish in FY2024	➡	80%	➡ 100%
	Actions Toward Climate Change and Marine Environment	Zero CO <sub>2</sub> Emissions	CO <sub>2</sub> emissions (Scope 1, 2)	Total amount in 2018	12.1%	➡	Reduced by 10%	➡ Reduced by 30%
			Carbon-neutral in 2050	—	—	➡	Achieve	
			Reduction of Plastics	Usage of plastics*	Per unit in FY2015	Plan to publish in FY2023	➡	Reduced by 10%

\*Figures are for Nissui only

# Progress on Six Basic Strategies of the Mid-Term Business Plan

Under the Mid-Term Business Plan “Good Foods Recipe1,” we are working to implement the following six basic strategies.

Progress Made in Relation to the Six Basic Strategies

1. Evolving Towards Sustainability Management

We are committed to improve sustainability with the goal of FY2030.

Measures Implemented from FY2022 to FY2023

- **TCFD:** In line with the four thematic areas around which the TCFD recommendations are structured – governance, strategy, risk management, and metrics and targets – we disclose our evaluation of potential impacts on our business and of the financial effects.
- **TNFD:** We have begun initiatives directed toward implementing disclosure in relation to the TNFD. In this report, we disclose our assessment of risks and opportunities based on the LEAP approach.
- **Sustainable utilization of marine resources:** In FY2023, we implement a survey of marine resources, the results of which are scheduled to be announced in FY2024.

Values Created	Themes	Goals	Measures and progress
Social Value	Solve Health Problem	Expand Health Category Products	We are strengthening and expanding the development of new functional food products (EPA and DHA), as well as promotion of fast-twitch skeletal muscle protein.
	Sustainable Procurement	Responsible Procurement (Human Rights)	We have shared our guidelines regarding sustainable procurement that respects human rights and is environmentally friendly with our first-tier suppliers. Going forward, this will be extended to cover the suppliers of all Nissui Group companies.
Value in Human Capital	Diverse Human Capital Playing an Important Role	Employee Engagement	We began implementing an employee engagement survey in FY2021, and in FY2023 we started implementation of “GOOD FOODS Talk,” an initiative aimed at strengthening engagement. In the future, we will be rolling these measures out across the whole of the Nissui Group within Japan.
		Promotion of Active Female Participation	Regarding the issues that can emerge at each stage from recruitment through onboarding to cultivation, we are using both on-the-job training and off-the-job training to strengthen the career development pipeline through to managerial positions.
Environmental Value	Sustainable Procurement	Sustainability of Marine Resources	We are striving to realize sustainable procurement of marine resources. Currently, we are implementing our third status survey of marine resources (the results of which are due to be announced in FY2024).
	Actions Toward Climate Change and Marine Environment	Zero CO <sub>2</sub> Emissions	Besides proceeding with efforts to expand the use of renewable energy (including photovoltaic power generation equipment) throughout the Nissui Group, we are also implementing energy-saving in our offices and promoting a modal shift.
		Reduction of Plastics	We are also working to reduce plastic usage by adjusting waste generation at the production stage and making changes to packaging.

## Progress Made in Relation to the Six Basic Strategies

2. Acceleration of International Expansion

We will expand mainly in Europe and the U.S. and establish a business base in Asia as well  
We will actively conduct M&As.  
We will supply EPA around the world

3. Opening New Businesses & Business Boundary Areas

Strengthening planning & marketing capabilities and maximize customer value along with R&D functions

4. Innovating Productivity

Improve quality and speed of value creation and reform productivity in all areas with DX

5. Financial Strategy

In addition to improving profitability in each business, we will carry out actions to enhance capital efficiency

6. Strengthening Governance

Optimizing structure of Board of Directors and executive compensation structure to achieve the long-term vision and the Mid-Term Business Plan

## Measures Implemented from FY2022 to FY2023

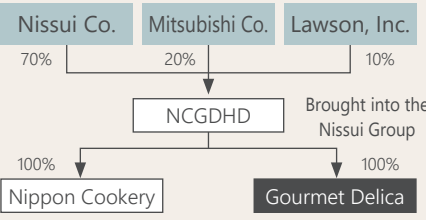
- **Food Products business**  
In North America, there has been an increase in sales through expanding the range of items handled, while in Europe, where a rapid increase in production capacity was needed, we have implemented this increase in production capacity, which resulted in expansion in sales areas and enabled us to realize revenue growth. We are continuing to promote these initiatives.
- In the Fine Chemicals business, we are preparing to submit the applications needed in order to ship raw materials for pharmaceuticals products to Europe.

International net sales ratio

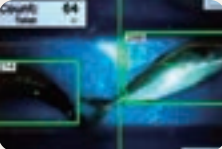


- From July 2023 onwards, we are strengthening our corporate structure by bringing convenience store (CVS) oriented vendor companies into the Nissui Group.
- We are creating new product categories that make effective use of the special characteristics of the chilled products business and frozen products business.
- We are expanding our range of Health Category Products, focusing on fast-twitch skeletal muscle protein and low-sodium content as key concepts.
- We are taking on the challenge of developing new product categories, including PAWSOME DELI frozen pet food (high-quality pet food which can be consumed with safety and reliability) and WABIO “Japanese concept with Fermented” plant-derived yogurt, made from soybeans grown in Japan.

Strengthening the structure of our chilled products business



- We are optimizing our aquaculture production by rolling out AI-supported fish counting devices that make effective use of IT and the Internet of Things (IoT) across our aquaculture business companies, and through the adoption of electronic fish health records. Going forward, we will use analysis of environmental data and fish cultivation data to build a model of the optimal fish-farming conditions, and will use this to realize efficient cultivation of farmed fish.
- To ensure that skills are passed on to new generations of workers in our food plants, we are using eye-tracking technology to visualize the experience and nous possessed by veteran employees, implementing data analysis, and using the results to make plant operation more efficient, ensure that skills are handed down, and enhance quality.



Farmed fish monitoring system ⇒ Using fish body measurement in fish cultivation management

- Using ROIC to evaluate businesses, taking efficiency and growth as the two axes. Implementing business portfolio review by the Board of Directors.
- Promoting monthly management of the CCC, thereby raising the working capital turnover ratio and so improving ROIC.
- In FY2022, including partial sell-offs, we sold off 8 listed stocks (including 3 cross-shareholding stocks) and 2 unlisted stocks, for a combined total of 10 stocks. We are proceeding with the sell-off of several more stocks in FY2023, as we continue to implement an asset-light strategy.

- With regard to executive compensation, in order to enhance awareness of the need to grow corporate value over the medium to long term, we are adopting a system whereby around half of the total executive compensation is linked to mid- to long-term performance.



Business Strategy

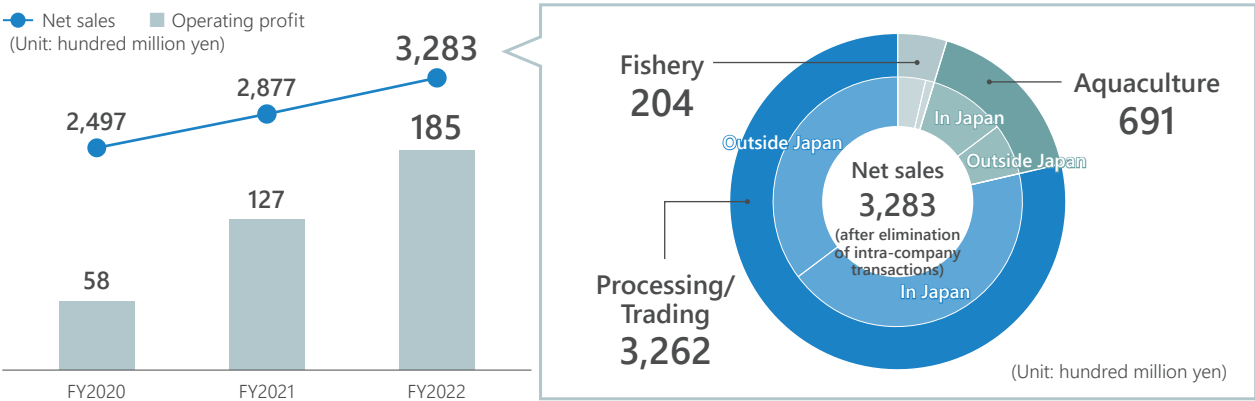
Marine Products Business

Through effective utilization of our access to marine resources and our aquaculture R&D capability, we are building a comprehensive seafood supply chain that covers every stage from procurement through to processing and sales. By expanding our range of high-value-added products through the promotion of “food processing” that embodies a higher level of processing, we are maximizing the value that marine resources provide, and aiming to realize sustainable growth.

Seiji Takahashi  
Representative Director, Senior Managing  
Executive Officer  
Marine Products Business Operating Officer



Changes in Net Sales and Operating Profit



Note: With the adoption of ASBJ Statement No. 29 (revised 2020) Accounting Standard for Revenue Recognition (issued on March 31, 2020) starting from the FY2021 consolidated accounting year, the data given here for FY2020 are the retroactively adjusted data.

SWOT analysis

Internal environment	<b>Strengths</b> <ul style="list-style-type: none"><li>• Good access to marine resources</li><li>• A global supply chain covering every stage from procurement to processing and sales</li><li>• Aquaculture technology, such as selective breeding technology, that differentiates us from competitors</li></ul>	<b>Weaknesses</b> <ul style="list-style-type: none"><li>• Rising raw materials prices and unstable supply of seafood</li><li>• Shortage of human capital able to operate effectively on the global stage</li></ul>
	<b>Opportunities</b> <ul style="list-style-type: none"><li>• Increasing global demand for fish due to growing health consciousness</li><li>• Rising popularity of Japanese cuisine throughout the world</li><li>• Government support for seafood exports in Japan</li><li>• Potential for developing new business areas thanks to the revision of the Fishery Act</li><li>• A trend for customers to outsource processing because of labor shortages relating to the enhancement of value-added by adopting more advanced processing methods</li><li>• Rising demand for sustainable seafood, for example products with MSC, ASC and MEL certification</li></ul>	<b>Risks</b> <ul style="list-style-type: none"><li>• Vulnerability to the impact of market conditions in the seafood market</li><li>• Changes in the resource procurement environment due to climate change</li><li>• Impact of stricter regulation of fishing rights and of aquaculture</li><li>• Reputation risk in relation to perceived failure to safeguard animal welfare or the environment</li><li>• The emergence of Food Tech, and the increasing obsolescence of current aquaculture technology</li><li>• Country risk in relation to raw materials procurement and sales</li></ul>

Growth-Oriented Strengthening of Access to Resources, and Building a Corporate Structure that is Less Vulnerable to Market Volatility

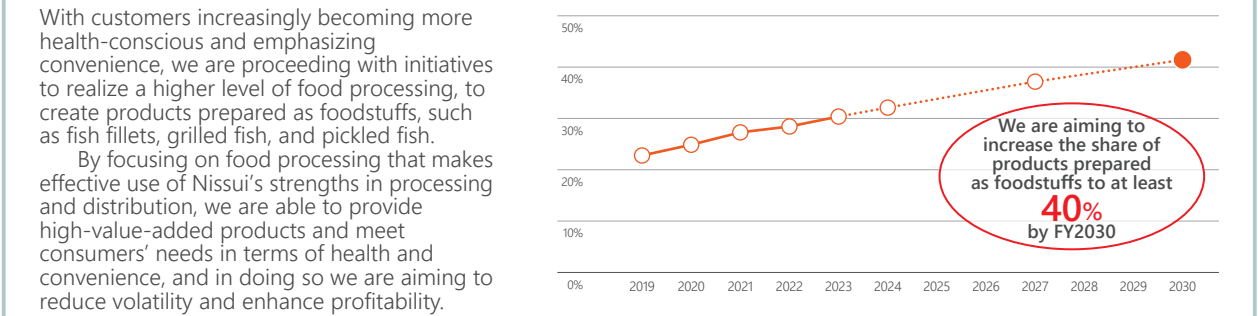
We are working to realize stable revenue through differentiation and improvement of the aquaculture business, and proceeding with the development of food processing that provides high-value-added products through a higher level of processing.

Measures to Enhance ROIC, to Realize “Moving up Toward a Higher Level.”

	Fishery	Aquaculture	Processing/Trading
Operating profit after tax	<p>Cost reduction at fisheries companies in South America</p> <p>Our fisheries companies in Chile are aiming to boost profits by increasing sales through bigger catches achieved through improvements in net technology, and by reducing costs through the rationalization of maintenance and repair expenses.</p> <p>Stabilizing catches through initiatives aimed at securing international certification for fisheries companies in Japan</p> <p>By participating in the FIP*, a project aimed at enhancing the sustainability of the fisheries industry, our fisheries companies in Japan are aiming to secure MSC certification for the relevant fisheries. The goal is to safeguard sustainable seafood and stabilize profits.</p>	<p>Realizing high-revenue salmon farming in South America</p> <p>Nissui's aquaculture companies in Chile are raising their profit margins by boosting production of highly-processed products and by expanding sales to regions other than Japan. They are also aiming to stabilize revenue over the medium to long term by using fish varieties that benefit from the use of genomic analysis technology to improve cultivation performance, and by intensifying measures to reduce the cost of feed materials.</p> <p>Expanding Japanese amberjack farming in Japan</p> <p>Our aquaculture companies in Japan are striving to realize greater efficiency through the adoption of large-sized fish tanks and through the consolidation of labor and production. Besides meeting demand in Japan, they are also aiming to increase sales by developing international business, undertaking exportation that makes effective use of Nissui's global links.</p> <p>Expanding salmon farming in Japan</p> <p>The scale of the salmon farming project in Otsuchi town, Iwate Prefecture, which was launched in 2020, is being expanded to reach annual production of 2,000 tons by 2030, and we are now working toward the commercial launch of a similar project in the city of Rikuzentakata city.</p>	<p>Processing business in North America</p> <p>We are continuing to implement integrated measures to reduce costs in our processing business in North America, for example by strengthening access to Alaska pollack resources and by enhancing production efficiency through adjustment of the product mix.</p> <p>Seafood home delivery business in the U.K.</p> <p>As a means of developing new sales channels, we are using e-commerce to expand into home delivery of processed seafood, with the aim of expanding sales.</p> <p>Promotion of food processing</p> <p>See below for details.</p> <p>Consolidated distribution business in Japan</p> <p>Mass merchandisers in Japan are experiencing problems with labor shortages affecting their processing facilities. In response to this situation, Aqua Platform Co., Ltd. integrates processing, picking and distribution functions to sell processed fish to mass merchandisers. The aim is both to solve the problem of labor shortages, and increase the volume of Nissui products sold.</p>
Invested capital	<p>Building intra-group synergy through our fisheries companies in Japan</p> <p>Nissui's fisheries companies in Japan catch Pacific bluefin tuna in the 80 to 150 kg size category, and then sell them to aquaculture companies within the Nissui Group.</p> <p>The collaboration with the Group's aquaculture companies contributes to improved ROIC.</p>	<p>Improving CCC through short-cycle farming of tuna in Japan</p> <p>The Nissui Group's aquaculture operating companies (Seinan Suisan and Kaneko Sangyo) cultivate fish over a three- to six-month cycle before the fish are shipped off for sale. Using short-cycle cultivation increases the fish survival rate, shortens the inventory turnover period, improves the CCC, and reduces the risk that fish farming will be negatively impacted by typhoons, red tides, etc.</p> <p>Risk response strategies in Japan and outside Japan</p> <p>We implement countermeasures to combat fish diseases, for example by collaborating on vaccine clinical trials with a company that produces pharmaceutical products for veterinary use, and we implement management of fish health status, thereby reducing the fish mortality rate, and aiming to increase the return on investment in aquaculture.</p>	<p>Continuing to implement thorough inventory management</p> <p>We continue to implement thorough inventory management utilizing category-specific CCC management, including implementing purchasing based on the sales plan and making proactive sales efforts, thereby minimizing opportunity loss and preventing excessive inventory.</p>

\* FIP (Fishery Improvement Project): This is a project working to enhance the sustainability of the fisheries sector through collaboration between fisheries companies, distributors, other corporations, NGOs, and other related parties.

Raising the share of processed products to at least 40%



## Business Strategy

## Food Products Business

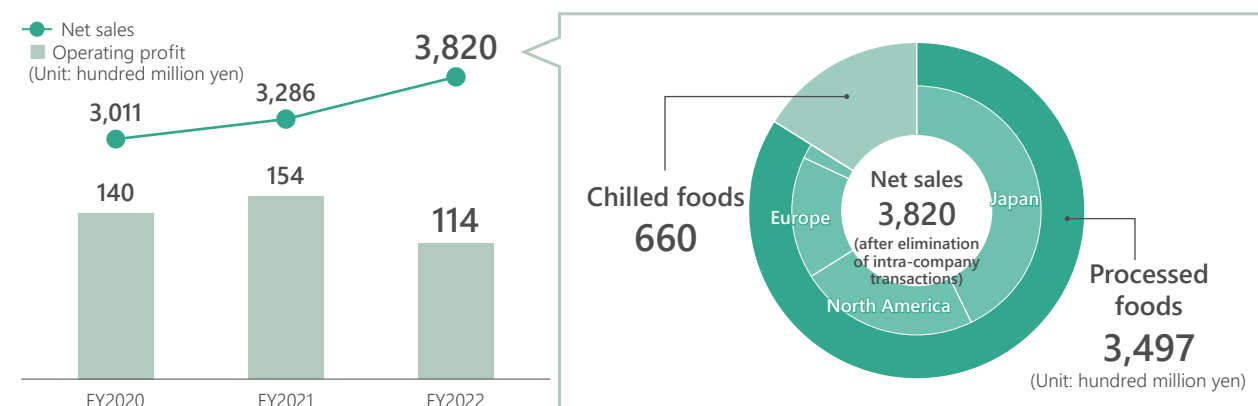
We have rolled out products tailored to local gastronomic culture – including marine-derived products that make effective use of Nissui's strong value chain and health category products – in Japan, North America, and Europe. Going forward, we will continue to respond to customers' diverse needs, including the demand for convenience and for environmentally friendly products, by providing innovative food solutions that emphasize sustainability.

## Koji Umeda

Director, Managing Executive Officer  
Food Products Business Operating Officer, in charge of the Marketing Planning Department and Strategic Sales Department



## Changes in Net Sales and Operating Profit



Note: With the adoption of ASBJ Statement No. 29 (revised 2020) Accounting Standard for Revenue Recognition (issued on March 31, 2020) starting from the FY2021 consolidated accounting year, the data given here for FY2020 are the retroactively adjusted data.

In Japan, we are responding to customers' needs and enhancing profitability through the knowhow accumulated by our chilled products business, which is able to generate a wide range of food offerings from diverse ingredients, and through the development of products that effectively utilize the functionality of fast-twitch skeletal muscle protein, EPA, etc.

## SWOT analysis (Japan)

Internal environment	<b>Strengths</b> <ul style="list-style-type: none"> <li>Marine-derived products that make effective use of Nissui's value chain</li> <li>The ability to develop products for a wide range of channels, thanks to having strong processing capabilities and quality assurance capabilities across all temperature ranges</li> <li>New product development capability that utilizes our research on the functionality, aroma and taste of EPA, fast-twitch skeletal muscle protein, etc.</li> </ul>	<b>Weaknesses</b> <ul style="list-style-type: none"> <li>Low recognition for Nissui brand products</li> <li>Sales of differentiated products are still on a small scale</li> <li>Unstable supply of seafood</li> <li>Aging production facilities</li> </ul>
	<b>Opportunities</b> <ul style="list-style-type: none"> <li>Rising demand for health-food products throughout the world</li> <li>Growing demand for meals for individual and for convenience</li> <li>Rising labor productivity due to effective utilization of AI and the IoT</li> <li>Demand for environmentally-friendly, sustainable products</li> </ul>	<b>Risks</b> <ul style="list-style-type: none"> <li>Changes in the marine resource procurement environment due to climate change</li> <li>Rising raw materials prices due to exchange rate fluctuations, etc.</li> <li>Intensifying inter-manufacturer competition due to the declining population in Japan</li> <li>Labor shortages</li> <li>Country risk in relation to raw materials procurement and sales</li> </ul>

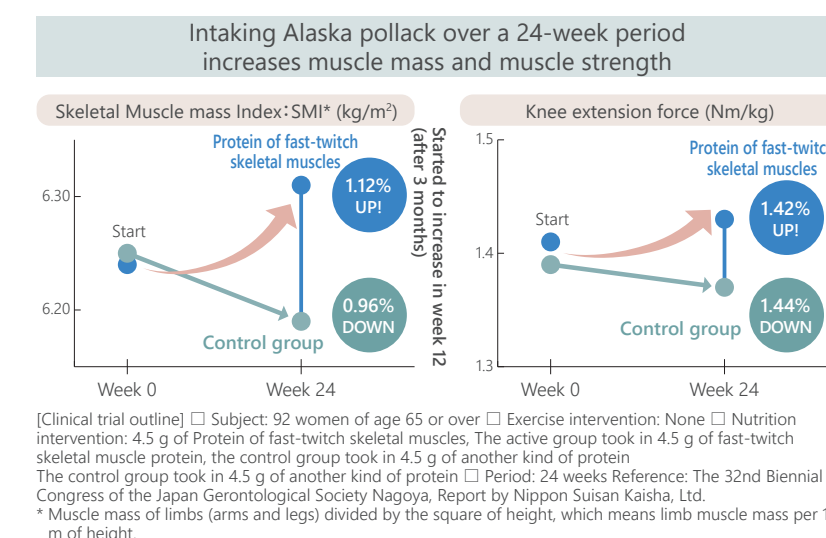
We are aiming to achieve further growth by expanding our health category products line and through the creation of new product categories by integrating our chilled and frozen foods



## Nissui's R&amp;D Generates New Value

## Protein of fast-twitch skeletal muscles

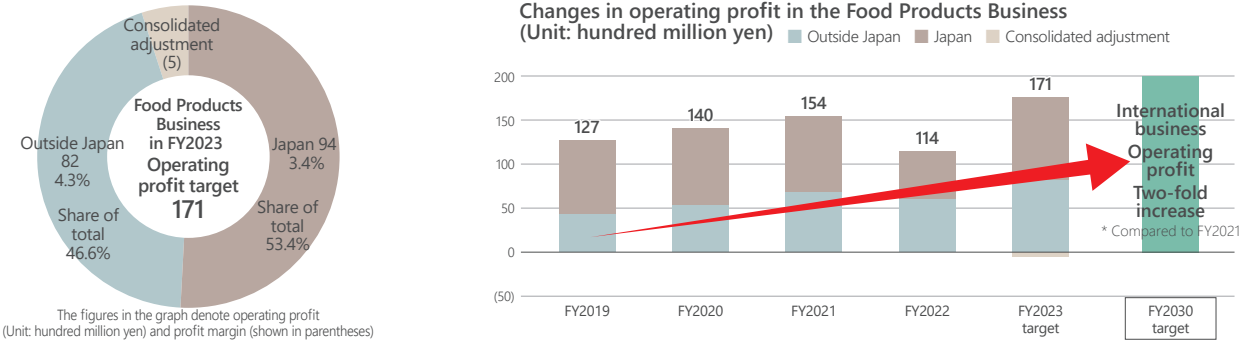
We have been focusing our attention on the functionality of white fish and conducting joint research with the academia on muscle increase effects of fast-twitch skeletal muscles protein from Alaska pollack. Effects of the protein contained in Alaska pollack have been unveiled one after another, and basic research on fisheries over the years is generating high added value.





Business Strategy

Aiming to double operating profit in the international business by FY2030 by developing new markets

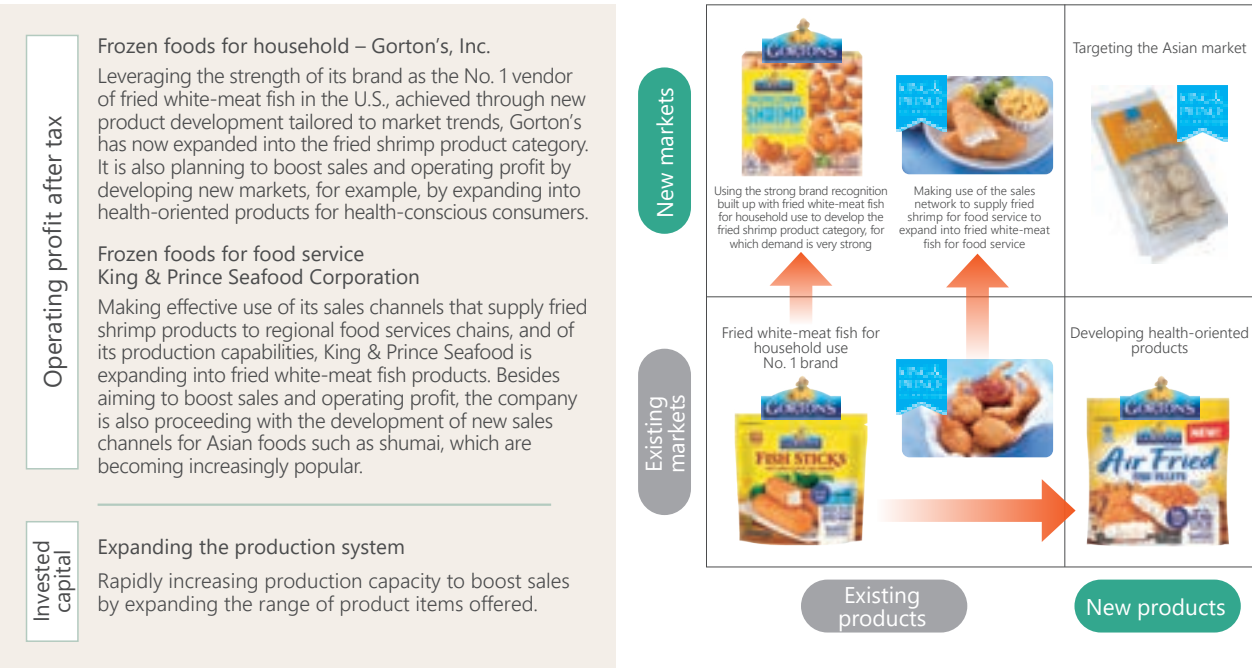


SWOT analysis (international)

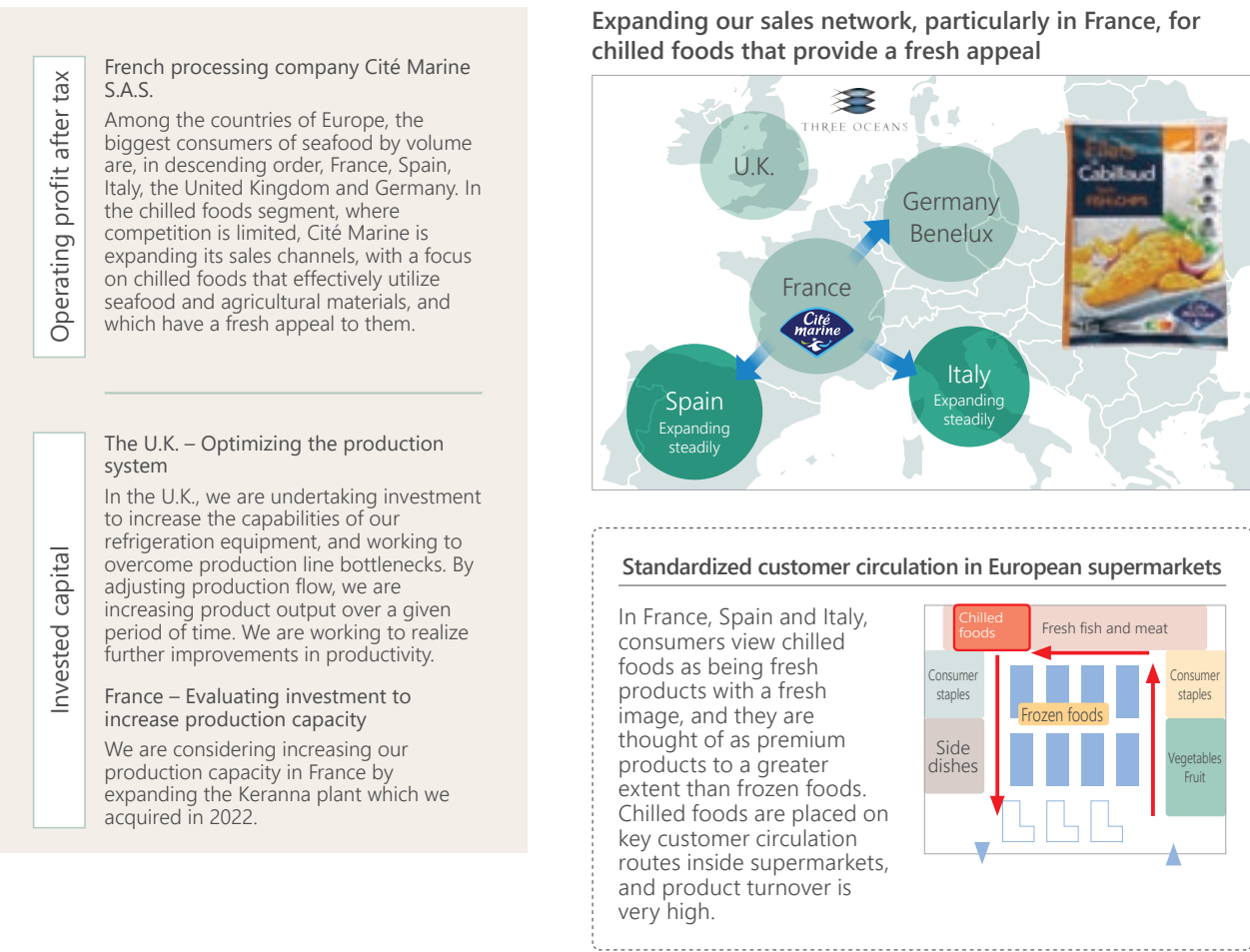
Internal environment	<p><b>Strengths</b></p> <ul style="list-style-type: none"><li>White-meat fish procurement capability with MSC sustainability certification, utilizing Nissui's global network that provides access to marine resources</li><li>Quality assurance that meets global standards, e.g. GMP*</li><li>Strong brand power from Gorton's, which is No. 1 in the U.S. market</li><li>New product development capability able to respond rapidly to diverse needs</li></ul>	<p><b>Weaknesses</b></p> <ul style="list-style-type: none"><li>Relying on natural resources for raw materials</li><li>The need for further processing functions in order to achieve business growth</li></ul>
	<p><b>Opportunities</b></p> <ul style="list-style-type: none"><li>Worldwide increase in demand for seafood</li><li>Rising demand for sustainable food products</li><li>Growing interest in Japanese and Asian food</li><li>Worldwide increase in demand for health-food products</li></ul>	<p><b>Risks</b></p> <ul style="list-style-type: none"><li>Changes in the raw materials procurement environment due to global warming</li><li>Rising raw materials prices</li><li>Political and cultural differences, and country risk</li><li>Dramatic exchange rate fluctuations</li></ul>

\*Good manufacturing Practice

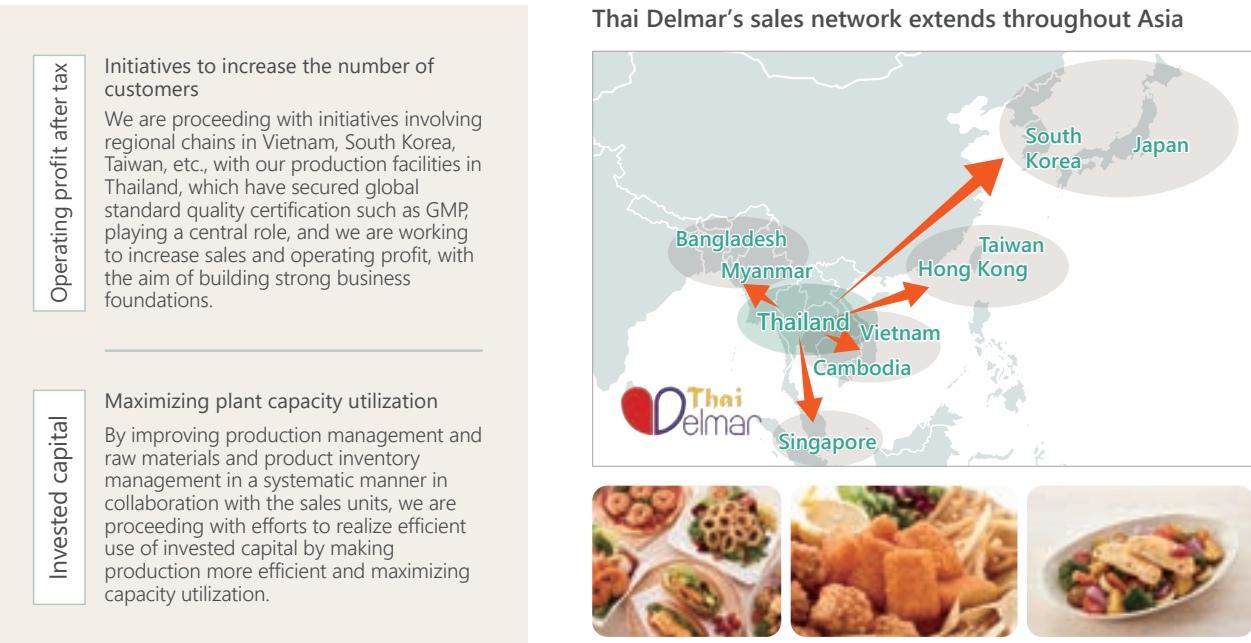
North America



Europe



Asia





Business Strategy

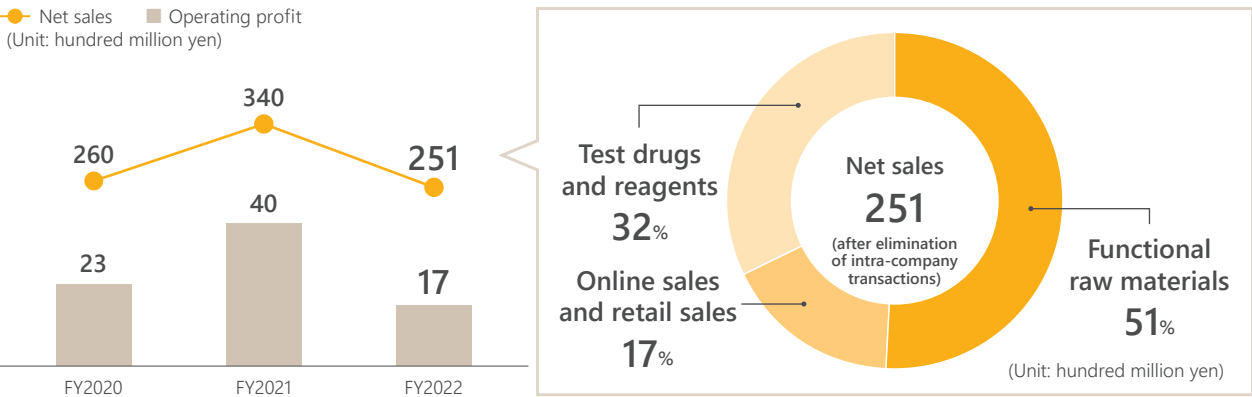
Fine Chemicals Business

Using our advanced purification technology for high purity EPA (with a purity of 96.5%) for pharmaceuticals, we are addressing the health issues relating to cardiovascular diseases, which are expected to become even more common in the future. By growing our business in the EPA market, where demand is forecast to be high worldwide, we are realizing our corporate mission to “create a healthier and more sustainable future.”

**Shinya Yamashita**  
Director, Managing Executive Officer  
Fine Chemicals Business Operating Officer,  
in charge of R&D Group



Changes in Net Sales and Operating Profit



In FY2022, the selling off shares in Nissui Pharmaceutical Co., Ltd. (now Shimadzu Diagnostics Corporation) resulted in a reduction in sales revenue of 8 billion yen and a fall in operating profit of 700 million yen.

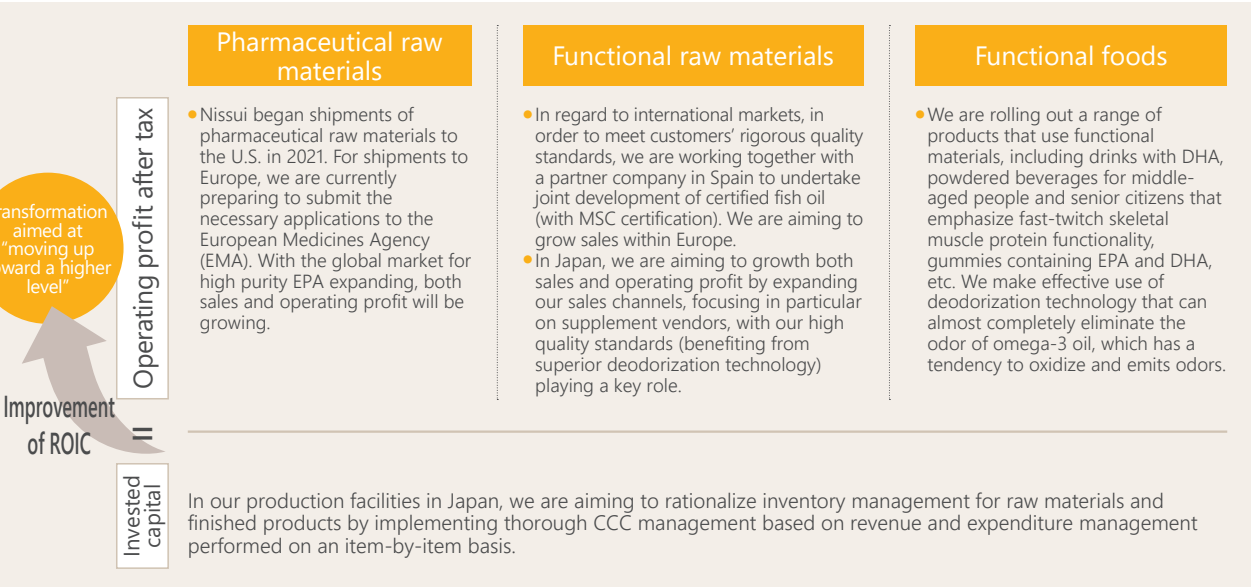
Note: With the adoption of ASBJ Statement No. 29 (revised 2020) Accounting Standard for Revenue Recognition (issued on March 31, 2020) starting from the FY2021 consolidated accounting year, the data given here for FY2020 are the retroactively adjusted data.

SWOT analysis

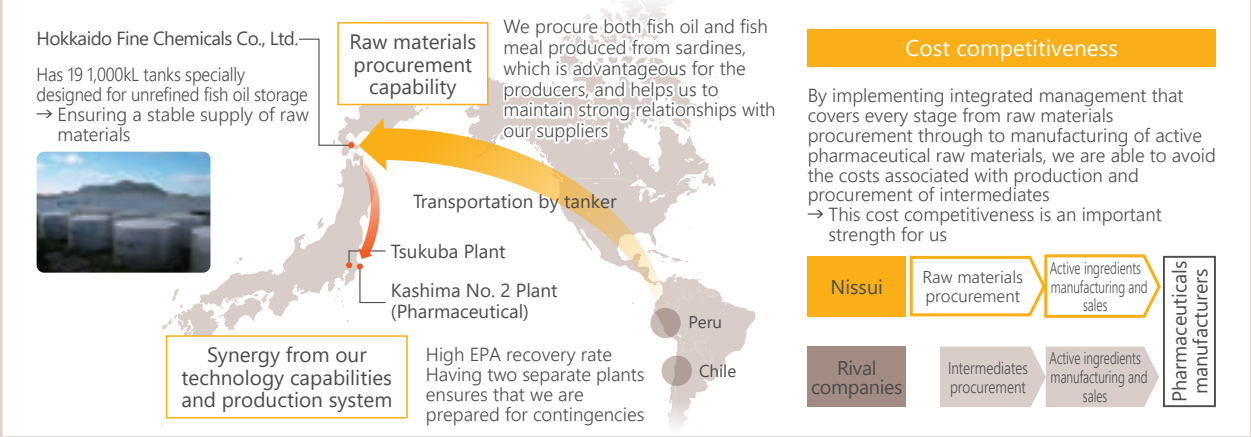
Internal environment	<b>Strengths</b> <ul style="list-style-type: none"><li>A strong raw materials procurement capability for Japanese anchovy oil, including in South America, that effectively utilizes our global seafood network</li><li>EPA purification technology and production capability able to support a wide range of product specifications, from pharmaceuticals to infant formula</li><li>World-class storage facilities for unrefined fish oil</li><li>A track record of supplying pharmaceutical raw materials for over 30 years</li></ul>	<b>Weaknesses</b> <ul style="list-style-type: none"><li>Relying on raw materials derived from natural seafood</li><li>Delays in R&amp;D to develop products that can follow on from EPA pharmaceutical raw materials to underpin the business in the future</li></ul>
	<b>Opportunities</b> <ul style="list-style-type: none"><li>The need for relevant medicines as the incidence of cardiovascular disease increases</li><li>Demand for preventative healthcare (including supplements and functional foods) due to growing health consciousness</li></ul> <p>In Japan, EPA pharmaceuticals are mainly used to treat hyperlipidemia, but in the U.S., in 2019, they were also approved by the Food and Drug Administration (FDA) for the treatment of high-risk patients who are using statin drugs* and have a blood triglyceride (serum triglyceride) level of 150 mg/dL or more, and who have multiple risk factors in terms of cardiovascular diseases such as heart disease.</p> <p>* In the U.S., around 38 million people have prescriptions for statins. In Europe, according to a WHO announcement, around 4 million people die from heart disease every year.</p>	<b>Risks</b> <ul style="list-style-type: none"><li>Increasingly demanding customer specifications due to the tightening up of regulations in many countries</li><li>Changes in the raw materials procurement environment due to climate change, including the El Nino phenomenon</li><li>Emergence of new raw materials sources due to advances in biotechnology</li><li>Dramatic exchange rate fluctuations</li></ul>

Building the Systems Needed to Meet Rising Demand in the Future

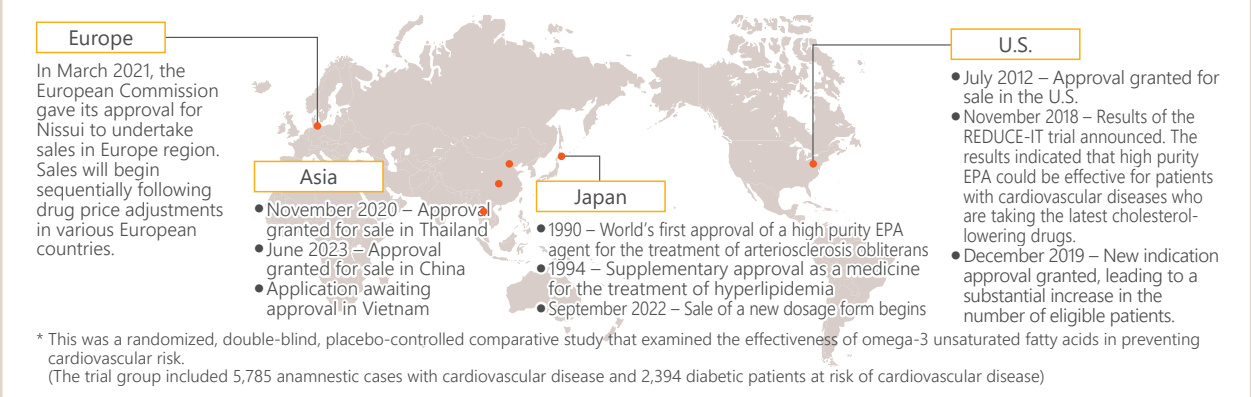
We are building the strength of integrated systems to cope with rising demand for omega-3 resulting from growing health consciousness



Building on our fish oil procurement capability, which is a key strength for Nissui, and on the technological capabilities that we have built up through many years of fish oil research, we will be implementing efficient production of cost-competitive products, and selling our products throughout the world.



The announcement of the results obtained in the REDUCE-IT (Reduction of Cardiovascular Events with Icosapent Ethyl-Intervention Trial)\* in the U.S. is expected to lead to growth in the global high purity EPA market for pharmaceutical applications. Nissui is building a sales system for pharmaceutical raw materials for the use of pharmaceutical manufacturers.



## Engagement with Investors

## Pursuing Sustained Growth through Sustainability and Business Portfolio Management



**Shingo Hamada**  
Representative Director  
President & CEO

**Keiko Akuto**  
Senior Analyst  
Responsible Investment Section Sumitomo Mitsui  
DS Asset Management Company, Limited

We were recently pleased to welcome Ms. Keiko Akuto, Senior Analyst in the Responsible Investment Section of Sumitomo Mitsui DS Asset Management Company, Limited to discuss sustainability management and business portfolio management within the Nissui Group with President Shingo Hamada.

### Sustainability Management and Business Portfolio Management as Pillars of Management

**Akuto:** I work as a responsible investing analyst at Sumitomo Mitsui DS Asset Management. We have identified climate change, natural capital, human rights, human capital, corporate governance, and business ethics and corporate culture as six materiality for investment management, and I mainly engage in dialogue with companies that are highly relevant to these issues. The Nissui Group has made significant progress in sustainability management in recent years. Could you please give us an overview of the progress you have made in this area and its current status?

**Hamada:** Our sustainability journey began in 2015. That year, we first introduced the concept of “CSR-based

management” in our Mid-Term Business Plan, emphasizing our commitment to CSR. In 2016, we released our Declaration on Action of CSR, which identified three key issues (materiality). Initially, we approached CSR activities as complementary to our main business. However, in our Mid-Term Business Plans from 2017 onward, we shifted our focus to initiatives that address societal issues through our business activities; today, sustainability is central to our strategic thinking. Our mission and long-term vision, announced in April 2022, emphasize sustainability, with “Sustainability Management” and “Business Portfolio Management” as key pillars for achieving the long-term vision. We also published our first integrated report last year, which was well received by external stakeholders.

Nissui Group Integrated Report 2022  
▶ [https://www.nissui.co.jp/english/ir/library/pdf/2022\\_integrated\\_report\\_en\\_a3all.pdf](https://www.nissui.co.jp/english/ir/library/pdf/2022_integrated_report_en_a3all.pdf)

**Akuto:** I have reviewed last year’s integrated report. As investors, we try to gain insights from each company’s disclosures in order to assess the potential for long-term growth in corporate value. The integrated report is very important to us as a disclosure document. We’re interested in understanding aspects that go beyond the financial statements, such as management’s perspective, the sources of their competitive advantage, and whether they are strategically investing in human capital in line with their management strategy. In this regard, the messages delivered by you, as President, and the CFO made a strong impression, underscoring the firm commitment to both business portfolio reform and sustainability management. In addition, in the article featuring the Outside Director Roundtable discussion, the candid insights shared by the three Outside Directors resonated with us as investors. It felt like they were addressing Nissui’s challenges from a perspective that aligned with our own. I believe this article effectively highlights the value of having outside directors actively involved in monitoring.

**Hamada:** Feedback from our Outside Directors has consistently emphasized the need to move discussions away from a predominant focus on individual tactics and to create opportunities for discussion of overarching strategies that span a 10- to 20-year horizon. There has also been a recognition that the concept of such discussions is not fully mature in advance of the establishment of such a forum. Our current Mid-Term Business Plan was developed by backcasting from “what we would like to be in 2030,” but the perspective of looking far into the future and considering current actions in that context has not yet taken hold. While change is gradually taking place, I believe it’s my responsibility to continue to emphasize this point.

**Akuto:** Another point I would like to ask about is group governance. At last year’s Outside Directors Roundtable discussion, there was a suggestion that control over overseas subsidiaries was somewhat weaker. This raised some concerns for me.

**Hamada:** When it comes to the governance of our subsidiaries outside Japan, we have increased the frequency of audits and strengthened the management by the head office and the International Business Development Department. In addition to improving the structural aspects of management such as governance structure, I attach great importance to thoroughly communicating the principles and values of the Nissui Group and ensuring that they are well understood. I personally travel abroad to directly articulate the Nissui Group’s philosophy and values, and make it a point to personally convey our mission and long-term vision, as I

believe that when individuals resonate with that mission and long-term vision, it strengthens governance.

**Akuto:** Having a common set of aspirations is of great importance. There are high expectations for effective communication of the mission and long-term vision. Relying solely on the briefing session on financial result tends to focus investors’ attention mainly on financials. Therefore, by hosting briefings on various topics such as corporate governance and international business, and enhancing information dissemination, a deeper understanding among investors can be achieved.

### Business Portfolio Perspectives

**Akuto:** Having completed the first year of the Mid-Term Business Plan, I want to focus on the success of the international food business (p.59). Despite the challenging conditions, I believe that the ability to implement price increases substantial enough to offset the current high costs is evidence of the brand’s penetration and product strength among consumers, retailers, and distributors outside Japan. I have high expectations for the future growth of Nissui’s international business based on this solid foundation.

On the other hand, I find it difficult to see the reform of the business portfolio. Although the divestiture of Nissui Pharmaceutical Co., Ltd. (now Shimadzu Diagnostics Corporation) and the integration of the chilled products business have been carried out, what investors are primarily interested in is assessing the achievement of the Mid-Term Business Plan is the strengthening of the business portfolio to improve profitability. However, it has been difficult to see developments in this regard.

**Hamada:** The three pillars driving the Group’s earnings are the Marine Products Business, Food Products Business, and Fine Chemicals Business. Our basic approach is to promote balanced growth in each of these businesses. Historically, the business model has been heavily weighted toward the Marine Products Business, which has been a weakness due to its high volatility. Efforts have been therefore made to mitigate this volatility by expanding both the Food Products and Fine Chemicals Businesses. In the Marine Products Business, the strategy going forward is to expand the highly profitable aquaculture sector. In the Food Products Business, the focus is on expanding overseas operations in growing markets, and in Japan, new ventures such as Q-dish are being explored while improving the profitability of existing operations. In the Fine Chemicals Business, entry into the European EPA



## Engagement with Investors

pharmaceutical raw materials market is underway, along with the resumption of shipments to the United States. We will challenge the global EPA market with the Group's technological capabilities and cost competitiveness.

**Akuto:** I must commend your efforts to bolster strengths and foster a well-balanced growth strategy for your three main businesses. As an investor, I'm also particularly interested in how you plan to enhance capital efficiency. Nissui has articulated the introduction of ROIC as a strategy in the Mid-Term Business Plan to drive business portfolio reform. I'd appreciate insights into your strategies for improving capital efficiency especially while nurturing these three businesses in a balanced manner, as this is a significant concern for investors.

**Hamada:** We remain committed to improving the profitability of less successful ventures while exercising prudent judgment regarding further investments in businesses that do not demonstrate a clear path to enhanced profitability. These decisions will be made on a case-by-case basis, taking into account the synergistic relationships among our three business segments within Nissui's overarching business model. Our overarching goal is to achieve consistent overall revenue stability across the organization. To this end, we will utilize ROIC as one of the indicators, strengthening our businesses and strategically investing in high-growth areas.

**Akuto:** I understand the emphasis on overall business stability and the need for balance in decision-making. However, it seems to me that it's somewhat difficult to see how the individual businesses are interconnected and how the value chain has been established. While Nissui has previously used terms such as "Global Links" and "Local Links" to describe the balanced growth of the three main businesses, the "strength of the value chain" isn't very apparent. As a result, it appears that each business operates independently and in isolation. It would be more effective to highlight the sources of value creation and the competitive advantages they have over other companies. Providing a more in-depth explanation of the value chain would enhance investor confidence.

### Nissui Group's Strength: "Value Chain"

**Hamada:** It's difficult to summarize the "strength of our value chain" in just a few words, but we consider R&D to be one of the sources of our value. For instance, at our Group company, Kurose Suisan Co., Ltd., we engage in year-round production of succulent and fatty Kurose buri, Japanese amberjack, through full-life cycle



aquaculture. What sets us apart is our unique approach: rather than purchasing seeds for cultivation, we undertake the entire process artificially, from egg extraction and hatching to rearing (p. 29). This distinctive method is rooted in breeding through genetic analysis, which allows us to produce large and delicious fish in a short time, resulting in high profitability. This approach of building such systems from scratch and the technology and expertise we've gained in this process constitute the bedrock of our value proposition. Consequently, we have consistently allocated significant management resources to research and development. We are a company built on a culture of innovating from the ground up and focusing on upstream processes. We have built a value chain based on these principles and have demonstrated our competitive advantage in "A White-Meat Fish Value Chain" (p. 27). We source sustainable Alaska pollock from the Bering Sea, process it at our plant in Dutch Harbor, and add significant value by transforming it into products tailored to local tastes and needs by our companies in the United States, France, the United Kingdom and other countries. Each entity in the Group harnesses its strengths and technological capabilities to foster synergies. 94.4% of the white-meat fish we procure are in the managed resource condition and we lead the world in sales of white-meat fish fries.

**Akuto:** What you just said was very compelling. I can sense the Nissui Group's value creation story, where R&D not only adds value but also ensures the sustainability of marine resources. In recent years, the concepts of sustainability management and the notion of balancing

the resolution of societal issues with business expansion have gained prominence. However, it's clear that Nissui has long been committed to addressing food-related societal issues through its business activities. In light of your name change, logo update and global branding efforts, I look forward to you intensifying your communications in this regard.

**Hamada:** I am reminded once again that we need to make investors more aware of these examples of value chains and synergies among our businesses.

### Connecting Social, Human Capital, and Environmental Values to Financial Value

**Akuto:** Your stated mission is to explore innovative food solutions, and your long-term vision is to create value in the four areas of finance, society, human capital, and the environment. What specific initiatives are you pursuing in these areas?

**Hamada:** In our efforts to generate further synergy among our businesses, we have launched inter-business projects aimed at exploring new opportunities that bridge the gaps between our businesses; one of these is the "Marine Products Platform Business" that utilizes our fisheries and logistics capabilities. In terms of addressing societal issues, we hold great expectations for our novel land-based aquaculture venture growing "Asparagopsis." "Asparagopsis," a type of seaweed, has the effect of inhibiting methanogenic bacteria. Efforts to reduce methane gas emissions from ruminants such as cattle are expected to help mitigate climate change, and our Business Development Department is actively working on these initiatives, as mentioned earlier.

**Akuto:** I'm also interested in your strategy for linking social, human capital, and environmental values to financial value. For example, there's a KPI to triple sales of products in the health category in terms of social value. On the non-financial side, how many people around the world can benefit from these products, and what's their impact on overall health? From a financial perspective, what kind of profit growth can be expected from tripling sales? If you can make explanations linking social value to financial value, it would make it easier for us as investors to understand and have greater confidence in Nissui's future growth.

**Hamada:** Indeed, the current explanation is somewhat inadequate. It's important to make the impact more "visible." We are currently reviewing our materiality, and I think it is necessary to set firm KPIs, especially for non-financial themes, and explain how we will link them to

financial value.

**Akuto:** Non-financial initiatives are often perceived as separate from the ROIC discussion, as I mentioned earlier; however, I believe they are closely related. In terms of human capital, if employee engagement is improved through measures such as mission integration, the results will manifest themselves in improved productivity. In addition, if the accuracy of production and sales forecasts can be improved to reduce waste in raw material procurement and production, I believe this is the most effective approach to simultaneously improving ROIC and reducing food loss. If such a situation is effectively communicated to employees, I believe it will lead to further improvements in their engagement. As long-term investors, we would appreciate it if you could demonstrate how KPIs are set and consistently implemented each year; non-financial initiatives take time to produce results, and understanding your approach is critical for investors like us. In conclusion, listening to your insights, I have come to believe that Nissui has greater earnings potential and a high capacity to increase corporate value. Our discussion today was most valuable, and I thank you for sharing your insights.

**Hamada:** In order to increase our corporate value, it's crucial to continue to improve our profit margin. First and foremost, we will work diligently to achieve the targets of 1 trillion yen in net sales and 50 billion yen in operating profit, as outlined in our long-term vision, and then aim even higher. Thank you for your time today.



The Foundations That Underpin Our Value Creation

Sustainability Initiatives for Enhancing Corporate Value

p.52

Sustainability Targets (Long-Term Vision “Good Foods 2030”/ Mid-Term Business Plan “Good Foods Recipe1”) and Results  
▶ <https://nissui.disclosure.site/en/themes/150>



Driving sustainability as a cornerstone of business growth

Munehiro Ise  
Managing Executive Officer  
In charge of  
Quality Assurance Group, Sustainability  
Department and Corporate Communication  
Department

Q In April 2022, Nissui announced its mission, long-term vision, and the Mid-Term Business Plan, “Good Foods Recipe1,” and set mid- to long-term KPIs for sustainability. It has been a year and a half since these initiatives were launched. Could you please share what you have noticed and what your current thoughts are?

A The concept of sustainability management, which links social, human capital, and environmental values to enhancing corporate value, has been shared throughout the Company since sustainability was explicitly stated in our mission and long-term vision. The importance of whether something is “sustainable” or not has grown rapidly in discussions with customers, and we are finding more and more instances where strengthening sustainability leads to business opportunities. In addition, the establishment of specific KPIs for the mid- to long-term has fostered a sense of ownership among employees, which has led to increased communication about how to

achieve these KPIs and to more experimentation across departments.  
However, our current KPIs are based on the materiality set in 2016 as a starting point. We have seen the need to review materiality itself as the environment changes, and we have already begun to do so. We started formulating our next Mid-Term Business Plan this fall, and will incorporate the revised materiality into the plan to strengthen the integration of sustainability into our business. We aim to promote sustainability management more vigorously than ever before, to embody our mission, and to realize our long-term vision.

Q Please share your thoughts on the progress of sustainability KPIs and your plans for linking sustainability to financial value.

A Sustainability KPIs are established for each of the social, human capital, and environmental values. Detailed information about each KPI can be found on p. 52 of this report and on our sustainability website. Let me discuss how we can connect our sustainability

initiatives to financial value, using examples such as the environmental value of “reducing CO<sub>2</sub> emissions” and the social value of “expanding health category products.”

With regard to CO<sub>2</sub> emissions, we have set the goal of achieving a “10% reduction by FY2024 (compared to FY2018).” In FY2022, we achieved a remarkable 12.1% reduction through a combination of energy conservation initiatives, the installation of solar power generation equipment, and the strategic procurement of electricity from renewable energy sources. While this progress is indeed promising, we recognize that future business expansion is expected to lead to an increase in CO<sub>2</sub> emissions. Therefore, we are committed to intensifying efforts to further reduce CO<sub>2</sub> emissions, including those associated with projected growth. The key objective is to establish a clear link between our sustainability initiatives and both business growth and financial value. For example, the use of solar power contribute to mitigate the risks associated with potential energy price increases and power supply limitations. In addition, within the Group’s aquaculture business, which has been identified as a key growth area, we recognize the need to embrace technological innovation to reduce CO<sub>2</sub> emissions from fishing vessels and land-based aquaculture operations. In its quest for greater competitiveness, we are fully committed to making strategic investments in decarbonization and are closely monitoring evolving technological trends. We are currently in the process of formulating a grand design for achieving carbon neutrality by FY2050 from a backcasting perspective, and aim to disclose it by the end of FY2023.

In the business of health category products, which is also positioned as a growth area, we set a target of “1.3 times sales in FY2024 (compared to FY2021).” However, in FY2022, progress toward this goal was delayed due in part to the suspension of exports of pharmaceutical raw materials (highly purified refined fish oil for pharmaceutical manufacturers) to North America, resulting in sales reaching only 1.0 times the previous year. While we aim to expand sales of fast-

twitch skeletal muscle protein and high value-added products domestically, it is clear that achieving our targets depends significantly on overseas growth. We are preparing to submit applications to the European Medicines Agency (EMA) for pharmaceutical raw materials destined for Europe. In addition, we plan to introduce MSC-certified fish oil as a functional raw material (refined fish oil for health food and infant formula manufacturers) starting this fiscal year. The inclusion of MSC-certified fish oil is in response to requests from international infant formula manufacturers and reflects a growing trend among customers to prioritize sourcing based not only on quality, but also on environmental and human rights considerations. In light of these factors, we believe it’s important to take a comprehensive approach to sustainability, including other KPIs such as verification of the sustainability of marine resources and responsible sourcing (human rights).

In addition, as the Group’s operations are dependent on natural capital, we recognize the need to take a broader perspective when considering our relationship with this invaluable resource. In addition to our traditional fishery resource surveys, we have undertaken a pilot initiative in the current fiscal year using the LEAP approach outlined in the Task Force on Nature-related Financial Disclosure (TNFD) framework. This approach enables us to comprehensively assess the interplay between our dependence on natural capital and its impacts, analyze risks and opportunities, and examined responses to address them. We remain committed to consistently integrating natural capital risk and opportunity considerations into our strategic planning, with the goal of generating financial value through risk mitigation and growth.

p.37

Q Alongside the Mid-Term Business Plan and the newly introduced mission and branding activities, could you please share the direction of sustainability for Nissui in the future?

A “Sustainability” is both our mission and our long-term vision. We believe that each and every one of our employees, who are the source of the Group’s competitiveness, will embrace our mission and perform their duties with a sense of fulfillment, thereby contributing to increasing our corporate value. Starting in Japan, we will enhance employee engagement and foster an organizational culture in which employees are motivated to take proactive steps toward achieving their goals.

Looking ahead, we will further integrate sustainability into our business and align it with our branding activities to communicate our mission both internally and externally. Sustainability is a response to the inevitable environmental changes of the future, and we aim to evolve into “a leading company that delivers friendly foods for people and the earth” by anticipating and adapting to these changes.



The Foundations That Underpin Our Value Creation

Sustainable Use of Marine Resources

Sustainable Use of Natural Marine Resources  
▶ <https://nissui.disclosure.site/en/themes/212>

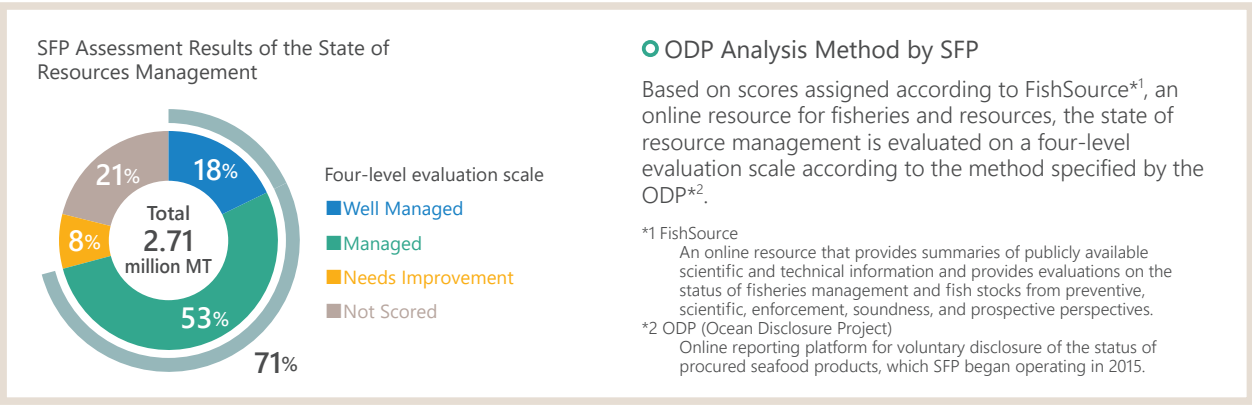
According to the Food and Agriculture Organization of the United Nations (FAO) in “The State of World Fisheries and Aquaculture 2022” (Figure 23), only 64.6% of fishery stocks are at biologically sustainable levels. For the Nissui Group, whose business depends on the bounty of the sea, the sustainable use of marine resources is considered extremely important as it relates to mid- to long-term business risks and shapes business opportunities.

The Nissui Group undertakes periodic assessments of the status of marine resources every three years with the aim of understanding the status of procured marine resources and identifying issues to be addressed. These evaluations are integral for ensuring the sustainable procurement and upholding stringent traceability standards.

Second Survey of Procured Marine Resources Sustainability (2019)

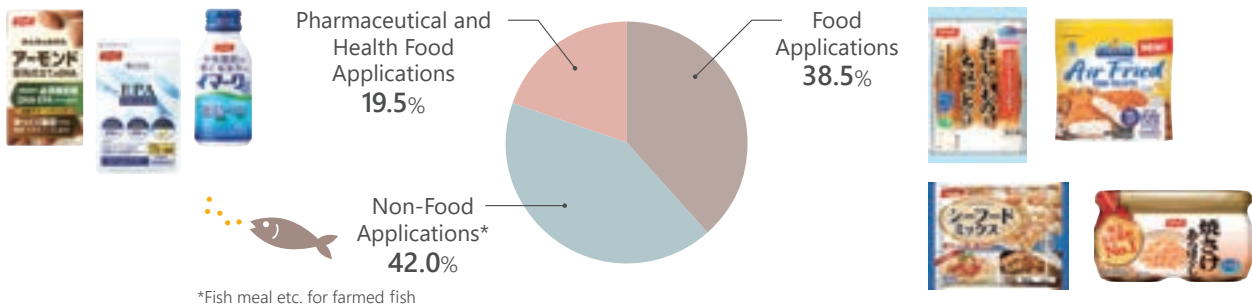
In 2019, the Nissui Group (20 companies in Japan and 20 companies outside Japan) handled a total of 2.71 million MT (live weight equivalent) of wild-caught fish from 471 stocks across 21 ocean regions worldwide. To ensure third-party objectivity, individual resource evaluations and analyses were outsourced to an external organization (SFP\*). The analysis revealed that about 71% of the procured marine resources were in a state of being “Well Managed” or “Managed.”

\*SFP (Sustainable Fisheries Partnership): A US based NGO that seeks to improve fisheries through supply chains.



Assessment Results by Specific Application

When considering specific measures to address the resources rated as “Needs Improvement” and “Not Scored,” the Nissui Group analyzed 24 fish species, each of which is sourced at over 10,000 MT in 2019. We inferred the uses of these procured marine resources from their procurement routes and categorized them into three use applications: food, pharmaceuticals and health foods, and non-food. Owing to the difficulties in collecting information, especially for non-food applications where many resources are procured as fish meal, we conducted a detailed analysis of the resource status for both food and pharmaceutical and health food applications.



Food Applications

It was found that 90.5% of the marine resources procured as ingredients for processed foods such as seafood mix and other marine products, surimi-based products like fish cakes, and canned or jarred processed foods were in a managed condition (either “Well Managed” or “Managed”). Notably, for Alaska pollock, which is the most handled species by the Group, all procured resources were confirmed to be at least “Managed,” indicating a healthy resource status.

The Group also procures Atlantic cod, which is listed as Vulnerable (VU) on the IUCN Red List of Threatened Species. However, the resource condition is improving due to increased management efforts by various countries. The Group is committed to sustainability by procuring seafood certified by the Marine Stewardship Council (MSC). In FY2022, 94.8% of our total procurement was from MSC certified fisheries.

Species	Ratio	Well Managed	Managed	Needs Improvement	Not Scored
Alaska pollock	76.3%	58.1%	41.9%	—	—
Blue grenadier	7.2%	37.8%	62.2%	—	—
Largehead hairtail	2.3%	—	—	—	100.0%
Pacific cod	2.0%	0.1%	54.3%	—	45.6%
Sockeye salmon	1.8%	4.6%	2.5%	2.6%	90.3%
Atlantic cod	1.8%	74.4%	—	15.0%	10.6%
:					
Total	100.0%	49.8%	40.7%	2.1%	7.4%

Pharmaceutical and Health Food Applications

For the procurement of fish species used as raw materials in the production of pharmaceuticals and health foods, such as EPA and DHA, 96.1% of the resources were found to be in a managed state (“Managed”). In addition, for the procurement of Japanese anchovy (anchoveta), all of the procured resources were classified as “Managed,” indicating no resource status issues.

For species identified as “Needs Improvement” or “Not Scored,” diverse factors such as fishing areas and methods are considered. In response, we undertake targeted analyses for each species and develop tailored strategies accordingly.

Species	Ratio	Well Managed	Managed	Needs Improvement	Not Scored
Japanese anchovy (anchoveta)	61.8%	—	100.0%	—	—
Skipjack tuna	31.6%	—	100.0%	—	—
European anchovy	3.6%	—	—	—	100.0%
Yellowfin tuna	2.9%	—	88.6%	11.4%	—
Total	100.0%	—	96.1%	0.3%	3.6%

Projected Changes to Allowable Catch

For Alaska pollock, a key raw material for food applications, and Japanese anchovy (anchoveta), a key ingredient for pharmaceutical and health food applications, we evaluated changes in their allowable catch for 2030 and 2050 using a model from the FAO as part of our climate change scenario analysis. We found that changes in allowable catch for 2030 are not expected to be substantial, and therefore impact on Group’s finances would be modest.

Initiatives for TCFD Recommendations  
▶ <https://nissui.disclosure.site/en/themes/223>



The Foundations That Underpin Our Value Creation

Human Capital Strategy

We believe that the four values (financial value, environmental value, value in human capital, and social value) are all generated by human capital, which is a critical asset for realizing our long-term vision. As part of “what the Nissui Group would like to be in 2030,” we have set the goal of “Diverse Human Capital Playing an Important Role”, which focuses not only on the diversity of our human capital, but also on fostering an organizational culture that encourages new challenges beyond conventional boundaries.



Policies on Development of Human Capital and Preparation of In-house Environments

The Nissui Group regards human capital as one of the most important factor in improving its corporate value. Through its business activities, the Group strives to create opportunities to leverage its diverse human capital, of different genders, nationalities and ages, to maximum effect, giving rise to innovation, organizational motivation and creation of value. As employees help and challenge each other to improve, we aim to develop them as human capital capable of grappling vigorously with social issues both global and local. At the same time, the Group is working to furnish workplaces, programs and other elements of the working environment that enable its employees to work with peace of mind and high motivation.

Current Status and Measures Toward Realizing “What the Nissui Group Would Like to Be”

In our efforts to promote the active participation of diverse human capital, we have assessed our current situation and challenges, and are actively developing and implementing targeted strategies. By advancing the reform of our organizational culture, we aim to enhance overall productivity and create value through new challenges, leading to the generation of financial value.

Themes	Current status	Measures
Strategic Placement and Development	<ul style="list-style-type: none"><li>• Lack of alignment between business strategy and human capital strategy</li><li>• Lack of development in the next-generation leadership development program</li><li>• Mismatch between current dual-track approach and individual career aspirations</li><li>• Lack of expert talent and breadth of experience among young and mid-level employees</li></ul>	<ul style="list-style-type: none"><li>• Initiate discussions on business portfolio and human capital strategy</li><li>• Develop next-generation leadership development program</li><li>• Establish specialized human capital courses</li><li>• Ongoing operation of development rotation programs</li></ul>
Education and Training	<ul style="list-style-type: none"><li>• Lack of Company-wide, hierarchical and selective training programs</li><li>• Lack of global personnel to support accelerated international expansion</li><li>• Delay in advancing digital transformation (DX)</li></ul>	<ul style="list-style-type: none"><li>• Restructure human capital development system (including departmental training)</li><li>• Expand global personnel development program</li><li>• Promote DX and digital human capital development</li></ul>
Diversity & Inclusion	<ul style="list-style-type: none"><li>• Further securing diverse human capital towards realizing “what the Nissui Group would like to be” (In FY2022: Ratio of female manager 6.8%; Ratio of employment of people with disabilities at 2.39%; Ratio of mid-career hires: 30%)</li><li>• Insufficient post-hiring support for people with disabilities and mid-career hires</li></ul>	<ul style="list-style-type: none"><li>• Creating an environment where female employees can thrive by promoting paternity leave for male employees</li><li>• Establishment of new Employment of Persons with Disabilities Working Group and expansion of education and training</li><li>• Enhancing understanding of the Company and bridging post-hiring gaps through mentoring and follow-up training for mid-career hires</li></ul>
Workplace Environment Improvement	<ul style="list-style-type: none"><li>• 1% improve in employee engagement score (vs. FY2021)</li><li>• Selected as a Health and Productivity Stock for five consecutive years (since 2019)</li><li>• Average rate of paid leave taken 84.5% (FY2022)</li></ul>	<ul style="list-style-type: none"><li>• Organizational culture reform through the development of department-specific action plans and sharing of best practices</li><li>• Personalization of the mission through the promotion of internal branding</li><li>• Expansion of health management to the Group</li><li>• Further expansion of systems supporting diverse work styles</li></ul>

Diverse human capital playing an important role

Specific Measures

Employee Engagement

Since FY2021, we have been measuring “trust and contribution” between the Company and employees. The results of the second survey conducted in FY2022 showed slight improvements from the first survey, but highlighted challenges in the areas of “Company-wide solidarity” and “communication across hierarchical levels.” To address these issues, briefing sessions were held for departments in need of improvement, and individual action plans were developed and implemented to foster a better organizational culture.

Furthermore, to promote the internalization of our mission and enhance employee engagement, we initiated “GOOD FOODS Talk” across all workplaces from FY 2023. This initiative encourages all employees to discuss and exchange ideas about innovative food solutions, aiming to extend this approach to our Group companies in Japan to improve voluntary contribution motivation and enhance both the organizational culture and workplace conditions.



GOOD FOODS Talk session

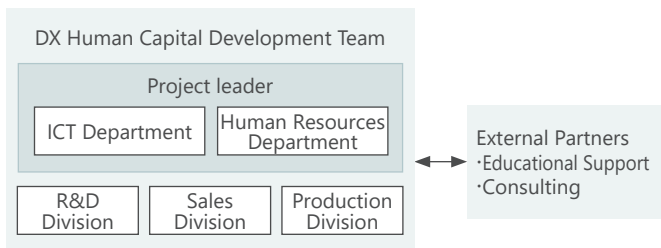
Human Resources Systems and Human Capital Development

As we look to the future, it is imperative that we focus on developing leaders who will drive our business forward. Equally important is attracting talent with specialized skills who can make significant contributions to our business. In an effort to respect the diverse values and career aspirations within the Company, we have revised certain aspects of our human resources system. This includes the introduction of the Next Expert (NE) role, which is designed to develop and appropriately reward individuals with high levels of externally recognized expertise.

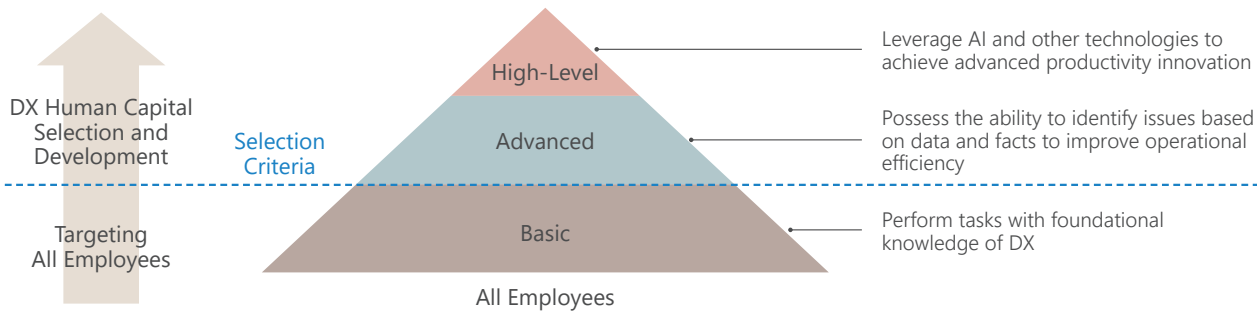
For our younger employees, we have introduced a “Development Rotation” to broaden their perspectives, expand their scope of work, and enhance their adaptability by exposing them to different business areas and job functions. In addition, since 2016, we have been operating the “global personnel registry system” to cultivate future global talent that can thrive in international roles.

DX and Digital Human Capital Development

We are focusing on DX and Digital Human Capital Development in response to the societal issue of labor shortages due to declining birth rates and an aging population, and the need for companies to adapt quickly to rapidly changing market environments. This initiative aims to reform the Company in line with societal and technological changes.



In FY2023, we conducted assessments for all employees to measure their current innovative and digital skills. We are also using e-learning to raise the skill level of all employees to at least basic by FY2024. Going forward, we will define the roles and skills of DX human capital, select and develop top performers from the assessments, and enable advanced productivity innovations.



The Foundations That Underpin Our Value Creation

Respect for Human Rights in the Value Chain

Human Rights  
▶ <https://nissui.disclosure.site/en/themes/204>

The Nissui Group's long-term vision is to be “a leading company that delivers friendly foods for people and the earth.” An indispensable condition for achieving this vision is respect for human rights throughout the value chain. Given that the seafood supply chain is exceptionally long and complex, the Nissui Group recognizes that the risk of human rights violations is high, carrying significant risk of impact on continuity of Group operations. We believe that, as customer awareness of human-rights issues grows, ensuring respect for human rights up and down the value chain presents a way to expand business opportunities and sharpen competitiveness. One of the Group's key performance indicators (KPIs) in social value is the rate of assessment of major Tier-1 suppliers Group-wide; we aim to reach a target of 100% on this KPI by 2030. Also, we are working closely with suppliers on efforts related to respect for human rights.

Human Rights Risk Assessment

The Nissui Group conducted a human rights risk assessment in the form of a cross-departmental workshop in December 2020, in order to get a grasp of potential human rights risks in its value chains. This involved identifying risks in each process of its value chains from two perspectives, namely, “general and cross-industrial human rights risks” and “human rights risks specific to the fisheries industry and the Nissui Group,” and in particular, analyzing the latter risks while incorporating the viewpoint of risks by country and risks by fish species as well. Risks were narrowed down by conducting an “impact assessment” with respect to the identified risks, based on likelihood and severity in the event that the risks are materialized.



Having identified the following three risks as items of importance to be addressed specifically as a matter of priority, the Nissui Group launched specific initiatives from Fiscal 2021 onwards in order to confirm their actual situation and mitigate such risks.

Identified potential human rights risks

1) Forced labor and child labor relating to raw materials of marine products (from procurement of raw materials to production)

2) Work environment of foreign technical intern trainees in Japan (production)

3) Labor Safety and Health (fisheries and aquaculture)

Response to Identified Potential Human Rights

Respect Human Rights in Our Supply Chain

To ensure sustainable procurement and mitigate human rights risks at every stage of the supply chain, stronger collaboration with our business partners is essential. As a result, we revised our Supplier Guideline in April 2022. This revised edition includes sections on “Compliance with Laws and Regulations,” “Respect for Human Rights,” “Safety and Health,” and “Environmental Consideration,” with a strong emphasis on the prohibition of forced labor and child labor, as well as a strong requirement not to handle catch and raw materials obtained through IUU (Illegal, Unreported, and Unregulated) fishing, which is known to be associated with forced labor. In FY2022, Nissui distributed and explained the Supplier Guideline to its 508 Tier-1 suppliers and collected signed confirmation forms to ensure their agreement. In FY2023 the Nissui Group is seeking to confirm the status of compliance with human-rights guidelines by means of a self-assessment questionnaire. Going forward, we will identify raw materials of high precedence and use inter-company platforms and IT in efforts to reduce risk efficiently and effectively. However, Nissui cannot solve this problem alone. We are therefore strengthening engagement with suppliers, who are key partners for us, in an industry-wide initiative to reduce social and environmental risk and create value.



The Supplier Guideline

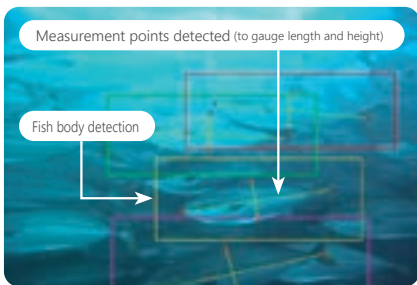
Monitoring the Working Environment of Foreign Workers in Japan

Nissui performs an annual survey on the labor conditions of foreign workers at our directly-operated plants and Group companies in Japan. After analyzing the self-assessment responses and conducting interviews with each office, no significant signs of human rights violations were identified. One issue identified at some locations was the need for multilingual capabilities, due to the presence of non-Japanese employees. In response, Nissui notified all Group companies of the need to address this issue. We will promote a unified group-wide response and confirm the status of the response at the Human Rights Subcommittee. The work environment survey will be conducted throughout FY2023, and the possibility of combining the survey with workplace reviews and audits will be explored to ensure effectiveness.

Safety at Fisheries and Aquaculture Sites

Within our fishing operations, we actively work at the level of each Group company to ensure a safe working environment for employees involved in fishing activities. Labor practices on fishing vessels take place in an environment that is not easily visible from the outside, and the fishing industry is generally recognized as having a high risk of human rights abuses. We prioritize the safety of crew members on fishing vessels and strive to improve the working environment, while ensuring third-party monitoring to increase transparency.

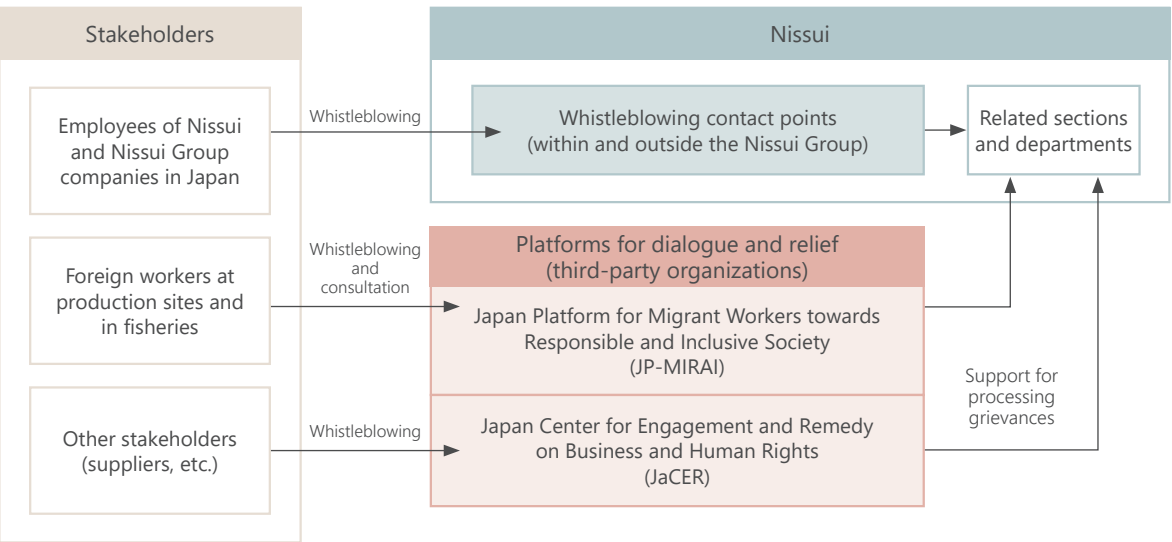
The promotion of occupational safety in aquaculture is handled by the Occupational Safety and Health Subcommittee under the Risk Management Committee. We are promoting “smart aquaculture” by implementing technologies such as automated feeding systems and AI/IoT-based fish length measurement, with the aim of minimizing human involvement in operations at sea and underwater and reducing the risk of occupational accidents.



Japanese amberjack detection screen using AI

Remediation System (Grievance Mechanism)

The Nissui Group has established a whistleblowing system for employees of Nissui and Nissui Group companies in Japan. These employees can report issues to contact points both within and outside the Group. Beginning in FY2023, to support foreign workers at production sites and in fisheries, the Nissui Group is participating in a joint corporate program offered by the Japan Platform for Migrant Workers towards Responsible and Inclusive Society (JP-MIRAI) and started operating a consultation desk. For the use of suppliers and other stakeholders, the Group joined the Japan Center for Engagement and Remedy on Business and Human Rights (JaCER), establishing a contact point for grievances and reports on businesses and human rights. In addition to our own initiatives, we are partnering with specialized third-party organizations to build a system for providing relief as needed.



# Governance

## Governance

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79 ■ Corporate Governance



Company Officers



Directors

- 1

Shingo Hamada

Representative Director,  
President  
Chief Executive Officer (CEO)  
Member of Nomination and  
Compensation Committee
- 2

Seiji Takahashi

Representative Director,  
Senior Managing  
Executive Officer  
Marine Products Business  
Operating Officer  
Member of Nomination and  
Compensation Committee
- 3

Shinya Yamamoto

Director, Managing Executive  
Officer  
Chief Financial Officer (CFO),  
In charge of Corporate  
Administration Group
- 4

Koji Umeda

Director, Managing Executive  
Officer  
Food Products Business  
Operating Officer, In charge of  
Marketing Planning Department  
and Strategic Sales Department
- 5

Shinya Yamashita

Director, Managing Executive  
Officer  
Fine Chemicals Business Operating  
Officer, In charge of R&D Group
- 6

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.)
- 7

Mikito Nagai

Outside Director  
Chair of Nomination and  
Compensation Committee
- 8

Tokio Matsuo

Outside Director  
Member of Nomination and  
Compensation Committee
- 9

Atsumi Eguchi

Outside Director  
Member of Nomination and  
Compensation Committee

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

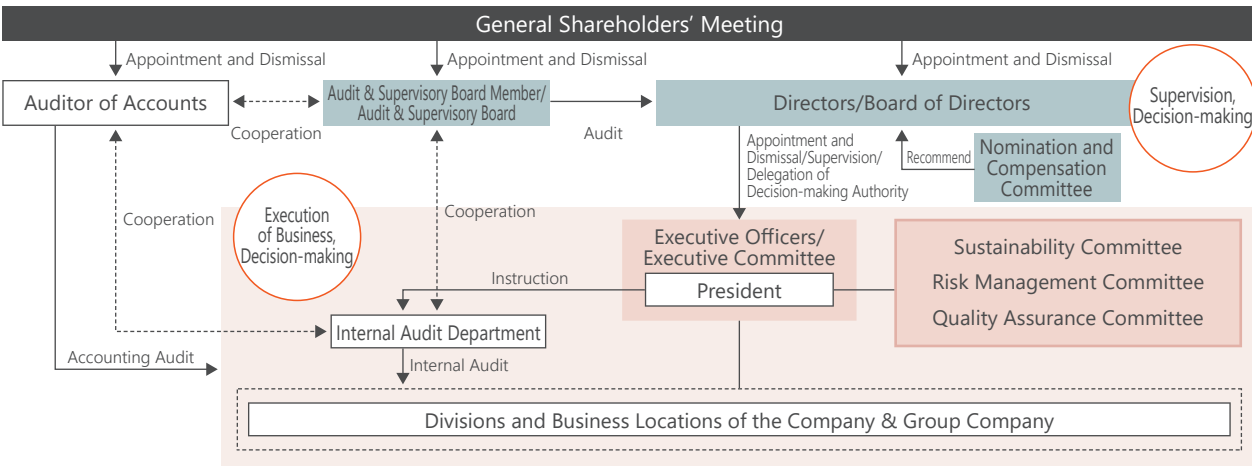
Basic Approach to Corporate Governance

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.

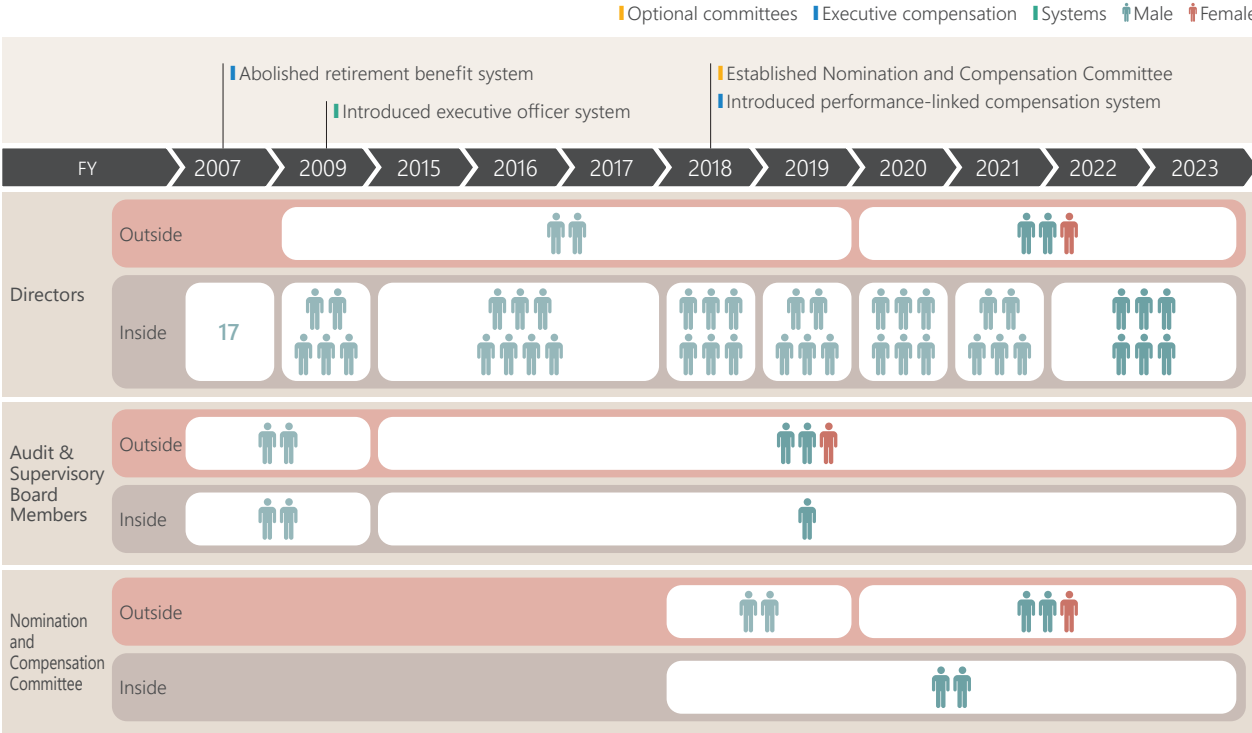
The decision-making functions have been empowered to the Executive Officers (and Executive Committee) headed by the President to speed up the decision-making process and to further separate supervision and execution.

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)					Expected Areas of Expertise									
				Board of Directors	Audit & Supervisory Board	Nomination and Compensation Committee			Corporate management	Finance and accounting	Marketing and sales	Production and technology	R&D	International perspective	Corporate Governance	Risk management	Legal affairs and compliance	Sustainability
						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



Survey Items	Interview Topics
<div>1 Composition of the Board of Directors (size, number of members, diversity, inside/outside ratio, etc.)</div> <div>2 Operation and support framework of the Board of Directors (annual schedule, content and quantity of documents used, leadership of the chair, etc.)</div> <div>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.)</div> <div>4 External communications (quality and appropriateness of details of disclosure to stakeholders, etc.)</div> <div>5 Training of Inside and Outside Directors</div>	<div>Based on the FY2022 issues, the secretariat extracted the following topics for the interviews. All executives were interviewed individually on these topics.</div> <div>1 Revision of policies for maximizing the function of the Board of Directors and of the composition of the Board of Directors</div> <div>2 Measures related to human capital strategy and succession (including personnel training methods)</div> <div>3 Discussion themes on growth strategy for achieving the long-term vision</div> <div>4 Details of measures for sustainability and revision of IR strategy</div>
Overview of Survey Results and Issues Identified	Results of Discussions
<div>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.</div>	<div>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.</div>

Evaluation of Effectiveness of the Board of Directors  
▶ [https://www.nissui.co.jp/english/vision\\_policy/governance.html#gov07](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

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

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

$$\text{Stock-based compensation} = \left( \begin{array}{l} \text{Basic point by} \\ \text{job rank for the} \\ \text{period of the} \\ \text{Mid-term} \\ \text{Business Plan} \end{array} \right) \times \left( \begin{array}{l} \text{Corporate performance evaluation} \\ \hline \text{Financial targets} \quad 70\% \\ \text{Non-financial targets} \quad 30\% \end{array} \right) \times \left( \begin{array}{l} \text{Evaluation for each individual} \\ \text{(80 – 120\%)} \\ \text{<Evaluation item>} \\ \text{KPIs under the Mid-term} \\ \text{Business Plan, achievement} \\ \text{rate of sustainability, etc.} \end{array} \right)$$

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 <sub>2</sub> 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.



## Data Section

### Data Section

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## Changes in Financial Indicators

			FY2013	FY2014	FY2015	FY2016	FY2017	FY2018	FY2019	FY2020	FY2021	FY2022
Financial results and cash-flow (at the fiscal year-end)	Net sales	Million yen	604,249	638,435	637,164	635,953	677,293	712,111	690,016	615,044	693,682	768,181
	Year-on-year change	%	6.6	5.7	(0.2)	(0.2)	—	5.1	(3.1)	—	12.8	10.7
	Operating profit	Million yen	13,931	18,110	19,442	22,646	23,240	21,685	22,834	17,998	27,076	24,488
	Ratio of operating profit to net sales	%	2.3	2.8	3.1	3.6	3.4	3.0	3.3	2.9	3.9	3.2
	Ordinary profit	Million yen	12,360	21,392	20,696	24,884	24,583	25,358	25,807	22,670	32,372	27,776
	Ratio of ordinary profit to net sales	%	2.0	3.4	3.2	3.9	3.6	3.6	3.7	3.7	4.7	3.6
	Share of profit(loss) of entities accounted for using equity method	Million yen	(310)	2,485	2,126	2,965	1,325	2,751	2,820	2,770	2,685	2,401
	Profit (loss) attributable to owners of parent	Million yen	3,998	10,558	12,307	14,216	17,234	15,379	14,768	14,391	17,275	21,233
	Ratio of profit (loss) attributable to owners of parent	%	0.7	1.7	1.9	2.2	2.5	2.2	2.1	2.3	2.5	2.8
	Capital expenditure	Million yen	15,335	18,676	21,907	23,774	29,045	26,530	27,352	22,613	19,352	24,585
	Depreciation	Million yen	16,848	15,877	16,225	16,355	17,599	18,272	19,450	19,640	19,764	20,422
	Research and development expenses	Million yen	3,367	3,697	4,670	4,388	4,856	4,608	4,503	4,740	4,731	4,698
	Net cash provided by (used in) operating activities	Million yen	18,121	22,838	37,395	30,179	28,325	24,693	18,786	45,910	29,118	3,396
	Net cash provided by (used in) investing activities	Million yen	(11,688)	(12,135)	(17,051)	(7,445)	(21,540)	(16,803)	(29,446)	(18,023)	(17,260)	(22,571)
	Net cash provided by (used in) financing activities	Million yen	(11,879)	(7,860)	(23,141)	(11,517)	(8,156)	(15,956)	25,942	(44,786)	(11,265)	17,413
	Cash and cash equivalents at the end of period	Million yen	13,801	17,071	14,056	25,181	24,318	16,165	31,647	14,760	15,683	14,245
Financial position (at the fiscal year-end)	Net assets	Million yen	87,757	109,111	114,030	141,205	157,106	166,158	172,300	187,779	208,598	220,635
	Shareholders' equity	Million yen	60,813	69,536	81,282	108,163	123,305	135,960	148,069	159,648	172,889	189,457
	Total assets	Million yen	434,597	461,889	445,707	451,876	482,233	477,913	491,533	475,468	505,731	549,013
	Interest bearing debts	Million yen	256,146	254,340	232,657	207,750	203,865	191,058	221,239	180,807	178,136	205,535
	Net interest (Interest expenses - Interest income and Dividend)	Million yen	1,693	1,625	1,385	1,048	883	727	599	424	210	630
Per share information	Earnings per share	Yen	14.47	38.22	44.55	48.02	55.33	49.41	47.47	46.25	55.51	68.22
	Dividend per share	Yen	0.00	3.00	5.00	6.00	8.00	8.00	8.50	9.50	14.00	18.00
	Net assets per share	Yen	254.60	326.38	343.60	388.38	442.13	470.28	492.23	544.55	609.82	696.72
Ratio	Dividend payout ratio	%	—	7.8	11.2	12.5	14.5	16.2	17.9	20.5	25.2	26.4
Scope of consolidation (at the fiscal year-end)	Number of employees (Consolidated)	Persons	8,919	8,240	8,466	8,722	9,003	9,065	9,247	9,431	9,662	9,515
	Number of consolidated subsidiaries	Companies	61	59	62	63	65	64	65	66	65	65
	Number of companies accounted for using equity method	Companies	37	36	32	33	31	29	30	31	31	23
	Number of subsidiaries and affiliates	Companies	99	97	95	96	96	93	95	97	96	88
Exchange rate	US dollars	Yen	105.39	120.55	120.61	116.49	112.04	110.36	109.24	106.43	110.37	132.08

\* Effective from the consolidated fiscal year ended March 31, 2019, the Company has changed the way of converting revenues and expenses of our subsidiaries outside Japan, etc. into yen from one based on the spot exchange rate on each company's accounting closing date to one based on the average exchange rate during the period, and thus the figures for the fiscal year ended March 31, 2018 have been retrospectively adjusted.

\* The Company has applied the "Accounting Standard for Revenue Recognition" (ASBJ Statement No. 29, March 31, 2020) and other standards from the beginning of the fiscal year ended March 31, 2022. Figures for the fiscal year ended March 31, 2021 have retroactively adopted the above accounting standards.



## Consolidated Financial Statement

## Consolidated Balance Sheet (Million yen)

	FY2021 As of Mar 31, 2022	FY2022 As of Mar 31, 2023
<b>Assets</b>		
<b>Current assets</b>		
Cash and deposits	13,813	10,376
Notes and accounts receivable-trade	90,325	95,690
Securities	28	—
Merchandise and finished goods	77,467	92,823
Work in process	26,242	31,670
Raw materials and supplies	40,373	51,389
Other	17,191	22,817
Allowance for doubtful accounts	(351)	(419)
Total current assets	265,090	304,349
<b>Non-current assets</b>		
Property, plant and equipment		
Buildings and structures	150,190	154,583
Accumulated depreciation	(91,106)	(93,912)
Buildings and structures, net	59,084	60,671
Machinery, equipment and vehicles	146,800	156,684
Accumulated depreciation	(111,657)	(119,490)
Machinery, equipment and vehicles, net	35,142	37,194
Vessels	31,040	32,146
Accumulated depreciation	(19,478)	(20,644)
Vessels, net	11,561	11,502
Land	26,255	24,253
Leased assets	8,511	10,783
Accumulated depreciation	(3,978)	(4,627)
Leased assets, net	4,533	6,156
Construction in progress	6,040	6,324
Other	16,250	16,552
Accumulated depreciation	(13,487)	(13,637)
Other, net	2,762	2,915
Total property, plant and equipment	145,379	149,017
Intangible assets		
Goodwill	657	1,422
Software	1,952	3,077
Other	8,675	9,582
Total intangible assets	11,285	14,082
Investments and other assets		
Investment securities	35,044	29,916
Shares of subsidiaries and associates	35,327	38,191
Retirement benefit asset	405	483
Deferred tax assets	2,149	2,625
Other	15,578	11,420
Allowance for doubtful accounts	(4,530)	(1,072)
Total investments and other assets	83,975	81,564
Total non-current assets	240,640	244,664
<b>Total assets</b>	<b>505,731</b>	<b>549,013</b>

	FY2021 As of Mar 31, 2022	FY2022 As of Mar 31, 2023
<b>Liabilities</b>		
<b>Current liabilities</b>		
Notes and accounts payable-trade	50,290	50,138
Short-term borrowings	83,197	100,621
Lease liabilities	807	1,189
Income taxes payable	3,818	3,151
Accrued expenses	25,232	25,846
Provision for bonuses	4,088	3,485
Provision for bonuses for directors (and other officers)	299	287
Provision for loss on litigation	287	92
Other	9,807	13,957
Total current liabilities	177,828	198,771
<b>Non-current liabilities</b>		
Long-term borrowings	94,939	104,913
Lease liabilities	3,139	4,429
Deferred tax liabilities	5,260	5,110
Provision for share awards for directors (and other officers)	—	31
Retirement benefit liability	10,698	11,097
Other	5,266	4,023
Total non-current liabilities	119,304	129,606
<b>Total liabilities</b>	<b>297,133</b>	<b>328,377</b>
<b>Net assets</b>		
<b>Shareholders' equity</b>		
Share capital	30,685	30,685
Capital surplus	21,146	21,567
Retained earnings	121,472	137,621
Treasury shares	(415)	(417)
Total shareholders' equity	172,889	189,457
<b>Accumulated other comprehensive income</b>		
Valuation difference on available-for-sale securities	12,040	11,046
Deferred gains or losses on hedges	1,408	561
Foreign currency translation adjustment	6,691	19,541
Remeasurements of defined benefit plans	(3,231)	(3,763)
Total accumulated other comprehensive income	16,909	27,385
<b>Non-controlling interests</b>	<b>18,799</b>	<b>3,792</b>
<b>Total net assets</b>	<b>208,598</b>	<b>220,635</b>
<b>Total liabilities and net assets</b>	<b>505,731</b>	<b>549,013</b>

## Consolidated Financial Statement

## Consolidated Income Statements (Million yen)

	FY2021 (From April 1, 2021 through March 31, 2022)	FY2022 (From April 1, 2022 through March 31, 2023)
Net sales	693,682	768,181
Cost of sales	582,602	652,129
Gross profit	111,079	116,051
Selling, general and administrative expenses		
Sales commission	2,794	3,297
Storage costs	5,266	5,487
Shipment expenses	19,547	21,672
Advertising expenses	3,505	4,694
Difference of provision of allowance for doubtful accounts	67	86
Salaries and allowances	22,846	23,232
Bonuses	2,560	2,577
Provision for bonuses	2,023	1,822
Provision for bonuses for directors (and other officers)	317	348
Retirement benefit expenses	1,192	1,242
Depreciation	1,779	1,786
Rent and repair expense	3,344	3,594
Travel, transportation and communication expense	1,545	2,208
Other	17,209	19,510
Total selling, general and administrative expenses	84,003	91,563
Operating profit	27,076	24,488
Non-operating income		
Interest income	170	193
Dividend income	786	813
Foreign exchange gains	247	55
Share of profit of entities accounted for using equity method	2,685	2,401
Subsidy income	2,570	1,080
Miscellaneous income	697	765
Total non-operating income	7,157	5,309
Non-operating expenses		
Interest expenses	1,166	1,637
Provision for loss on litigation	285	—
Miscellaneous expenses	408	383
Total non-operating expenses	1,860	2,021
Ordinary profit	32,372	27,776
Extraordinary income		
Gain on sale of non-current assets	788	86
Gain on sale of investment securities	346	1,997
Gain on sales of shares of subsidiaries and associates	—	3,464
Insurance claim income	1,025	1,150
Gain on change in equity	58	15
Total extraordinary income	2,218	6,714
Extraordinary losses		
Loss on disposal of non-current assets	660	475
Impairment losses	5,516	1,884
Loss on sale of investment securities	—	327
Loss on valuation of investment securities	299	259
Loss on sale of shares of subsidiaries and associates	—	107
Loss on liquidation subsidiaries and associates	—	576
Loss on valuation of investments in capital	0	54
Loss on disaster	891	493
Loss related to disaster	68	—
Accident related losses	—	1,018
Total extraordinary losses	7,436	5,197
Profit before income taxes	27,154	29,293
Income taxes-current	8,199	7,887
Income taxes-deferred	608	(624)
Total income taxes	8,807	7,262
Profit	18,347	22,030
Profit attributable to non-controlling interests	1,072	797
Profit attributable to owners of parent	17,275	21,233

## Consolidated Statements of Cash-Flow (Million yen)

	FY2021 (From April 1, 2021 through March 31, 2022)	FY2022 (From April 1, 2022 through March 31, 2023)
Cash flows from operating activities		
Profit before income taxes	27,154	29,293
Depreciation	19,764	20,422
Impairment losses	5,516	1,884
Amortization of goodwill	202	292
Increase (decrease) in allowance for doubtful accounts	(410)	(37)
Increase (decrease) in retirement benefit liability	(139)	(602)
Interest and dividend income	(956)	(1,007)
Interest expenses	1,166	1,637
Share of loss (profit) of entities accounted for using equity method	(2,685)	(2,401)
Provision for loss on litigation	285	—
Gain on sale of non-current assets	(788)	(86)
Loss on disposal of noncurrent assets	660	475
Loss (gain) on sale and valuation of investment securities	(70)	(1,410)
Insurance claim income	(1,025)	(1,150)
Loss (gain) on change in equity	(58)	(15)
Loss on disaster	891	493
Loss related to disaster	68	—
Accident related losses	—	1,018
Loss (gain) on sale of shares of subsidiaries and associates	—	(3,357)
Loss on liquidation of subsidiaries and associates	—	576
Loss on valuation of investments in capital	0	54
Decrease (increase) in trade receivables	(11,595)	(6,651)
Decrease (increase) in inventories	(9,922)	(28,601)
Increase (decrease) in trade payables	7,012	(495)
Increase (decrease) in accrued expenses	1,969	238
Other	388	4,332
Subtotal	37,429	14,903
Interest and dividends received	921	1,165
Interest paid	(1,179)	(1,621)
Proceeds from insurance income	1,123	1,633
Payments associated with disaster loss	(134)	(186)
Income taxes paid	(9,042)	(12,498)
Net cash provided by(used in) operating activities	29,118	3,396
Cash flows from investing activities		
Decrease (increase) in time deposits	96	(1)
Decrease(increase) in short-term investment securities	(24)	28
Purchase of property, plant and equipment	(17,609)	(20,910)
Proceeds from sale of property, plant and equipment	1,467	129
Purchase of intangible assets	(881)	(1,861)
Purchase of investment securities	(31)	(233)
Proceeds from sale of investment securities	1,211	4,072
Purchase of shares of subsidiaries resulting in change in scope of consolidation	(1,577)	(3,183)
Proceeds from purchase of shares of subsidiaries resulting in change in scope of consolidation	—	20
Proceeds from sale of shares of subsidiaries resulting in change in scope of consolid	—	(3,262)
Proceeds from sale of shares of subsidiaries and associates in change in scope of consolid	—	2,849
Decrease (increase) in short-term loans receivable	(146)	(186)
Other	236	(31)
Net cash provided by (used in) investing activities	(17,260)	(22,571)
Cash flows from financing activities		
Net increase (decrease) in short-term borrowings	5,814	16,359
Proceeds from long-term borrowings	832	27,196
Repayments of long-term borrowings	(12,837)	(20,061)
Repayments of lease liabilities	(862)	(841)
Dividends paid	(3,579)	(4,976)
Dividends paid to non-controlling interests	(495)	(225)
Purchase of shares of subsidiaries not resulting in change in scope of consolidation	(133)	—
Decrease (increase) in treasury shares	(2)	(2)
Other	(0)	(34)
Net cash provided by (used in) financing activities	(11,265)	17,413
Effect of exchange rate change on cash and cash equivalents	331	323
Net increase (decrease) in cash and cash equivalents	923	(1,437)
Cash and cash equivalents at beginning of period	14,760	15,683
Cash and cash equivalents at end of period	15,683	14,245

Sustainability Data

Environmental Data

The mark ☒ indicates data that has obtained third-party assurance.

Third-Party Assurance  
▶ <https://nissui.disclosure.site/en/themes/228>

	Unit			FY2018	FY2019	FY2020	FY2021	FY2022
CO <sub>2</sub> Emissions (by Region)	t-CO <sub>2</sub>	Japan	Marine Products <fishery>	46,045	47,977	50,837	46,744	44,160
			Marine Products <processing/aquaculture>	25,931	24,388	24,454	24,273	21,341
			Food Products	112,627	109,832	105,758	100,541	98,441
			Fine Chemicals	23,789	23,591	20,940	17,018	14,018
			General Distribution	27,353	24,674	24,757	24,550	22,636
			Others	9,154	9,917	8,091	6,728	6,199
			Total	244,899	240,380	234,836	219,854	206,795
		Outside Japan	Marine Products <fishery>	25,417	25,580	22,124	22,398	21,521
			Marine Products <processing/aquaculture>	59,899	62,691	64,145	64,137	52,598
			Food Products	32,578	32,380	36,438	35,291	37,921
			Fine Chemicals	0	0	150	175	99
			Total	117,894	120,651	122,857	122,001	112,139
		Total			362,793	361,031	357,693	☑341,855
Scope 1, 2	t-CO <sub>2</sub>	Scope 1		209,705	215,678	218,625	☑207,252	☑197,713
		Scope 2		153,088	145,352	139,068	☑134,603	☑121,221
		Total		362,793	361,031	357,693	☑341,855	☑318,934
Scope 3	t-CO <sub>2</sub>		—	—	2,282,923	☑2,545,561	To be disclosed before the end of FY2023	
Energy Use	GJ	Japan		—	4,628,591	4,544,812	4,346,604	4,157,864
		Outside Japan		—	2,492,926	2,767,542	2,751,959	2,809,529
		Total		—	7,121,517	7,312,354	☑7,098,563	☑6,967,393
Solar Power Generation	MWh	Japan		—	—	180	977	3,490
		Outside Japan		—	—	1,077	1,263	1,294
		Total		—	—	1,257	2,240	4,784
Water Use	thousand m <sup>3</sup>	Japan		4,279	4,184	3,957	3,843	3,711
		Outside Japan		5,833	6,487	7,148	6,681	5,782
		Total		10,112	10,671	11,105	10,524	9,493
Water Discharge	thousand m <sup>3</sup>	Japan*			226	257	264	275
		Outside Japan	Rivers/sea/canals	—	—	4,359	3,933	3,493
			Sewers	—	—	224	249	266

\* Scope: Nissui Corporation

Social Data

Unit			FY2020	FY2021	FY2022
Number of Employees by business	Persons	Consolidated			
		Marine Products	3,526	3,655	3,493
		Food Products	3,863	3,932	4,121
		Fine Chemicals	456	464	260
		General Distribution	628	637	667
		Others	704	718	695
		Company-wide	254	256	279
		Total	9,431	9,662	9,515
Ratio of Female	%	Nissui			
		Employees	21.7	22.4	27.5
		Managers	7.0	7.3	6.8
	%	Nissui			
		Executives	8.3	8.3	8.3
Ratio of employment of people with disabilities	%	Nissui	2.03	1.98	2.39
Number of Persons Hired	Persons	Nissui			
		New graduates	34	49	44
	Persons	Nissui			
		Mid-career hires	13	12	18
Average age	Years of age	Nissui	42.7	42.7	43.0
Average years of service	Years	Nissui	16.9	16.9	16.3
Average overtime hours	Hours per month	Nissui	15.7	16.1	15.9
Rate of childcare leave taken	%	Nissui			
		Male	60.6	117.9	78.9
	%	Nissui			
		Female	100.0	100.0	100.0
Rate of paid leave taken	%	Nissui	69.43	75.31	84.49
EPA/AA ratio*	—	Nissui	0.33	0.31	0.31

\* EPA/AA ratio: A ratio indicating the balance of eicosapentaenoic acid (EPA) and arachidonic acid (AA) in the body. It is included in examination items of periodic health checkups as an indicator of the effect on employee health.

Governance Data

Unit			FY2020	FY2021	FY2022
Implementation of internal audit	divisions	Nissui	10	3	9
	companies	consolidated subsidiaries			
		Japan	5	8	9
		Outside Japan	0*	3	5

\* Suspended due to measures against the COVID-19 pandemic.

ESG Data Book  
▶ <https://nissui.disclosure.site/en/themes/119>

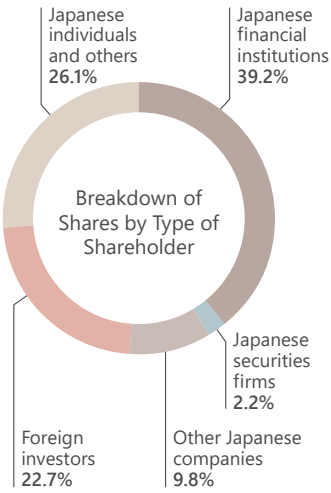


Stock Information (As of March 31, 2023)

Listed Stock Exchange	Tokyo Stock Exchange (Prime Market)	Fixed Date for the Dividend Payment for Shareholders	Year-end dividend March 31/ Interim dividend September 30
Securities Code	1332		
Total Number of Shares Authorized	1,000,000,000 shares	Number of Shareholders	113,041
Total Number of Shares Issued	312,430,277 shares	Administration of the Shareholders' Register	Sumitomo Mitsui Trust Bank, Ltd.
Number of Shares Per Unit	100 shares	Ordinary General Shareholders' Meeting	June
		Accounting Auditor	Ernst & Young ShinNihon LLC

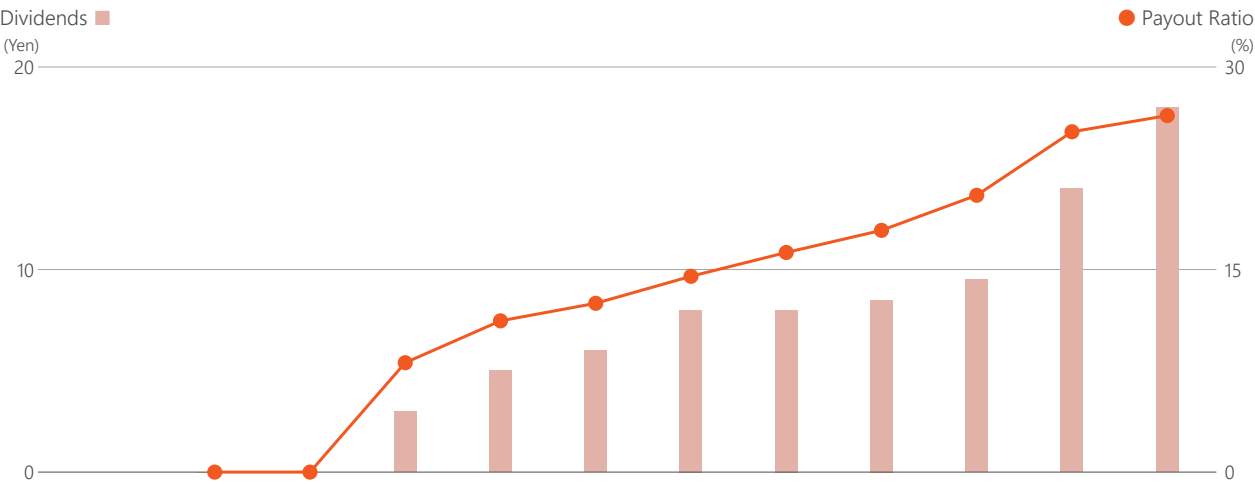
Principal Shareholders

Shareholders Name	Number of Shares (in thousands of shares)	Stockholding Ratio (%)
The Master Trust Bank of Japan, Ltd. (Trust Account)	62,810	20.2
Custody Bank of Japan, Ltd. (Trust Account)	28,982	9.3
Mizuho Bank, Ltd.	10,650	3.4
Mochida Pharmaceutical Co., Ltd.	8,000	2.6
BYNM AS AGT/CLTS NON TREATYJASDEC	4,405	1.4
STATE STREET BANK WEST CLIENT-TREATY 505234	4,224	1.4
Chuo Gyorui Co., Ltd.	4,140	1.3
Juniper	3,961	1.3
STATE STREET BANK AND TRUST COMPANY 505223	3,909	1.3
JP MORGAN CHASE BANK 385781	3,851	1.2



Note: Stockholding ratio was calculated excluding treasury shares (841,377 shares). Treasury shares do not include the 223,600 shares of the Company's stock held by the Board Benefit Trust (BBT).

Changes in Dividends and Payout Ratio



	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022
Dividends (Yen)	0.0	0.0	3.0	5.0	6.0	8.0	8.0	8.5	9.5	14.0	18.0
Payout Ratio (%)	0.0	0.0	8.1	11.2	12.5	14.5	16.2	17.9	20.5	25.2	26.4

Company Information (As of March 31, 2023)

Company Name	Nissui Corporation
Founded	1911
Established	1943
Capital	30,685 million yen
Number of Employees	1,485 (Non-consolidated) 9,515 (Consolidated)
Head Office	Nishi-Shimbashi Square, 1-3-1, Nishi-Shimbashi, Minato-ku, Tokyo 105-8676, Japan



External Recognition

Index Selection



2023 CONSTITUENT MSCI JAPAN  
EMPOWERING WOMEN INDEX (WIN)

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Morningstar Japan ex-REIT Gender Diversity Tilt Index (GenDi J)

External Recognition of Initiatives



The Company was selected for the fifth consecutive year in the agriculture, forestry, and fisheries industries under the Health & Productivity Stock Selection program, in which one company from each industry is chosen from among the companies listed on the Tokyo Stock Exchange as a company focusing on employees' health from a management perspective and strategically carrying out efforts toward employee health.



Pursuant to the Act on Advancement of Measures to Support Raising Next-Generation Children, this certification is given by the Minister of Health, Labour and Welfare to companies that have formulated and implemented action plans to help employees balance work and child rearing and that meet certain standards. The Company has been certified for four consecutive periods since May 2010.

External Assurance

The CO<sub>2</sub> emissions data for the FY2022 presented in this report (p.93) has received independent practitioner's assurance from Sustainability Accounting Co., Ltd., for enhanced credibility of the calculations.

Global Network

