

On Corporate Governance



Shizuka Uzawa
Outside Director



Kunio Otani
Representative Director, Chairman

Realizing Management Goals through Governance

> Nichirei’s Governance

Otani: I believe transparency is critical for a company that handles food. Further, it is important that management and all Nichirei employees realize that, without transparency, we cannot continue as a going concern. Thus, even before the establishment of the national Corporate Governance Code, Nichirei had introduced outside directors and implemented succession plans, thereby taking the lead in organizational reforms and institutional design.

Uzawa: A company without adequate governance cannot operate for nearly 80 years. Since I have been appointed an outside director, it has been my impression that Nichirei is very serious about governance. Moreover, Nichirei governance incorporates a financial perspective. Since the days when many Japanese companies only placed importance on the profit and loss statement, Nichirei has engaged in financial strategy using retained economic profit (REP) as an indicator aimed at

improving capital efficiency, thereby establishing a mechanism for rational and systematic management.

Otani: Six of Nichirei’s 15 directors and auditors are outside directors or company auditors. Furthermore, Nichirei adopts the company with board of company auditors structure and perceives its Board of Auditors to be adequately independent, as three of its five members are outside company auditors. Outside directors participate in Management Meeting, Risk Management Committee and other meetings, as well as in Board of Directors, as appropriate, which promotes management transparency.

Uzawa: I truly appreciate Nichirei’s mission and vision.

Otani: Amid significant changes in society and the appointment of a new president in April 2019, the Nichirei Group has been adjusting the direction of its trajectory and has formulated a new Group vision and long-term management plan toward 2030.

> Outside Directors: Role and Expectations

Otani: What we expect from outside directors is specialization and the ability to discover risks in corporate management and the business environment. Also, rather than just giving negative opinions, we expect the individual to engage in constructive discussion and to have the ability to think independently.

Ideally it should be someone with a broader perspective and point of view than has the executive team. I recognize that our current outside directors possess these qualities. In fact, thanks to them, we are always able to exchange ideas and work proactively to control situations.

Uzawa: I always try not to be critical. Many companies are worried about a lack of appropriate

candidates for the position of outside director. But one must wonder about the type of individual they seek. I believe that an outside director must have the ability to say “no” should the company stray too far from its original vision. This is the reason I am convinced that experience in corporate management—including failures—is important.

Otani: Companies are operated by people, so a company’s direction will change significantly depending on how management is balanced. Since managers are required to have the ability to adapt to the prevailing strategy, the stereotypical combination of business manager, university professor and accountant is not necessarily correct.

➤ Evaluation of the New Plan

Otani: The new medium-term business plan WeWill 2021 is the first one aimed at achieving our long-term management goals toward 2030. The plan name WeWill reflects the desire of President Kenya Okushi, that everyone should think about, and work to achieve it.

According to the plan, completed following long and detailed discussions, the Group has high expectations for overseas business development, which we were late to engage in when I was president. We definitely want to achieve this plan, and expect that it will quickly enable our market capitalization to exceed ¥500 billion.

Uzawa: For some time, I have said that one ought to be a director of a holding company before being president of an operating company. Operating company presidents have generally refrained from commenting on other operating companies, but the thinking on this has changed recently, hasn't it?

Otani: Yes, it has. Operating company presidents have become more open about providing appropriate opinions on other businesses, and this is reflected in our new business plan.

Uzawa: I can see that everyone took seriously their work to formulate the plan, and the numbers are pretty exact.

Otani: This is the first business plan for the new management team. It was formulated with passion, so I am determined to achieve the plan's goals.

Uzawa: Since we have put in place a young management team structure, I want them to have the freedom to make changes.

The concern is that overseas sales account for less than 15% of overall sales. Up to now, that was fine. But, given Japan's declining birthrate and aging population, we must look to business abroad if we are to achieve further growth.

Otani: Today, speed is required and "agility" is a keyword. Thus, if you have a good idea, you need to try it out and, if the situation changes, you must immediately and appropriately adjust your course of action. You must think deeply, decide quickly and act flexibly.



It is difficult for me to imagine any major problems at Nichirei, given the system of governance it has in place.

Shizuka Uzawa



We need to accelerate our efforts to develop highly transparent management.

Kunio Otani

➤ Expectations and Issues

Otani: As Chairman of the Board of Directors, I would like to promote highly transparent management and make Nichirei an entity that is esteemed both within and outside the Company. To achieve this, we must sort out governance issues, adhere to the Corporate Governance Code and enhance the efficacy of the Board of Directors.

Uzawa: Board of Director discussions are already quite lively, but participation must be expanded. Moreover, Executive Officers and others who will be the next generation of managers, must engage in discussions at strategy and other meetings.

Otani: If these people participate in meetings, outside directors will be able to observe future board members. This is a good way to promote succession plans and develop human resources for global deployment.

Uzawa: I am convinced that the only way to train people is to force them to go overseas. But even then, although achieving the target overseas sales ratio of 30% will be difficult, it must be done.

Otani: Human resource growth is indispensable for business growth. However, at present, we are not fully engaged in developing the human resources necessary for overseas business. For this reason, I want to find and cultivate overseas human resources who will help expand our business.

Uzawa: From now on, we need to try a variety of measures overseas and learn as much as we can when doing business abroad.

That said, without a solid foundation here in Japan, we will not succeed in global business. But the Nichirei governance system is truly robust, and we are sufficiently thorough to ensure there are no major incidents in the future.

Currently, we face a number of issues associated with the introduction of IT and AI, yet I am confident that they will all be handled efficiently by President Okushi.



Kunio Otani
Representative Director, Chairman

After gaining business experience in accounting, management planning and various business management support departments, appointed Representative Director in 2013 and has served in the current position since April 2019.

Shizuka Uzawa
Outside Director

After serving as Representative Director, as well as President and Chairman of Nisshinbo Holdings Inc., appointed Outside Director at Nichirei in 2016. Concurrently serves as Outside Director at the Japan Finance Corporation and Sapporo Holdings Ltd.