

Governance

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Management approach

We are building the most appropriate governance structure based on our Fundamental Policy.

Management approach

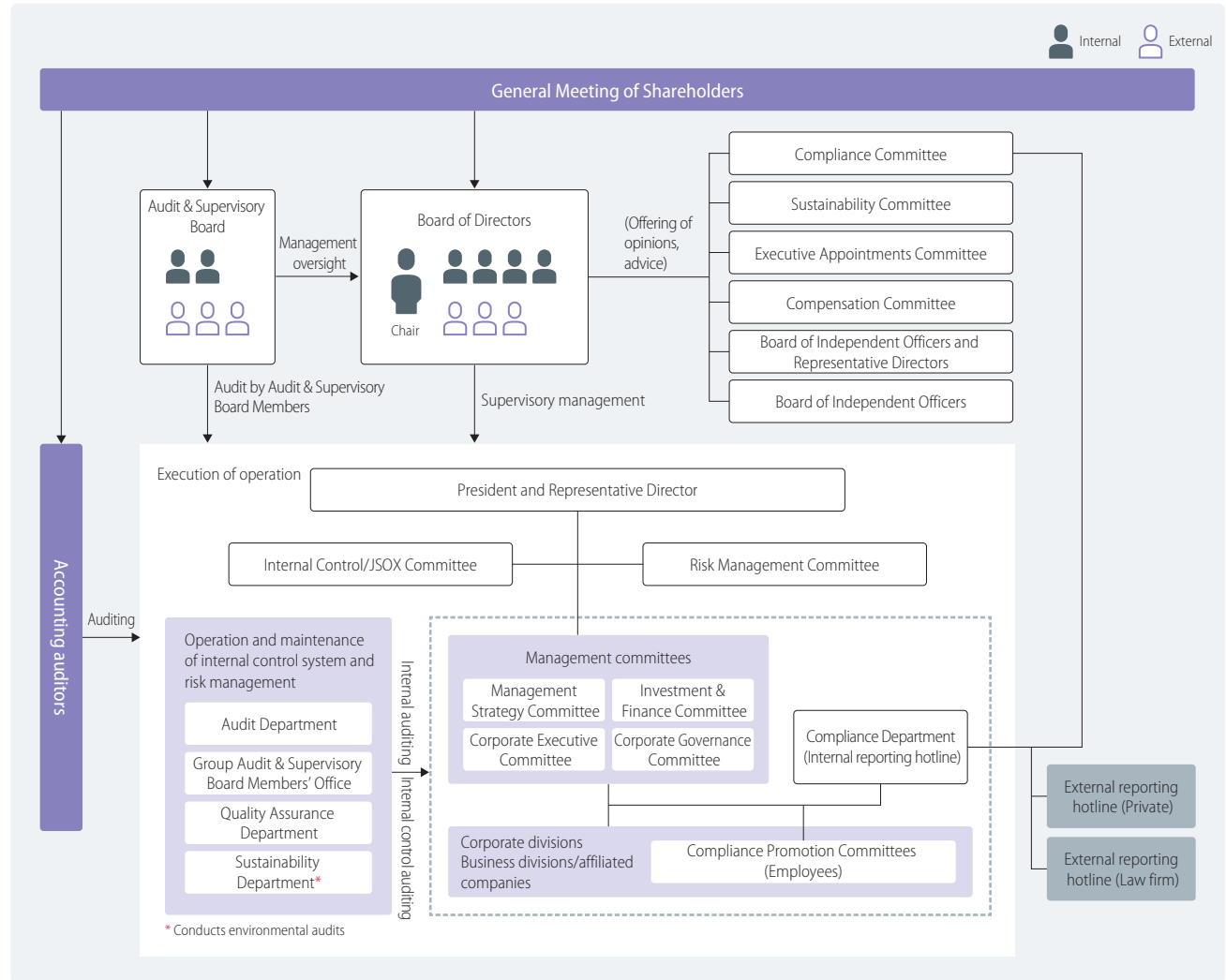
The NH Foods Group is working to fulfill its social responsibilities as a group of companies and achieve the Group Corporate Philosophies by building the most appropriate governance structure for the Group based on the NH Foods Group Fundamental Policy on Corporate Governance. The application of this structure aims to enhance management transparency and efficiency across the entire Group, to ensure timely and proper decision making as well as appropriate business operations, to enable proactive and courageous business judgments, and to clarify responsibilities.

NH Foods Group Fundamental Policy on Corporate Governance
Company has enacted the "NH Foods Group Fundamental Policy on Corporate Governance" setting forth its basic views on and framework of corporate governance of the Company.

PDF NH Foods Group Fundamental Policy on Corporate Governance



Corporate governance system



Corporate governance

We have clarified the responsibility and authority of the management supervisory and business execution functions.

Directors and the Board of Directors

The Company clarifies that responsibility and authority regarding the management supervisory function lies with directors and responsibility and authority regarding the business execution function lies with executive officers.

We have set the number of directors to at least three but no more than 12 to ensure prompt and proper decision making and minimize the scope of liability of that body. We also appoint more than one outside director to ensure transparency. Currently, the Board comprises eight directors (seven men and one woman), which includes three outside directors. A director's term is one year for the purpose of facilitating annual accountability. The Board of Directors meets once a month with the president and representative director as chairperson, and makes decisions on the matters set forth in the laws, regulations, and the Articles of Incorporation, as well as other important matters. In FY2020, it discussed the new medium-term management plan and materialities.

Audit & Supervisory Board members and the Audit & Supervisory Board

The Audit & Supervisory Board carries out part of the supervisory function of the Company in cooperation with the Board of Directors. As an independent body entrusted by shareholders, it audits the execution of duties by directors. We have set the number of Audit & Supervisory Board members to at least three but no more than five to enable it to fully perform its supervisory function toward the Board of Directors. Also, in principle, over half of the members are outside Audit & Supervisory Board members. Currently, the Board comprises five members (all men), which includes three outside members.

The Audit & Supervisory Board should comprise individuals who have expertise in finance, accounting, and legal affairs, and there should be at least one member who has appropriate knowledge of finance and accounting in particular. The Audit & Supervisory Board meets once a month and discusses important matters concerning auditing.

Optional committees

To enhance the objectivity and transparency of management, the Company has established the following optional committees as advisory bodies to the Board of Directors.

Objective and details		Meetings in FY2020
Compliance Committee	To ensure thorough compliance and raise society's trust in the Group by comprehensively confirming and reviewing Group-wide compliance and making proposals to the Board of Directors and management committees.	4 (100% attendance)
Sustainability Committee	To comprehensively review the sustainability initiatives of the Group, and report and make proposals to the Board of Directors.	3 (100% attendance)
Executive Appointments Committee	To strengthen the supervisory function of the Board of Directors by enhancing the transparency and objectivity of decisions on the selection of candidates for the positions of representative director, director, and Audit & Supervisory Board member, as well as discussions regarding the dismissal and/or removal of the President and Representative Director and other management members (executive directors and executive officers).	5 (100% attendance)
Compensation Committee	To strengthen the supervisory function of the Board of Directors by enhancing the transparency and objectivity of decisions regarding compensation for corporate officers (including executive officers).	3 (92.3% attendance)
Board of Independent Officers and Representative Directors	To facilitate exchanges of opinion among independent officers and representative directors as a forum for making proposals regarding improvements to the Group's corporate value and reforms to corporate culture.	2 (100% attendance)
Board of Independent Outside Officers	To facilitate discussions between independent directors and Audit & Supervisory Board members as a forum for exchanging information and sharing understandings from an independent and objective perspective.	2 (100% attendance)

Composition of optional committees (as of April 1, 2021)

Position	Name	Compliance Committee	Sustainability Committee	Executive Appointments Committee	Compensation Committee	Board of Independent Officers and Representative Directors	Board of Independent Outside Officers
President and Representative Director	Yoshihide Hata	◎	◎		○	○	
Representative Director	Tetsuhiro Kito	○	○			○	
Representative Director	Nobuhisa Ikawa	○	○			○	
Director	Fumio Maeda	○	○				
Director (outside)	Yasuko Kono*	○	○	◎	○	○	◎
Director (outside)	Atsushi Iwasaki*		○	○	◎	○	○
Director (outside)	Hideo Arase*		○	○	○	○	○
Director (outside)	Akihiko Shiba*			○		○	○
Director (outside)	Masayuki Kitaguchi*	Observer				○	○
Director (outside)	Tokushi Yamasaki*		Observer			○	○

◎ Chairperson ○ Committee member * Independent officer

Notes: 1. In addition to the above, the Compliance Committee also includes the corporate officer in charge of the Compliance and Audit Departments, corporate officer in charge of the Human Resources and General Affairs Departments, general manager of the Compliance Department, labor union representatives, and external experts.

2. In addition to the above, the Sustainability Committee also includes the general manager of the Overseas Business Division, corporate officer in charge of the Human Resources and General Affairs Departments, and external experts.

Corporate governance

We are strengthening the auditing and internal control functions of the entire Group.

Auditing system

Internal audits and audits by Audit & Supervisory Board members

The implementation of internal audits has been assigned to 19 employees of the Audit Department and is carried out in coordination with Audit & Supervisory Board members and accounting auditors. These audits include site visits to plants, business offices, and other facilities, as well as at both domestic and overseas subsidiaries, to evaluate their accounting and business operations. The results of internal audits are reported to the Board of Directors.

Accounting auditors evaluate the effectiveness of internal controls by holding discussions with the Audit Department to gauge the status of internal audits. They also exchange information concerning audit results.

With regard to audits by Audit & Supervisory Board members, members attend meetings of the Board of Directors, Management Strategy Committee, and other boards and committees in order to confirm business execution by directors. Each quarter, Audit & Supervisory Board members also exchange opinions and proposals with the President and Representative Director, and exchange opinions with outside directors.

Also, in order to monitor the status of business execution, at least one full-time Audit & Supervisory Board member and one outside Audit & Supervisory Board member participate in interviews with directors twice a year, and executive officers and the heads of major departments and divisions once per year, in order to confirm the situation regarding matters such as business execution, governance and compliance initiatives, workstyle reform, and human resources development.

Audits of domestic and overseas Group companies are conducted annually at key business sites mainly selected based on an audit plan formulated at the beginning of each fiscal year,

and biannually at other sites. During these audits, interviews are held regarding matters such as the progress of business execution, response to material risks, compliance initiatives, progress on workstyle reform, and requests for the Group.

Audit & Supervisory Board members exchange information once per month with the accounting auditor and the internal audit departments, and observe audits by the internal audit departments and audits by the accounting auditor (including the year-end inventory audit).

Establishment of the Group Audit & Supervisory Board Members' Office

In April 2021, we established the Group Audit & Supervisory Board Members' Office to strengthen the Group's auditing and internal control functions and to establish an audit structure that also oversees affiliated companies. The office will coordinate with the Audit Department and Audit & Supervisory Board members to conduct preparatory training for newly appointed Audit & Supervisory Board members at Group companies and support the development of new auditing tools, as well as facilitate information sharing aimed at improving the quality and effectiveness of audits.

Accounting audits

The Company has concluded an auditing contract with Deloitte Touche Tohmatsu LLC, to carry out audits in accordance with the Companies Act of Japan and the Financial Instruments and Exchange Act. In addition, the department in charge of accounting holds discussions with accounting auditors as necessary with the aim of improving the transparency and correctness of accounting procedures.

Names of CPAs who performed audits	Name of auditing firm
Wakyu Shinmen	Deloitte Touche Tohmatsu LLC
Koichi Sekiguchi	Deloitte Touche Tohmatsu LLC
Shunsuke Matsumoto	Deloitte Touche Tohmatsu LLC

Notes: Assistants who helped with accounting audits included 17 CPAs, 11 CPA-certified individuals, and 33 other individuals.

Cross-shareholdings

In principle, the Company does not hold shares in cross-shareholdings. However, we may hold shares in cross-shareholdings in cases where it is recognized that cross-shareholding is essential to the sustainable growth of the Group or to improving corporate value, such as for reinforcing alliances in order to maintain business transactions and expand our business, and for smooth fund raising.

Once a year, we review all cross-held shares and closely examine whether factors such as the benefit of holding these shares, the risk of stock price fluctuations, and the credit risk of the issuing company are worth the capital cost, and then comprehensively determine whether holding such shares is appropriate or not.

If we determine that holding certain shares has become less necessary, we will dispose of such shares in an appropriate manner, taking into consideration matters such as stock price and market trends. There are also cases where even though the holding of certain shares has been recognized as significant, they may be disposed of based upon an agreement with the issuing company.

When exercising the voting rights of cross-held shares, we deliberate on each proposal offered by the issuing company and respect such proposals as long as they do not disregard the interests of shareholders. However, if any incidents of misconduct (including misconduct by management members) or antisocial behavior occur at an issuing company, we will exercise our voting rights with the aim of improving said company's corporate governance.

Corporate governance

We have appointed multiple outside directors and outside Audit & Supervisory Board members to ensure transparency.

Reasons for election and attendance of outside directors and Audit & Supervisory Board members

Name	Reason for election	Attendance
Yasuko Kono Outside Director	Yasuko Kono is expected to utilize her abundant experience and knowledge concerning consumer affairs to aid the general management of the Group and to provide valuable advice regarding the promotion and implementation of the Group's Five Materialities, which are social issues that should be addressed in order to realize the Group's Vision2030. She has already provided valuable and timely advice regarding "Create value through dialog with consumers" and "Pursue sustainability," which were management policies in Medium-Term Management Plan 2020.	Board of Directors meetings: 100% (18/18)
Atsushi Iwasaki Outside Director	Atsushi Iwasaki is expected to utilize his expert knowledge and abundant experience as a certified public accountant to aid the general management of the Group and to provide valuable advice regarding "Shift to a sustainable business model with profitability," a management policy in Medium-Term Management Plan 2023 that was formulated by backcasting from the achievement of Vision2030. He has already provided valuable and timely advice regarding "Increase existing businesses efficiency to boost profitability," which was a management policy in Medium-Term Management Plan 2020.	Board of Directors meetings: 100% (18/18)
Hideo Arase Outside Director	Hideo Arase has served as a director in charge of overseas business at a major manufacturer of medical equipment and possesses abundant experience of and deep insight into global corporate management that can adapt to change. He is therefore expected to aid the general management of the Group and to provide valuable advice regarding "Establish a growth model for Overseas Business," a management policy in Medium-Term Management Plan 2023 that was formulated by backcasting from the achievement of Vision2030. He has already provided valuable and timely advice regarding "Change gears in overseas market deployment," which was a management policy in Medium-Term Management Plan 2020.	Board of Directors meetings: 100% (18/18)
Akihiko Shiba Outside Audit & Supervisory Board member	Akihiko Shiba provides advice in a timely manner to ensure the legality and appropriateness of Group management from an objective and fair perspective based on his expert standpoint and abundant experience as an attorney-at-law. He has also served as a member of the Executive Appointments Committee.	Board of Directors meetings: 100% (18/18) Audit & Supervisory Board meetings: 100% (18/18)
Masayuki Kitaguchi Outside Audit & Supervisory Board member	Masayuki Kitaguchi provides advice in a timely manner to ensure the legality and appropriateness of Group management from an objective and fair perspective based on his expert standpoint and abundant experience as an attorney-at-law and certified public accountant. He has also served as an observer at meetings of the Compliance Committee.	Board of Directors meetings: 100% (18/18) Audit & Supervisory Board meetings: 100% (18/18)
Tokushi Yamasaki Outside Audit & Supervisory Board member	Tokushi Yamasaki provides advice in a timely manner to ensure the legality and appropriateness of Group management based on his expert standpoint and abundant experience as a former food sector securities analyst. He has also served as an observer at meetings of the Sustainability Committee.	Board of Directors meetings: 100% (18/18) Audit & Supervisory Board meetings: 100% (18/18)

Outside director's message



A transformation is needed within the Company so that all employees are conscious of the vision and incorporate it into their work.

Atsushi Iwasaki
Outside Director

When the Company started its new medium-term management plan in April 2021, we also formulated Vision 2030 "Unleash new potentials for protein" as a milestone in the pursuit of our Corporate Philosophies. The formulation process fostered discussions that took into account the nature of the Company and we moved to further spread this consciousness through methods such as newspaper ads. However, at present these efforts have been insufficient, so we need to realize a transformation within the Company to make all employees conscious of the vision to the extent that they incorporate it into their work.

At the same time, we need to make revisions to our Five Materialities (key issues) while keeping them consistent with Vision 2030. An overview of our materialities is included in this report and each materiality is something that both the Company and our stakeholders recognize as important. As an outside director, my role is to monitor efforts to achieve these materialities through reports on the state of progress made on KPI and other means.

We need to change our approach as a company so that instead of considering the sustainability of the Company and society as a tradeoff, we are thinking of how to realize them both simultaneously. I am looking forward to seeing specific ways of achieving this discussed at the Sustainability Committee and other forums.

Corporate governance

We are developing next-generation executives who can enhance corporate value in a sustainable manner.

Plan for the development of next-generation executives (selection, transfer, and training)

Human resources characters required for executives

The Group is working to continuously enhance corporate value by establishing the Plan for the Development of the Next Generation Executives and defining five “Human resources characters required for executives” (integrity, devotion, deliberation, endeavor, and empathy). The assessment of corporate officers involves executive officers creating a commitment sheet that incorporates these five requirements, followed by an interview with the President during which the setting and achievement of targets is confirmed. NH Foods Ltd. is also working to cultivate the next generation of human resources who possess the five requirements by introducing programs such as a selection, training, and transfer program and an executive behavioral characteristics analysis program on a company-wide basis.

We will enhance the pool of potential executives by revising human resources systems, to create more opportunities for potential next-generation leaders. We will then develop training for each level of the workforce based on this.

Developing next-generation executives

The Group implements next-generation executive planning initiative in accordance with the process in the Guidelines for Strategic Development of Managerial Human Resources to Improve Corporate Value released by the Ministry of Economy, Trade and Industry. Our plan started in 2018 and as of May 2021, we are engaged in Phase 4 – “Evaluation of the results of development, and reassessment and reevaluation of related measures.” In fiscal 2021, our new executive officers participated in a young managers forum with a view to cultivating next-generation executive experience and creating useful contacts outside of the Group.

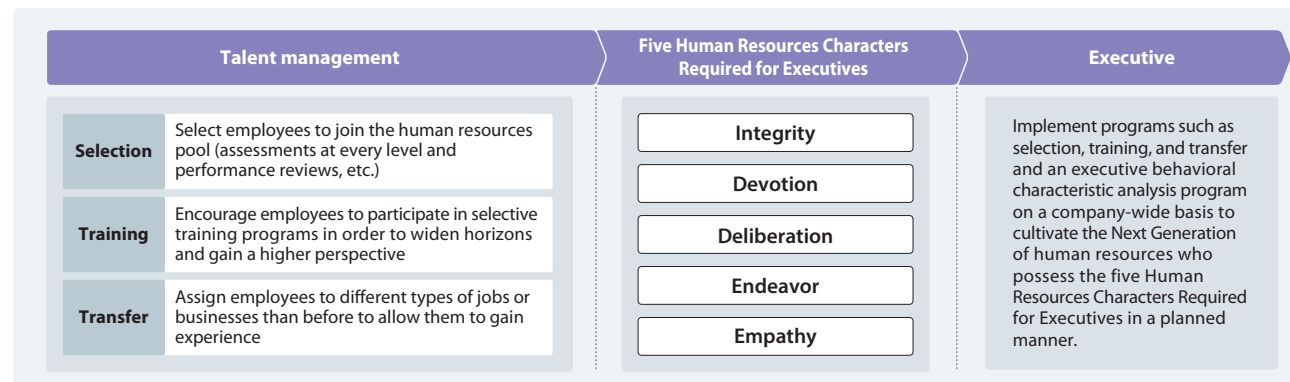
As part of our newly established training programs for each employee level, we plan to hold talks on the latest trends in corporate governance at meetings of the Board of Directors and talks by managers at meetings of the Corporate Executive Committee. We are also introducing a voluntary program for managers run by an external educational institution so that officers can continue to improve their abilities after being appointed and can maintain and further develop the five requirements of our managers. Additionally, we conduct 360-degree evaluation for employees who are the heads of major departments and divisions or above, which incorporates feedback from superiors, peers, and people working under them. These are useful for self-development.

We are carrying out succession planning for CEO and management positions through measures such as disclosing our requirements of executives, applying various external assessment systems, and carrying out education and training. Each year we make improvements, and the details of these improvements are discussed by the Executive Appointments Committee and confirmed by the Board of Directors.

Guidelines for the strategic cultivation of management leaders who can raise corporate value

Item	
Phase 1 Definition of the character of management leader human resources Formulation of a management leader human resources strategy	<ul style="list-style-type: none"> ● Formulation of the five human resources characters required for executives ● Articulation of the Plan for the Development of the Next-Generation Executives in the NH Foods Group Fundamental Policy on Corporate Governance ● Addition of five requirements to the corporate officers' commitment sheet
Phase 2 Identification and evaluation of human resources, and selection and retention of candidates	<ul style="list-style-type: none"> ● Formulation of a corporate officer candidate selection and deselection scheme ● Appointment of outside officers
Phase 3 Formulation and implementation of a human resources development plan, and conditioning and support for the development environment	<ul style="list-style-type: none"> ● Conduct an executive behavioral characteristic analysis program for new executive officers ● Addition of employees who are subject to 360-degree evaluations (August 2021) ● Implementation of officer interviews by outside officers
Phase 4 Evaluation of the results of development, and reassessment and reevaluation of related measures	<ul style="list-style-type: none"> ● Systemization of education and training programs for officers (from April 2021)

Overview of the program for cultivating next-generation executives



Compliance

We actively work to fulfill our social responsibilities in a just and sincere manner.

Compliance promotion framework

Important information concerning compliance is centrally managed by the Compliance Department which reports in real time to directors, Audit & Supervisory Board members, executive officers, and the heads of relevant departments and divisions and also presents reports to the Board of Directors and Compliance Committee.

Additionally, the Compliance Committee, which is responsible for verifying compliance status and considering compliance policies across the Group, the Compliance Promotion Committees, which advance compliance initiatives at each Group company and business division, and the Compliance Leader Conference, which comprises representatives from the Compliance Promotion Committee of each Group Company and considers specific measures, all coordinate to share the latest information and to work thoroughly toward better compliance management.

In fiscal 2020, the Compliance Committee met four times and the Compliance Leader Conference met three times.

Setting global action standards

We have established the NH Foods Group Global Action Standards as shared global standards and based on this, we formulated the NH Foods Group Action Standards (Japan version) for Japan.

Ensuring corruption prevention

We formulated the NH Foods Group Action Standards (Japan version) for Group companies in Japan and the NH Foods Group Overseas Governance Policy for Group companies overseas with a particular focus on preventing bribery. We also prohibit the provision of entertainment or gifts to public officials with the purpose of unjust profit, either directly or indirectly through agents or the like.

Identifying potential risks through regular visits to business sites

Members of the Compliance Department regularly visit our business sites and solicit feedback from employees. The goal is to identify potential risks, avoid them, take preventive measures, detect problems early, and solve them.

Employee awareness-raising activities

We work to entrench compliance awareness through the entire Group by leveraging various opportunities to carry out awareness-raising activities.

Compliance training is conducted for each level of employee and involves content such as learning about harassment issues and compliance violations and discussing case studies as a group. Also, all employees attend Compliance Competitions held at each business location and Group company, which include compliance study sessions and other events.

Additionally, each office holds office study groups to learn about harassment prevention and vitalizing workplace communication using video materials and case studies.

Establishing consultation channels

We have established consultation channels which all Group employees can access freely in order to share opinions, whistle blow, or seek advice about workplace issues. This includes one

in-house channel and two external channels. In 2018, we also established the Auditor Consultation Channel to facilitate the reporting of illegal and illicit activities by Group officers.

Additionally, the NH Foods Group Whistleblowing Rules clarify that the identity of whistleblowing individuals should be protected and that unfair treatment toward these individuals is strictly prohibited. All Group employees are made thoroughly aware of these regulations. Consultations and reports can also be made through these channels anonymously to protect the individual making them.

Response steps

1 Initial check

When a report is made, we check if it is anonymous or otherwise confirm the name and workplace of the individual making the report

2 Investigation into the incident

Once we have the understanding of the individual making the report, we investigate the incident

3 Feedback

We provide feedback to the individual making the report regarding the result of the investigation, response methods, corrective measures, and other matters

4 Resolution

If necessary, we provide support to the relevant companies to implement corrective measures and measures to prevent reoccurrences

FY2020 Compliance Training (Group companies in Japan)

Number of
attendees

1,370

Number of attendees
ranked manager and higher

1,102

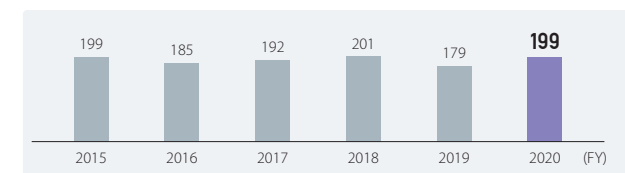
FY2020 Compliance Competition

Number of
attendees

20,545

Note: Total number of participants in training programs for each employee level, such as new employee training, manager training, and Group president training. Manager training is attended by heads of departments and divisions.

Number of consultations received (including whistleblowing reports)



Risk management

We anticipate various risks and constantly implement preventative measures.

Risk management system

The risk management systems adopted by the Group are based on the "Risk management rules" outlining basic policies and management systems concerning risk management, with the President and Representative Director as the highest management executive.

The Risk Management Committee established by the President and Representative Director works to identify and assess various risks, as well as specify priority risks, and consider countermeasures. Based on the policies of the Committee, individual business divisions and departments coordinate risks relating to their own particular business domains and functions.

Results are reported to the Board of Directors through the Committee. When events occur that may have a significant impact on the Group's business activities, units for taking countermeasures organized the expected severity of the risks are established, and prompt and appropriate action is undertaken.

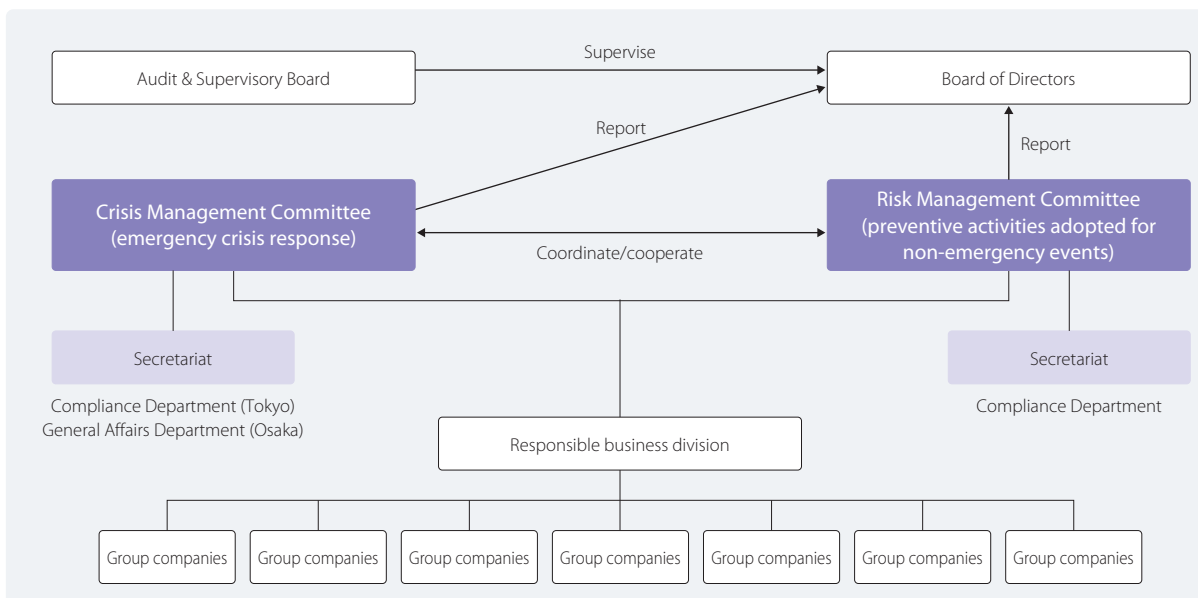
Not all risks are managed under the above frameworks. Product market risk arising from daily business activities is handled by individual business divisions, and financial risk by the Accounting & Finance Department and related business divisions.

Business Continuity Plan (BCP)

The Group periodically reviews and revises its disaster prevention and BCP manuals, and establishes measures to enable key operations to continue even in the event of a crisis.

However, because the current BCP primarily assumed the occurrence of large-scale natural disasters in the disaster prevention manual, it did not take into consideration the occurrence of a pandemic such as the COVID-19 outbreak that has spread on a large scale since the beginning of 2020. Going forward we will take pandemics into account as we build systems that ensure food supply chains can be maintained in times of crisis.

Risk management system



Information security

We are implementing proper information security measures in a planned manner.

Policy and views concerning information security

The Group recognizes that information security is a major issue affecting operations, conducts risk assessments for the Group as a whole, and implements appropriate information security measures in a deliberate manner. In addition to the NH Foods Group IT Security Management Regulations, which are universal IT security regulations for the entire Group, we have also established the NH Foods Group IT Security Management Rules, which sets out more detailed rules based on the regulations, and the IT Security Manual which contains information such as specific procedures. These are shared with all Group employees.

Advancing IT security measures

The Group's IT security measures are mainly led by the IT Strategy Department. In addition to security measures for networks and devices such as PCs, information security education for Group employees is conducted on a regular basis.

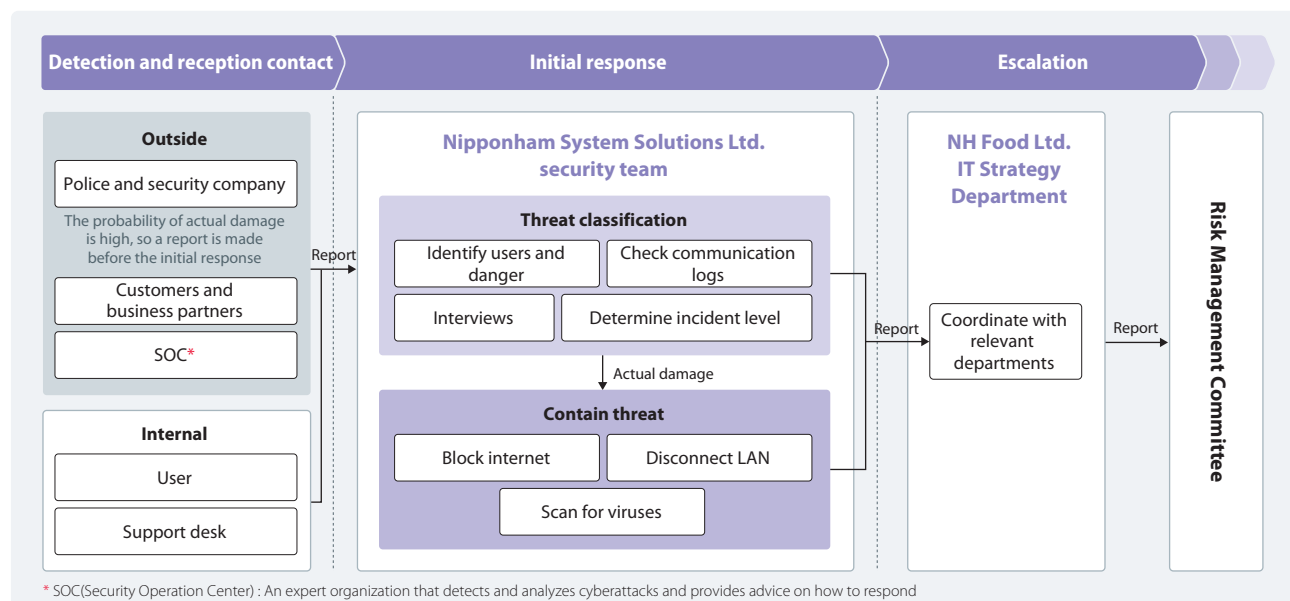
We also undergo information security risk assessments by a specialist security company and each year we formulate and implement security enhancement measures based on the results of these assessments.

This information is also reported to and approved by the Risk Management Committee and upper management.

Main IT security measures (including planned measures)

- FY2018 External storage controls
- FY2019 Switch to encrypted USB memory sticks
- FY2020 Mounting of a virtual patching function
- FY2021 Strengthening of log-in passwords for Windows PCs (planned)
- FY2022 Detection of unrecognized viruses and virus spread prevention (planned)
- FY2023 Introduction of privileged identity management solutions (planned)

Basic flow of response to information security incidents



Conducting information security education

We regularly conduct information security education for Group employees with the aim of raising awareness and ensuring compliance with information security policy.

Our information security education e-learning program is being implemented on a three-year cycle. In fiscal 2020, it was postponed due to the effects of the COVID-19 pandemic but in fiscal 2021 we plan to implement the program for around 10,000 Group employees in Japan.

We also run security drills each year and in fiscal 2020, we sent a targeted email attack to all Group email addresses. This was done so that we can carry out an appropriate response in the event of an actual email attack.

Furthermore, since fiscal 2020, we have been using video conferencing systems to expand information security study sessions to include overseas Group companies. A total of 25 companies have participated.