

# NH Foods Group

## Fundamental Policy on Corporate Governance

Enacted on November 11, 2015

### Section 1 General Rules

#### 1. Basic Views on Corporate Governance

- (a) In order to establish a corporate governance system which NH Foods Group (the “Group”) considers most appropriate and in order to make such system functional so that NH Foods Ltd. (“we”, “us”, “our” or the “Company”) is able to exercise social responsibility of the Group and realize a vision of the Group as the “World Leader in Delivering the "Joy of Eating"”, we present our basic views on corporate governance of the Group and continuously strive to enhance it.
- (b) The principles of corporate governance of the Group are to enhance its management transparency and efficiency, to ensure timely and proper decision-making as well as appropriate business operations, to enable proactive and courageous business judgments and to clarify its responsibility.

#### 2. The NI and the Group Brand Pledges

Concurrently with presenting the systematic structure that the Group should take on, we also present the NI (NH Foods Group Identity), which represents the identity and uniqueness of the Group. Also, in order to realize the corporate philosophies and the vision of the Group, we set the “Group Brand Pledges” as a promise of the entire Group toward all stakeholders with whom the Group has relationships through our brand.

NI (NH Foods Group Identity)

#### **Corporate Philosophies**

1. Under the basic theme of “Joy of Eating”, our company creates a culture that marks an epoch and contributes to society.
2. Our company is a place where employees can feel truly happy and fulfilled.

#### **Management Principles**

1. Act with noble ideals and the determination to achieve them.
2. Learn from others, teach others, and be willing to be taught by others.
3. Create the times by meeting the needs of the times.
4. Expand relationships through quality and service, and take responsibility for all people with whom we have relationships.
5. Strive for a highly functional organization.

### **Action guidelines**

The NH Foods Group endeavors to make a contribution to society through food. We take pride in our position as members of the NH Foods Group, and are aware of all that membership entails.

We will:

1. Always maintain a customer-oriented perspective and act accordingly.
2. Show our gratitude for society's trust in us by acting with integrity.
3. Strive to anticipate the changing times and overcome challenges proactively and with courage.
4. Set ourselves challenging goals, and work to achieve them with enthusiasm and ingenuity.
5. Endeavor to develop selves, enhance each other, and join forces to conduct the business of the company.

### **The Group Brand Pledges**

We aspire to share the pleasures of good eating and the joys of health with people around the world.

We pledge to impart the "Joy of Eating" with the greatest of care, through products that reflect our appreciation of the bounty of nature and our uncompromising commitment to quality, and to remain at the forefront in our exploration of food's contribution to a happy and healthy life.

## **Section 2          Organization**

### **1.          Organizational Structure**

We choose to be a company with an Audit & Supervisory Board (*kansayaku* board) as an organizational structure under the Companies Act. The Board of Directors makes important management decisions and oversees business operations. The Audit & Supervisory Board Member (*kansayaku*) and the Audit & Supervisory Board (*kansayaku* board), which is independent from the Board of Directors, mainly audit the Directors' execution of duties.

We also establish the following six (6) optional committees in order to supplement the functions of the Board of Directors in an effort to deliver the management of the Company with higher transparency. The purpose of establishing each optional committee and the members of the optional committees are set forth in "5. Optional Committees" of this section.

- a) Compliance Committee
- b) Sustainability Committee
- c) Executive Appointments Committee
- d) Compensation Committee
- e) Board of Independent Officers and Representative Directors
- f) Board of Independent Officers

## 2. **President and Representative Director, Directors, Board of Directors**

### (1) Roles and Responsibilities of the President and Representative Director

- (a) The President and Representative Director is the chief executive and holds the highest authority with respect to the decision-making function and the supervisory function of the Board of Directors.
- (b) The President and Representative Director makes decisions with respect to the best execution of operation aiming for realization of the Group's corporate philosophies, improvement of the corporate value, and long-term increase of shareholder's common interests and also assumes the responsibility to supervise the execution of operation based on decision-making.
- (c) The President and Representative Director makes effort to build the business infrastructure which will support the sound and sustainable growth of the Group by methods such as fully utilizing the functions of Outside Directors and Audit & Supervisory Board.

### (2) Roles and Responsibilities of the Directors

- (a) The Directors owe duty of care of a prudent manager and duty of loyalty.
- (b) The Directors exercise their voting rights by gathering sufficient information to perform their duties, by committing to discussions with seeking explanation at the Board of Directors' meetings and by actively expressing their opinions to each other.
- (c) The Directors attempt to resolve the business challenges of the Group having regard to ESG, by timely and appropriate exercises of their rights to propose agenda to the Board of Directors' meetings and to seek convocation of the Board of Directors' meetings.
- (d) The Directors perform their duties as a Director by exercising their expected abilities and spending adequate time in order to respond to confidence of the shareholders.

### (3) Roles and Responsibilities of the Board of Directors

With the aim to realize the philosophies advocated in the NI and the Group Brand Pledges and in consideration of its fiduciary duties/accountability to our shareholders, the Board of Directors perform its duties to contribute to our sustainable growth and improvement of our corporate value in a mid-to-long term.

- (a) The Board of Directors presents how the Group can provide values that are unique to various stakeholders, sets out important corporate strategies including mid-to-long term business plan, oversees business operations, establishes an internal control system and a risk management system, which support timely and appropriate value judgments in order to assist appropriate risk-taking.

[Disclosure based on Principle 5.2 of “Japan’s Corporate Governance Code” (the “Corporate Governance Code”)]

Please see our website for the Medium-Term Management Plan 2020.

<https://www.nipponham.co.jp/ir/policy/plan.html>

[https://www.nipponham.co.jp/ir/library/briefing\\_session/pdf/20180515.pdf](https://www.nipponham.co.jp/ir/library/briefing_session/pdf/20180515.pdf)

- (b) The Board of Directors makes decisions on matters that require approval of the Board of Directors under the laws and regulations as well as important managerial matters set forth in the rules of the Board of Directors and delegates its decision-making powers on other matters relating to business operations to the Representative Directors, the General Managers of the relevant divisions and the Chairpersons of the relevant operational bodies.

[Disclosure based on the Supplementary Principle 4.1.1 of the Corporate Governance Code]

Please see Appendix 1 for the outline of the matters to be resolved by the Board of Directors.

- (c) The Board of Directors examines progress of a mid-term management plan, analyze the entire mid-term management plan during the last year of the term and provide explanations to our shareholders. Analytical results are reflected in the next mid-term management plan and are utilized for our sustainable corporate growth.
- (d) The Board of Directors recognizes the development of the next generation of executives as one of the most important issues. Therefore, the Board of Directors sets requirements (Integrity, Devotion, Deliberation, Endeavor and Empathy) for the executives who would contribute realizing the corporate value and the Group develops successors based on such requirement. Executive Appointments Committee, upon its confirmation that the development plan for selection, development and transfer is properly operated, reports successor candidates to the Board of Directors. The Board of Directors respects the report from the Executive Appointments Committee and determines successor candidates.

[Disclosure based on the Supplementary Principle 4.1.3 of the Corporate Governance Code]

Please see Appendix 2. for the summary of the Company’s plan for the development of the next generation executives.

(4) Size/Members of the Board of Directors

- (a) The number of members of the Board of Directors may be up to twelve members,

taking timely and appropriate decision-making and the scope of the Board of the Directors' responsibilities into consideration.

- (b) The Board of Directors nominates candidates for Directors of the Company while taking into consideration of a good balance among the appointed Directors with diverse knowledge, experience and skills regardless of gender, nationality, ethnicity, sexual orientation etc., in order to exercise its roles and responsibilities required as the Board of Directors and to maintain the diversity of the Board of Directors as a whole.
- (c) The Board of Directors is obligated to understand the rights and positions of stakeholders, recognize the importance of each stakeholder of the Group and reflect them to the Group's corporate strategies. In particular, because the Group strives to provide "Joy of Eating", which we define as the pleasure of good food and joy of health, to people around the world, values of people are most important to the Group. Therefore, the Board of Directors is consisted of the Directors who are able to reflect consumers' perspective to the Board of Directors' decision-making.
- (d) The composition of the Board of Directors includes one or more members of Outside Directors who have the following qualifications to ensure the transparency of the management:
  - (i) Have expertise or extensive experience in any of the following areas: business management, compliance, risk management, crisis management, finance and accounting, internal control, macro-economic policy (finance, industry, etc.), organizational/cultural reform, global management, etc.;
  - (ii) Have proper skills to overview and comprehend the Group's management as a whole, to understand essential tasks and risks, and to hear opinions from, express opinions to and convince the Board of Directors and the Management (which refers to the Executive Directors and the Executive Officers; this definition applies from hereafter) timely and appropriately; and
  - (iii) Be independent from our management in light of the "Criteria for the Independence of Outside Officers" provided in Attachment 1.
- (e) The multiple Outside Directors and Audit & Supervisory Board Members oversee and supervise the Board of Directors from a standpoint where there is a certain distance from the business operations. The Board of Directors continuously examines the appropriate proportion of the non-Executive Directors within the Board of Directors.

## (5) Operation of and Securing Effectiveness of the Board of Directors

### (a) Chairperson of the Board of Directors

The Chairperson of the Board of Directors holds the Board of Directors' meetings so that the Directors are able to discuss openly and constructively and affords the Directors and the Audit & Supervisory Board Members opportunities to express their opinions in the course of decision-making at the Board of Directors' meetings.

(b) Operation of the Board of Directors

- (i) We prescribe the schedule of the Board of Directors' meetings and expected proposals in advance and hold the Board of Directors' meetings on a regular and consistent basis.
- (ii) We designate the Corporate Planning Department as the secretariat of the Board of Directors, distribute materials for the Board of Directors' meetings to each Director and each Audit & Supervisory Board Member generally in a prescribed manner by a prescribed date in advance and establish a system where the Board of Directors is able to make decisions after information necessary for discussions is fully shared.
- (iii) Respecting the Optional Committees' Opinions  
The Board of Directors fully understands the significance of the Optional Committees and utilize them actively. Any advice or recommendation from the Optional Committees is reported to the Board of Directors, and the Board of Directors respects such advice or recommendation when making its decisions.
- (iv) Meeting Minutes  
The Board of Directors prepares and maintains minutes that contain overviews and outcomes of the meetings.

(c) Evaluation of Effectiveness

In order to ensure the effectiveness of the Board of Directors' decision-making, at the end of every fiscal year, the Board of Directors conducts self-assessments on matters such as progress on the Group's business challenges, size/proportion (balance)/manner of operation/proposals standards of the Board of Directors, effectiveness of discussions by the Board of Directors, contents of the materials distributed to the Board of Directors, information-sharing among the Directors and operation of the Board of Directors and shall disclose the outline of such assessments as well as improvement points.

In the event that there is any matter pertaining to the effectiveness of the Board of Directors' decision-making, which the Board of Independent Officers comes to realize, the Board of Independent Officers reports it to the Board of Directors.

[Disclosure based on the Supplementary Principle 4.11.3 of the Corporate Governance Code]  
The Board of Directors conducted analysis and evaluation of the effectiveness of the Board of Directors. Please see Appendix 2 for the outline of the results thereof.

(d) Internal Control / Risk Management System

The Board of Directors establishes not only the Compliance Committee but also the Internal Control/JSOX Committee and the Risk Management Committee, which are under the control of the President and Representative Director as part of the system of internal control and risk management of the Group. The Board of Directors appoints Chairpersons of these Committees from the managements and puts the Chairpersons in

charge of the operation of the Committees.

Each Committee shall plan and implement countermeasures for the Group's challenges.

In the event that each Committee comes to realize significant challenges, such Committee shall report it to the Board of Directors.

### **3. Audit & Supervisory Board Members/Audit & Supervisory Board**

#### **(1) Roles and Responsibilities of the Audit & Supervisory Board Members**

The Audit & Supervisory Board Members are responsible for encouraging the Company and the Group, in cooperation with the Board of Directors, to pay careful attention to interests of various stakeholders, to cooperate with such stakeholders, to realize sound and sustainable growth as well as improvement of corporate value in a mid-to-long term and to establish a well-functioning corporate governance system which meets the social expectation by taking part of the supervisory function of the Company in cooperation with the Board of Directors and by auditing execution of the Directors' duties as an independent body entrusted by shareholders.

#### **(2) Roles and Responsibilities of the Audit & Supervisory Board**

- (a) The Audit & Supervisory Board carries out audit of the Directors' performance of their duties, determines the agenda to be proposed at the general shareholders' meeting regarding the appointment or dismissal of the Accounting Auditor as well as non-reappointment of the Accounting Auditor, and implements accounting audit and other matters provided under other laws and regulations.
- (b) The Audit & Supervisory Board, with respect to matters necessary to audit the Directors' performance of their duties, makes effort to improve the quality of the audit and to attain efficient audit by receiving timely and appropriate reports from the Directors and Accounting Auditors regarding as well as by sharing necessary information with the Accounting Auditor, the Internal Audit Department and the Outside Directors.

#### **(3) The Composition of Audit & Supervisory Board**

The Audit & Supervisory Board is composed of members with diverse knowledge, experience and skills in consideration of the below for a good balance among the Audit & Supervisory Board Members.

- (a) The Audit & Supervisory Board appoints full-time Audit & Supervisory Board Members.
- (b) The Audit & Supervisory Board includes the Audit & Supervisory Board Members who have knowledge in finance/accounting / legal and in particular appoints one or more specialist with sufficient knowledge in finance or accounting.
- (c) The majority of Audit & Supervisory Board Members consists of the Outside Audit &

Supervisory Board Members qualifying under the “Criteria for the Independence of Outside Officers” set forth in Attachment 1 in order to further enhance the independence and neutrality of the audit system.

- (4) Operation of and Securing Effectiveness of the Audit & Supervisory Board
  - (a) Chairperson of the Audit & Supervisory Board
    - (i) The Audit & Supervisory Board appoints its Chairperson from the” Audit & Supervisory Board Members by its resolution.
    - (ii) The Chairperson of the Audit & Supervisory Board executes the duties entrusted by the Audit & Supervisory Board, provided, however, that the Chairperson does not impede enforcement of rights by each Audit & Supervisory Board Member.
  - (b) Operation of the Audit & Supervisory Board
    - (i) Based on the rules of the Audit & Supervisory Board and the audit guidelines for the Audit & Supervisory Board set forth in advance, the Audit & Supervisory Board conducts audits in accordance with its audit policy prescribed every fiscal year and an annual plan established in advance.
    - (ii) The Audit & Supervisory Board establishes a structure to ensure the effectiveness of audit by each Audit & Supervisory Board Member.
    - (iii) The Audit & Supervisory Board secures cooperation of the Outside Directors to enhance their skills of collecting information.
    - (iv) In monthly Audit & Supervisory Board’ meetings, the Audit & Supervisory Board verifies the status of audits conducted by each Audit & Supervisory Board Member, shares collected information and ensures the effectiveness of audits.
    - (v) In order to perform the responsibilities of the Audit & Supervisory Board Members, the Audit & Supervisory Board ensures transparent/fair decision-making, establishes environments in which the Company is able to make timely and decisive decisions, seeks necessary information from the Directors or our employees without limiting its scope of function too narrowly, and expresses its opinions positively and proactively.
    - (vi) Meeting Minutes
- (5) Cooperation with the Accounting Auditor and the Internal Audit Departments, etc.
  - (a) Cooperation with the Accounting Auditor
    - (i) The Audit & Supervisory Board has meeting with the Accounting Auditor on a regular basis.
    - (ii) The Audit & Supervisory Board confirms the audit schedule of the Accounting Auditor so that there will be sufficient time for audits by the Accounting Auditor.



- (iii) The Audit & Supervisory Board establishes a system for handling occasions when the Accounting Auditor discovers fraudulence and requests appropriate countermeasures to be taken or indicates defects/problems.
- (iv) The Audit & Supervisory Board and the Accounting Auditor discuss the audit policy/audit plans at the beginning of each fiscal year and report to each other the audit performance status /the audit results during and at the end of the fiscal year for the purpose of sharing information. The Audit & Supervisory Board Members attend audits conducted by the Accounting Auditor whenever necessary and verify the appropriateness of the audit method, etc.
- (v) The Audit & Supervisory Board determines that the dismissal or non-reappointment of an Accounting Auditor should be made a proposal at a general shareholders' meeting in accordance with the "Policy for Determination on Dismissal or Non-reappointment of Accounting Auditor" established by the Audit & Supervisory Board.

The specific methods for making such determination at the Audit & Supervisory Board are stipulated in the "performance guidelines"; each Audit & Supervisory Board Member examines the eligibility or ineligibility of an Accounting Auditor by using the "Check Sheet for Accounting Auditor" etc. regarding the four (4) items of "Briefing on Audit Policy/Audit Plan at the Beginning of Each Fiscal Year", "Briefing on Methods for Specific Auditing during the Term and at the End of Each Fiscal Year, and the Relevance of the Results Thereof", "Exercise of Consent Rights for Audit Remuneration", and "Relationship between Accounting Auditor and Other Departments including Accounting & Finance Department, Auditing Department, etc.", and thereby the Audit & Supervisory Board makes such determination through consultation after the end of each fiscal year.

- (vi) The Audit & Supervisory Board examines the independence of the Accounting Auditor and employees engaged in audits under the independence standards provided by the Japanese Institute of Certified Public Accountants. Their expertise is examined based on their past audit experience among other things.
- (b) Cooperation with the Internal Audit Departments, etc.
- (i) The Audit & Supervisory Board Members maintain a close relationship with the internal audit departments, etc. (including departments which have authority over the monitoring function within the internal control system) and conduct organizational and efficient audits.
  - (ii) The Audit & Supervisory Board Members and the internal audit departments discuss the audit policy (such as the policy on priority points)/the audit plan at the beginning of each fiscal year, attend audits whenever necessary during the fiscal year and receive periodical reports for the appropriateness, etc. of findings

indicated in the audit results and discuss about them.

- (iii) The Audit & Supervisory Board Members receive reports on the status of the establishment/operation of the internal control system from the internal audit departments and any other departments, which the Audit & Supervisory Board Member deems necessary, on a regular basis and as necessary.

#### **4. Role and Responsibility of the Accounting Auditor**

- (a) The Accounting Auditor, as a professional responsible for protecting the credibility of our disclosed information, who is entrusted by shareholders and investors, holds its independence and performs its duties.
- (b) We disclose sufficient information and cooperate so that the Accounting Auditor is able to perform its duties and conduct audits appropriately and efficiently.

#### **5. Optional Committees**

##### (1) Compliance Committee

- (a) Purpose: To make proposals to the Board of Directors and the management meeting through comprehensive deliberation of compliance of the Group as a whole.
- (b) Members: It is composed of directors appointed by the President and Representative Director, Executive Officers, outside experts, General Manager of the Compliance Department, and the representatives of officers of labor unions. The meetings are held at least four (4) times a year.

##### (2) Sustainability Committee

- (a) Purpose: To make reports or proposals to the Board of Directors through comprehensive deliberation of sustainability initiatives made in the Group.
- (b) Members: It is composed of directors appointed by the President and Representative Director, Executive Officers, and outside experts. The meetings are held at least four (4) times a year.

##### (3) Executive Appointments Committee

- (a) Purpose: To improve the supervisory function of the Board of Directors by way of enhancing the transparency and objectivity of decisions on candidates for the Representative Directors/Directors/Audit & Supervisory Board Members as well as discussion on dismissal and removal of the President and Representative Director and other management (Executive Directors and the Executive Officers).
- (b) Members: The members shall be appointed by the Board of Directors and the majority of the members is composed of the Independent Officers. The meetings are held at least twice a year.

The Chairperson shall be an Outside Director.

##### (4) Compensation Committee

- (a) Purpose: To enhance the transparency and objectivity of decisions on the compensation for the Corporate Officers (including the Executive Officers) and improve the supervisory function of the Board of Directors.
- (b) Members: The members shall be appointed by the Board of Directors and the majority of the members is composed of the Independent Officers.  
The meetings are held at least twice a year. The Chairperson shall be an Outside Director.
- (5) Board of Independent Officers and Representative Directors
  - (a) Purpose: To improve the Group's corporate value and to provide a venue for proposing reformation of corporate culture through free and open discussions among the Independent Officers and the Representative Directors.
  - (b) Members: It is composed of all the Independent Officers and the Representative Directors. The meeting is held at least once a year.
- (6) Board of Independent Officers
  - (a) Purpose: To exchange information and to share understandings from an independent and objective perspective.
  - (b) Members: It is composed of all the Independent Officers. The meeting is held at least once a year.

## **6. Procedures regarding Nomination/Compensation of Officers etc.**

- (1) Procedure of Nomination, etc.  
Candidates for the Directors, Audit & Supervisory Board Members and Executive Officers must meet the requirements for executives who would contribute to realizing the corporate philosophies (Integrity, Devotion, Deliberation, Endeavor and Empathy) and should have appropriate extensive experience, deep insight, and high degree of expertise. Based on the next generation executives training plan, a nomination must be made by taking into consideration the company-wide "selection, education, and transfer programs" and "executive behavioral characteristic analysis program" etc.
- (a) President and Representative Director  
With respect to the appointment of the President and Representative Director, the Executive Appointments Committee evaluates and discusses an individual with suitable performance, qualification and personal magnetism as the representative of the Group, and puts together a candidates recommendation proposal and submits a recommendation to the Board of Directors. The Board of Directors appoints the President and Representative Director after the deliberation, having regard to the recommendation of the Executive Appointments Committee.
- (b) Directors

The Executive Appointments Committee prepares an original draft of candidates and proposes it to the President and Representative Director. The President and Representative Director proposes a draft of candidates to the Executive Appointments Committee taking such proposal into consideration, and the Executive Appointments Committee submits the deliberated result to the Board of Directors. The Board of Directors determines candidates for the Directors to be proposed at the general meeting of shareholders while respecting the submission of the Executive Appointments Committee.

(c) Audit & Supervisory Board Members

The Executive Appointments Committee prepares an original draft of candidates and proposes it to the President and Representative Director. The President and Representative Director proposes a draft of candidates to the Executive Appointments Committee taking such proposal into consideration, and the Executive Appointments Committee submits the deliberated result to the Board of Directors to which the Audit & Supervisory Board has consented. The Board of Directors determines candidates for the Audit & Supervisory Board Members to be proposed at the general meeting of shareholders while respecting the submission of the Executive Appointments Committee.

The details of the appointment policy of candidates for the Audit & Supervisory Board Members, the procedures for determining proposals on appointment of the Audit & Supervisory Board Members, the necessity of appointing a substitute for any Audit & Supervisory Board Member, etc. are determined in advance upon prior consultation between the Audit & Supervisory Board and the Board of Directors.

(d) Executive Officers

The President and Representative Director selects candidates of Executive Officers based on various aspects, such as skills, experience and performance, and who are knowledgeable about our business, etc. The Board of Directors makes an appointment after discussing the reasons for the selection.

[Disclosure based on Principle 3-1 (v) of the Corporate Governance Code]

(a) Reason of Nominating Candidates for Outside Directors/Outside Audit & Supervisory Board Members

Please see “Outside Directors’ Relationship with the Company (2)” and “Outside Kansayaku’s Relationship with the Company (2)” in “1. Organizational Composition and Operation” of “II. Business Management Organization and Other Corporate Governance Systems regarding Decision-making, Execution of Business, and Oversight in Management” of the Corporate Governance Report.

(b) Reason of Nominating Candidates for Inside Directors and Inside Audit &

### Supervisory Board Members

Please see the professional history of each individual as shown on pages 45 to 50 of the Securities Report for the 75<sup>th</sup> Term, which is published on our website at the following URL:

[https://www.nipponham.co.jp/ir/library/report/pdf/y\\_2020.07.pdf](https://www.nipponham.co.jp/ir/library/report/pdf/y_2020.07.pdf)

#### (2) Procedure of Dismissal/Removal, etc.

##### (a) President and Representative Director

If the President and Representative Director engages in any fraud or serious violations of laws, regulations or compliance, etc., in its performance of its duties, the President and Representative Director is dismissed by resolution of the Board of Directors having regard to the discussion in the Executive Appointments Committee.

##### (b) Executive Directors and Executive Officers

If the Executive Directors and Executive Officers engage in any fraud or serious violations of laws, regulations or compliance, etc., in their performances of their duties, the Executive Directors are dismissed and the Executive Officers are removed by resolution of the Board of Directors having regard to the discussion in the Executive Appointments Committee.

#### (3) Term of Office

##### (a) Directors

The term of office of a Director shall be until the end of the ordinary general meeting of shareholders held in relation to the latest fiscal year ending within one year from his/her appointment, as provided in the Articles of Incorporation. The maximum term of office of an Outside Director is limited to ten years from the perspective of securing independence.

##### (b) Audit & Supervisory Board Members

The term of office of an Audit & Supervisory Board Member shall be until the end of the ordinary general meeting of shareholders held in relation to the latest fiscal year ending within four years from his/her appointment, as provided in the Articles of Incorporation (the term of office of an Audit & Supervisory Board Member appointed as a substitute for an Audit & Supervisory Board Member, who retires before the expiration of his/her term of office, shall be until the expiration of the term of office of the retired Audit & Supervisory Board Member. The term of office of an Audit & Supervisory Board Member, who had been appointed as a Substitute Audit & Supervisory Board Member under Article 29 Paragraph 2 of the Articles of Incorporation and assumes office as Audit & Supervisory Board Member, shall not exceed the end of the ordinary general meeting of shareholders held in relation to the latest fiscal year ending within four years from his/her appointment as Substitute Audit

& Supervisory Board Member.). The maximum term of office for an Outside Audit & Supervisory Board Member shall be twelve years from the perspective of securing independence.

(4) Independence/Concurrent Position Policy

(a) Standards on Independence of Outside Officers

We enact Attachment 1. “Criteria for the Independence of Outside Officers” for the purpose of clarifying standards for certifying our Outside Directors and Outside Audit & Supervisory Board Members as Independent Officers.

(b) Policy on Holding Concurrent Positions

If any Director/Audit & Supervisory Board Member holds concurrent positions as officers, etc. for companies other than the Company, we limit the scope of holding such concurrent positions to a reasonable extent to secure time necessary to exercise his/her role and responsibility required and to be able to conduct his/her duty of care of a prudent manager and duty of loyalty, as our Director/Audit & Supervisory Board Member. Also, we disclose information regarding important concurrent positions held on an annual basis.

[Disclosure based on Supplementary Principle 4-11 (ii) of the Corporate Governance Code]

Please see the professional history of each individual as shown on pages 16 to 18 of the Convening Notice of the 75<sup>th</sup> Ordinary General Meeting of Shareholders and on pages 45 to 50 of the Securities Report for the 75<sup>th</sup> Term, which are published on our website at the following URLs:

[https://www.nipponham.co.jp/ir/events/generalmeeting/pdf/notice\\_200526\\_01.pdf](https://www.nipponham.co.jp/ir/events/generalmeeting/pdf/notice_200526_01.pdf)

[https://www.nipponham.co.jp/ir/library/report/pdf/y\\_2020.07.pdf](https://www.nipponham.co.jp/ir/library/report/pdf/y_2020.07.pdf)

(5) Determination of Compensation

(a) Compensation System of Directors/Audit & Supervisory Board Members/Company Officers

It is provided in Attachment 2. “Policy of Determination of the Compensation, etc., and the Method of Calculation”.

(b) Securing the Transparency and Objectivity of Determination of Compensation of the Directors/Corporate Officers

The Compensation Committee conducts performance evaluations in light of annual plans prescribed by the Executive Directors and the Executive Officers for each fiscal year and deliberates officer compensation plan for the next fiscal year and submit it to the Board of Directors. The Board of Directors determines the officer compensation of the next fiscal year while respecting the submission of the Compensation Committee.

(c) Determination of Compensation of the Audit & Supervisory Board Members

An amount of compensation of each Audit & Supervisory Board Member is determined upon consultation among the Audit & Supervisory Board Members taking into consideration factors such as difference between full-time/part-time, proportion of audit works shared among the Audit & Supervisory Board Members, details and level of compensation, etc. of the Directors. Also, if an Audit & Supervisory Board Member comes to have an opinion on the compensation, etc. of the Audit & Supervisory Board Members, such Audit & Supervisory Board Member expresses his/her opinion at the Board of Directors' meetings and the general meetings of shareholders, as necessary.

(6) Policy on Training for Directors/Audit & Supervisory Board Members

We conduct training for the Directors/Audit & Supervisory Board Members for the purpose of acquiring accounting, legal and knowledge particular to our business (including laws and regulations relevant to our business and material risk) so that they are able to take on their role and perform their duties required as Directors/Audit & Supervisory Board Members at the time of assuming their office or after the assumption of office, as necessary.

Also, we continuously improve environments in which the Outside Directors and Outside Audit & Supervisory Board Members are able to effectively take on their role and perform their duties, such as continuously providing necessary information regarding our business/finance/organization, etc. as well as giving them opportunities to observe our major sites.

Moreover, we encourage all Directors and Audit & Supervisory Board Members to improve themselves necessary for taking on their role and performing their duties while in office. We also provide/arrange training opportunities suitable for each Director/Audit & Supervisory Board Member and bear such training expenses.

(7) Support System / Commission to Outside Advisers

Each Director and each Audit & Supervisory Board Member may, if he/she considers necessary to perform his/her duties, acquire advice from outside professionals such as lawyers and certified public accountants at our expense.

### **Section 3 Securing the Rights / Equality of Shareholders, Dialogue with Shareholders**

#### **1. Relationship with Shareholders, etc.**

(1) General Meetings of Shareholders

- (a) Because the general meetings of shareholders provide opportunities to have constructive dialogue with our shareholders, we take necessary measures based on our understanding that it is necessary to ensure sufficient time for allowing the shareholders

to exercise their rights and to secure environments in which the shareholders are able to exercise their rights properly.

- i) We hold the general meetings of shareholders at a place easily accessible on a day other than those days on which many other shareholders meetings are held.
  - ii) In order to give shareholders sufficient time to consider proposals, we send convening notice at least three weeks before the general meetings of shareholders, promptly disclose information included in the convening notice on TDnet or our website before sending the convening notice.
- (b) We disclose information which we deem necessary for the shareholders to exercise their rights at the general meetings of shareholders even if such disclosure is not required by law. In addition, we adopt explanations that are easy to understand, including use of charts.
  - (c) We continue to improve contents of convening notice, reference documents and business reports. Also, we post business reports, brief statements of accounts, timely-disclosure information, materials on financial result briefing sessions and their meeting minutes and other information on our website.
  - (d) We facilitate in such a way that the general meetings of shareholders provide a venue for proactive discussions, have the Chairperson accept questions proactively while presiding over the general meetings of shareholders and incorporate views of the shareholders into the operation of the general meetings of shareholders by conducting questionnaires after the general meetings of shareholders.
  - (e) We commission an external agency to analyze how the shareholders have voted on a proposal made by the Company and its result and share the analysis with the Board of Directors. In addition, when a considerable number of votes have been cast against a proposal of the Company at the general meeting of shareholders, the Board of Directors will analyze the reason and have dialogue with the shareholders directly or indirectly in an appropriate manner.
  - (f) If institutional investors, etc., who hold shares under the name of trust banks, etc., request to exercise their voting rights on their own, we will consult and correspond.

## (2) Securing the Rights of Shareholders

We recognize that the shareholders must be treated equally according to the number of shares that they hold. We take appropriate measures to fully secure the shareholder rights and secure environments necessary for the shareholders to exercise their rights.

- (a) We establish procedures for and appoint a department in charge of the exercise of shareholder rights in the Share Handling Rules. We also disclose information necessary for shareholders to exercise their rights on our website, provide information and establish a system so that the shareholders are able to exercise their rights appropriately without delay.



- (b) In consideration of the ratio of foreign investors, we create our website in English and disclose English translations of convening notices, disclosure items and voting results, etc. on our website, etc.

(3) Policy on Constructive Dialogue with Shareholders

We promote dialogue with the shareholders, investors and proxy advisors with the aim of constructive dialogue that contributes to our sustainable corporate growth and improvement of corporate value in a mid-to-long term.

- (a) The Executive Officers in charge generally organize the constructive dialogue with the shareholders.
- (b) The General Affairs Department is responsible for individual investors, and the Public and Investor Relations Department is responsible for institutional investors, etc. We promote smooth and efficient dialogue through activities, tailored for the purpose of dialogue, such as having the Representative Directors, Directors or Executive Officers meet with the shareholders, etc.
- (c) In order to support the constructive dialogue with the shareholders, the Executive Officers in charge of the Public and Investor Relations Department, the Corporate Planning Department, the General Affairs Department, the Accounting & Finance Department and the Legal Affairs Department share relevant information and take measures while organically cooperating with each other and striving to receive regular updates on the shareholder ownership structure.
- (d) We pay visits to Japanese and foreign institutional investors, host quarterly financial result briefing sessions for institutional investors, and continuously host briefings for individual investors. In addition, we actively disclose information on our website.
- (e) The Corporate Officers, etc., who have engaged in the dialogue, etc., report to the Board of Directors interests, views and concerns, etc. of the shareholders that have been obtained through such dialogue, etc., and the Directors and the Audit & Supervisory Board Members share such information.
- (f) We manage the company information in accordance with the Company Information Management Policy and prevent divulgence of any insider information.

(4) Fundamental Policy on Capital Strategies

Because we recognize that capital strategies have significant effects on interests of the shareholders, we stipulate the following fundamental policy with respect to the capital strategies:

- (a) We set our objective to increase returns on equity (“ROE”) in order to increase shareholder values. To increase the ROE, we use return on invested capital (“ROIC”) by each business division as one of the management indicators. While we promote our growth strategies and business strategies, we pursue the ROIC and conduct our business

in consideration of weighted average cost of capital (“WACC”);

- (b) We set targets for optimal capital structure (“D/E Ratio”) in order to improve the capital efficiency;
- (c) The shareholder return is provided in accordance with Appendix 3 (Policy on Determination of the Distribution of Retained Earnings, etc.); and
- (d) When executing capital strategies that could result in change of control or in significant dilution, we have the Board of Directors fully examine necessity and reasonableness of the capital strategies from the perspective of fulfilling fiduciary duties to the shareholders as well as the perspectives of promoting our growth strategies and business strategies and improving corporate value in a mid-to-long term, and provide sufficient explanations to the investors, including provision of sufficient information in the disclosure materials.

(5) Fundamental Policy on Cross-Shareholdings

(a) Fundamental Policy

For the purposes of maintaining and expanding our business relationships and stabilizing funding, we acquire and maintain shares of our business partners, etc. primarily upon their request to hold such shares.

We review all issues of our equity investments once a year in consideration of the benefit of holding shares, stock price fluctuation risk and credit risk, etc. of the issuing companies. We continue to hold only those shares that we determine to be essential for sustainable growth of the Group such as reinforcement of alliance in order to maintain business transactions and expand our business. On the other hand, if we determine that the necessity of holding certain shares become low, we implement disposal of such shares accordingly in consideration of the stock price and market trends.

We continue to periodically review all issues of our equity investments and proceed to reduce cross-shareholdings.

(b) Policy on Exercise of Voting Rights

When exercising the voting rights of cross-shareholding, we deliberate on proposals offered by the companies and respect such proposals so long as they do not disregard interest of shareholders. However, if a misconduct (including misconduct by any member of the management) or an antisocial behavior occurs at such companies, we exercise our voting rights so that the companies’ corporate governance is improved.

(6) Fundamental Policy on Corporate Control

The shares of the Company may be transferred freely, in principle. On the stock market, the shares are traded freely and actively by many investors. Hence, fundamentally, free trading in the shares of the Company determines who will control the determination of its financial and business policies. Therefore, in the event that a plan of large purchase

of the shares of the Company enough to control the determination of its financial and business policies is offered, management believes that to vote for or against the plan must depend on the free will of the shareholders, finally. However, from the viewpoint of ensuring the common interests of the shareholders and preventing damage to the corporate value, the Company seeks necessary and sufficient information from those who attempt to make a large purchase action of shares of the Company in order to allow the shareholders to make a proper decision as to the appropriateness of the action. Also, in such case, the Company also discloses views etc. of the Board of Directors and, in addition to the efforts to ensure information and time for consideration of the shareholders, will take appropriate steps in accordance with the Financial Instruments and Exchange Act, the Companies Act and other relevant laws.

- (7) Fundamental Policy on Transactions between Related Parties
- (a) When we conduct competitive transactions or conflicting interest transactions stipulated by laws with the Corporate Officers, we conduct such transactions only upon approval of the Board of Directors and report the result to the Board of Directors.
- (b) We inspect whether there have been any transactions between us and major shareholders, the Directors or Executive Officers and their family members, and the details of such transactions, if any, once a year. In addition, we also inspect such transactions, as necessary, during audits by the Audit & Supervisory Board Members and audits by the Accounting Auditor and during internal audits.

#### **Section 4 Cooperation with Stakeholders**

With the Corporate Philosophies serving as the foundation of management, the Group values communication with stakeholders as it conducts CSR activities focused on five CSR material issues based on compliance. Furthermore, the Group believes that addressing these issues together with the society will realize the establishment of a sustainable society.

■ The five CSR material issues refer to the following five (5) issues.

- Producing food that is safe and reliable.
- Supporting mental and physical well-being through food and sport.
- Maintaining workplaces that motivate employees.
- Sustainable food supply for the next generation.
- Preserving the global environment.

<https://www.nipponham.co.jp/eng/csr/environment/material/>

【Please see more details on our website.】

## 1. Relationship with Employees

### (1) Establishment of the Action guidelines and the NH Foods Group's action standards

We believe that if the Group is where each employee is able to optimize his/her abilities to the full, it becomes the source of our competitiveness and the base of management that contributes to society. Based on this idea, we establish the Action guidelines and the NH Foods Group's action standards for employees of the Group so that the workplace will be open for good communications, and in the free and vigorous corporate culture, the employees as a whole group are united for the same objective and the Group will attain the corporate culture that allows the comprehensive strength of the Group as a whole to be brought out.

The Board of Directors and the Management take initiative in complying with the Action guidelines and the NH Foods Group's action standards, ensure that employees of the Group are aware of them and revise their contents as necessary depending on changes in circumstances after the discussion by the Board of Directors.

### (2) Broad Awareness of the Action guidelines and the NH Foods Group's action standards

We distribute materials that contain the Action guidelines and the NH Foods Group's action standards to all employees of the Group so that they are fully aware of them. In addition, we provide training and hold study sessions regularly to have all employees acquire deeper understanding and recognize their importance.

### (3) Monitoring

(a) We conduct employee awareness surveys of the Group at least once every three years. Based on the results of the surveys reported to the Board of Directors, the Board of Directors confirms regularly whether the purposes of the Course of Action and the Action guidelines are fulfilled.

#### (b) Establishment of Point of Contact for Consultation

We establish points of contact with which employees of the Group can consult without any restriction of their organization within and outside the Group in the event of any conduct that is or may be in violation of the Course of Action or the Action guidelines. In addition, the Company establishes a consultation point of contact in the Audit & Supervisory Board to which reports are to be made regarding the Corporate Officers, in order to promote a report in respect of violation of laws or frauds etc. by the Corporate Officers in the Group, and Corporate Officers and persons in managerial positions in the Group may report to such point of contact.

#### (c) Protection of Whistleblowers

We, based on the "NH Foods Group Whistleblowing Rules", clearly state in it the confidentiality of and prohibition of unfavorable treatments against information providers through whistle-blowing in the Group. We ensure that all employees of the

Group are fully aware of these rules.

(4) Ensuring Diversity

Base on the recognition that the existence of diverse perspectives and values of employees such as gender, age and nationality, ethnicity and sexual orientation, etc. working in the Group leads to our success in business, we promote diversity among employees. As such, we promote active participation of women by setting a specific percentage of women in managerial positions which we target to meet by 2020.

(5) Managing Corporate Pension

We manage a reserve fund of the corporate pension through NH Foods Pension Fund and establishes board of representatives, executive board and pension fund management committee within such pension fund. The pension fund management committee meetings held quarterly are attended by representatives of our financial department as well as an external consultant who possesses professional knowledge on management of reserve funds. At the meetings, the basic policy of the management, selection of invested products, and monitoring of the management status are carried out. In addition, the management of the reserve fund of this pension fund is outsourced to one or more domestic or foreign management institutions, and the selection of each investment product and exercise of voting rights are all entrusted to each management institution so that there is no conflict of interests between the beneficiary of the corporate pension and each company.

**2. Relationship with Customers (Consumers)**

We believe that delivering the “Joy of Eating”, which consist of the “pleasures of good eating” and the “joy of health” through food, provides meaning to our Group’s existence in society. As such, we pursue customer satisfaction through providing safe and high quality food and services.

**【Please see the Quality Policy and Consumer-oriented Voluntary Declaration on our website.】**

1. The Quality Policy

<https://www.nipponham.co.jp/eng/group/vision/policy.html>

2. Consumer-oriented Voluntary Declaration

<https://www.nipponham.co.jp/csr/human/customer/>

### 3. Relationship with Business Partners

We pay maximum attention to the stable supply of safe and trusted food to customers of the Group, comply with the relevant laws and regulations and commit to fair and transparent business with all business partners.

When procuring raw materials, ingredients, etc., we exercise the utmost care to ensure not only the safety of such materials but also the compliance with all of the laws and regulations that are relevant to the business activities of suppliers of such materials such as human rights (including child labor, forced labor, right to organize and freedom of association etc.), occupational health and safety, and environmental issues etc.

【Please see the NH Foods Group CSR Procurement Policy and NH Foods Group CSR Procurement Guidelines on our website.】

[https://www.nipponham.co.jp/csr/human/supply\\_chain/](https://www.nipponham.co.jp/csr/human/supply_chain/)

### 4. Relationship with Society

We take our role and responsibility to the society with self-awareness and proud through business activities associated with eating, so that the Group meets the expectations and reliance of the stakeholders, contributes the sustainable growth of society and continues to hold essential existence in society.

In addition, based on the essential idea that we value the bounty of nature, we establish the Environment Policy, set forth environmental goals in every mid-term business plan, make efforts to reduce environmental burdens toward reaching the goals and announce its activities.

【Please see the Environment Policy and Specific Activities on our website.】

1. Environment Policy

<https://www.nipponham.co.jp/eng/csr/environment/policy/>

2. Specific Activities

① Environmental Initiatives

<https://www.nipponham.co.jp/eng/csr/environment/action/>

② Dietary Education Initiatives Contributing to Enjoyable and Healthy Life

[https://www.nipponham.co.jp/csr/food\\_sports/education/](https://www.nipponham.co.jp/csr/food_sports/education/)

③ Sports Initiatives

[https://www.nipponham.co.jp/csr/food\\_sports/](https://www.nipponham.co.jp/csr/food_sports/)

④ Initiatives to Resolve Social Issues as a Member of the Local Society

<https://www.nipponham.co.jp/eng/csr/social/community/>

## **Section 5      Appropriate Disclosure and Securing Transparency**

### **1.      Disclosure Standards**

- (a) We proactively disclose information to and faithfully and fairly deal with all stakeholders such as customers (consumers), business partners, shareholders, investors, local people and employees. When disclosing information, we make it easy for all stakeholders to understand.
- (b) We take responsibility to conduct our business safely and effectively and to explain our business accurately and continuously to the shareholders and investors who are the fund providers.
- (c) We explain information that draws high attention of the investors and shareholders and that is important for them to make investment decisions such as business strategies and plans as easily understandable as possible by using means such as specific figures, concise statements and charts.
- (d) In order to disclose information to all shareholders and investors timely and appropriately, we appoint a general manager, who is in charge of information management, and establish a department in charge of information disclosure and place necessary personnel to such department.

## **Section 6      Miscellaneous**

### **1.      Enactment, Amendment and Abolishment**

The Board of Directors enacts this Fundamental Policy. The Board of Directors examines this Fundamental Policy regularly and amends it as necessary depending on change of circumstances, etc.

Progress of Revisions:

Established on November 11, 2015

Revised on June 28, 2016

Revised on June 28, 2017

Revised on March 9, 2018

Revised on June 26, 2018

Revised on December 14, 2018

Revised on June 25, 2019

Revised on June 25, 2020

## **Attachments**

### **Attachment 1 Criteria for the Independence of Outside Officers**

#### "Criteria for the Independence of Outside Officers"

If any Outside Officer or any candidate for Outside Officer is judged not to satisfy any of the requirements in the following items, the Company shall determine that such any Outside Officer or any candidate for Outside Officer is independent of the Company:

1. The Outside Officer or candidate for Outside Officer is, or has been, a Director (excluding an Outside Director), Executive Officer, Corporate Officer, or employee (hereinafter referred to as an "Executive") of the Company or any of its subsidiaries or equity method affiliates ("NH Foods Group") currently or in the past;

2. The Outside Officer or candidate for Outside Officer has been a leading shareholder (Note 1) or an Executive of the Company, or an Executive of any company which NH Foods Group is its leading shareholder, during the recent 5 fiscal years including the current fiscal year;

3. The Outside Officer or candidate for Outside Officer has been any principal trade partner (Note 2) of NH Foods Group or an Executive thereof, during the recent 5 fiscal years including the current fiscal year;

4. The Outside Officer or candidate for Outside Officer has been a recipient of a donation of 10 million yen or more from NH Foods Group per a single fiscal year (if the recipient of the donation is a corporate body, partnership or other entity, any individual who belongs to such entity), during the recent 5 fiscal years including the current fiscal year;

5. The Outside Officer or candidate for Outside Officer has been an attorney, certified public accountant or any of various providers of consulting and other professional services who has received remuneration of 10 million yen or more, other than as the officer's remuneration, from NH Foods Group per a single fiscal year (if the provider of the service is a corporate body, partnership or other entity, any individual who belongs to such entity), during the recent 5 fiscal years including the current fiscal year;

6. (1) In determining the independence of an Outside Director, the Outside Officer or candidate for Outside Officer is a spouse or a relative within the third degree of kinship of any important individual (Note 3) corresponding to any of 1 through 5 above,

(2) In determining the independence of an Outside Audit & Supervisory Board Member, the Outside Officer or candidate for Outside Officer is any important individual (Note 3) corresponding to any of 1 through 5 above; or is, or has been a spouse or a relative within the third degree of kinship of a Director or accounting advisor who is not an Executive of NH Foods Group currently or in the past; and

7. The Outside Officer or candidate for Outside Officer is an Executive of a company with a relationship of interlocking outside officers (Note 4) .



(Notes)

1. "Leading shareholder" means any person holding, directly or indirectly, 10% or more of the total voting rights.
2. "Principal trade partner" means a person or entity whose amount of money paid or received in its trading with NH Foods Group is 2% or more of net sales of NH Foods Group or the trade partner on a consolidated basis.
3. "Important individual" means Executive Director, Executive Officer, Corporate Officer or employee assigned to the post of a general manager or a higher post for 1 through 4 above and includes public accountants belonging to each auditing firm and lawyers belonging to each law firm for 5 above.
4. "Relationship of interlocking outside officers" means to accept the dispatching of any Executive as the Outside Officer from a company that any Executive of NH Foods Group is currently serving as an outside officer.

## **Attachment 2 Policy of Determination of the Compensation, etc., and the Method of Calculation**

### Basic Policy on Officers Compensation

The purpose of the Officers compensation system at the Company is to selectively train and promote excellent human resources as executives, to further clarify the linkage between Officers compensation and Company's business performance/shareholder value, and to provide an incentive for enhancing the corporate value over the medium to long term aiming to realize the corporate philosophy for each Executive Director and Executive Officer.

The system development, compensation levels, system operation, etc. are to be deliberated by the Compensation Committee, where Outside Director acts as Chairperson, with the final decision to be made by the Board of Directors.

Regarding the compensation standard of the Company based on his/her position, the reasonableness of the standard is verified every year by reference to the investigation results etc. of third-party organizations.

### Summary of Compensation of the Directors:

1. Compensation of each Director shall comprise monetary compensation (basic compensation and performance-based compensation) and performance linked stock compensation. The composition ratio (if the standard performance attainment level is 100%) is 60% for basic compensation, 23% for performance-based compensation, and 17% for performance-linked stock compensation. No retirement gratuity shall be paid.
  - (1) Monetary compensation shall comprise a basic compensation and performance-based compensation. The basic compensation is a fixed compensation based on his/her position and the performance-based compensation is based on the annual business performance (net sales, business income, ROE, ROIC) and attainment level of individually established management issues, and if the standard performance attainment level is 100%, it varies in the range of 0 to 200%.
  - (2) The performance-based stock compensation which is intended to be a provision of incentive for enhancing the corporate value over the medium to long term is a system where points will be granted to each Director (excluding Outside Director) and Executive Officer based on the attainment level etc. of the performance goal (consolidated net sales, consolidated business income, ROE) described in the Company's Medium-Term Management Plan and the number of Company's shares equivalent to the granted number of points will be delivered while in office or when retiring. Further, such shares shall be not transferred until one year has lapsed after his/her retirement from office.
2. Compensation of each Outside Director shall be a basic compensation only in consideration of his/her role. No retirement gratuity or performance-based stock compensation shall be paid.

Summary of Compensation of the Audit & Supervisory Board Members:

Compensation of each Audit & Supervisory Board Member shall be a basic compensation only in consideration of his/her role. No retirement gratuity or performance-based stock compensation shall be paid.

### **Attachment 3 Policy on Determination of the Distribution of Retained Earnings, etc.**

The Company recognizes that returning profits to shareholders is an important management issue.

With regard to our policy on the determination of the distribution of retained earnings, etc., with stable dividend payment as the basis, we regard it as a part of capital strategies toward realization of optimal capital / debt structure aiming for improvement of the corporate value in the medium to long term.

Under this basic policy, with regard to the distribution of retained earnings, we will pursue stable and continuous dividend growth under the concept of approximately 2.3 % of DOE (dividend ratio on equity owned by parent company) as an indication.

With regard to acquisition on treasury stock, we will implement in a flexible manner for the purpose of improving per-share shareholder value and ROE, in consideration of investments toward growth and its financial position. Further, with respect to internal reserve, we intend to make effective use of it as a source for investments which will maintain and strengthen our competitiveness for the years to come.

## Appendix 1. Matters to be Resolved by the Board of Directors

### I. Matters to be resolved

#### 1. Matters stipulated in laws:

- (1) Decision of matters relating to convocation of shareholders meetings (Article 298, Paragraph 4 of the Companies Act);  
\*If exercising voting rights by way of an electromagnetic method is permitted at shareholders meetings, the decision of such permission (Paragraph 1, Item (4) of the same Article) shall also be resolved at the Board of Directors meeting.
- (2) Approval of financial statements, business report and supplementary schedules (Article 436, Paragraph 3 of the Companies Act);
- (3) Approval of consolidated financial statements (Article 444, Paragraph 5 of the Companies Act);
- (4) Appointment and dismissal of the Representative Director (Article 362, Paragraph 2, Item 3 of the Companies Act);
- (5) Approval of competitive transactions of the Directors (Article 356, Paragraph 1, Item 1 of the Companies Act);
- (6) Approval of transactions between the Company and the Directors for the benefit of themselves or a third party and other transactions by the Directors that result in a conflict of interests with the Company (Article 356, Paragraph 1, Items 2 and 3 of the Companies Act);
- (7) Reduction of the amount of the stated capital (Article 447, Paragraph 3 of the Companies Act);  
\*Only in cases where it reduces the amount of the stated capital concurrently with a share issue and the amount of the stated capital before the reduction is not less than the amount after the reduction.
- (8) Reduction of the amount of reserves (Article 448, Paragraph 3 of the Companies Act);  
\*Only in cases where it reduces the amount of reserves concurrently with a share issue and the amount of reserves before the reduction is not less than the amount after the reduction.
- (9) Decision of matters relating to share split (Article 183, Paragraph 2 of the Companies Act) and amendment to the Articles of Incorporation which increases a total number of authorized shares as a result of the share split (Article 184, Paragraph 2 of the Companies Act);
- (10) Matters relating to acquisition of treasury shares (Article 157, Paragraph 2 of the Companies Act and Article 197, Paragraph 4 of the Companies Act);
- (11) Matters relating to acquisition of treasury shares from subsidiaries (Article 163 of the Companies Act);
- (12) Matters relating to cancellation of treasury shares (Article 178, Paragraph 2 of the

Companies Act);

(13) Amendment to the Articles of Incorporation which reduces the number of shares per unit and abolishment of provisions relating to the number of shares per unit in the Articles of Incorporation (Article 195, Paragraph 1 of the Companies Act);

(14) Decision of subscription requirements of shares for subscription (Articles 199 and 201 of the Companies Act);

(15) Decision of subscription requirements of share options for subscription (Articles 238 and 240 of the Companies Act);

\*In cases where share options for subscription are attached to bonds with share options, decision of matters relating to the bonds for subscription shall also be resolved at the Board of Directors meeting (Article 238, Paragraph 1, Item 6, Article 676 and Article 240 of the Companies Act)

(16) Matters relating acquisition of share options subject to call (Article 273, Paragraph 1, and Article 274, Paragraph 2 of the Companies Act);

\*In addition to decision of acquiring share options subject to call, decision of the acquisition date shall also be resolved at the Board of Directors meeting.

\*However, this item shall not apply in cases where it is otherwise provided as terms of the share options subject to call (Article 273, the proviso of Paragraph 1, and Article 274, the proviso of Paragraph 2 of the Companies Act)

(17) Matters relating to cancellation of own share options (Article 276, Paragraph 2 of the Companies Act);

(18) Approval of transfer of share options with restriction on transfer (Article 265, Paragraph 1 of the Companies Act);

\*However, this item shall not apply in cases where it is otherwise provided as terms of the share options (Article 265, the proviso of Paragraph 1 of the Companies Act)

(19) Decision of matter relating to bond for subscription (Article 364, Paragraph 4, Item 5 of the Companies Act);

\*Decision of the total amount of the bond for subscription (Article 676, Paragraph 1 of the Companies Act) and decision of other matters provided in Article 99 of the Ordinance for Enforcement of the Companies Act shall also be resolved at the Board of Directors meeting.

\*In addition to the above matters, in cases where bonds for subscription are bonds with share options, decision of the other matters relating to bonds for subscription provided in Article 672, Item 2 onwards of the Companies Act shall also be resolved at the Board of Directors meeting (Article 238, Paragraph 1, Item 6 and Article 240 of the Companies Act. Same as item (15) above.)

(20) Disposal and acquisition of important assets (Article 362, Paragraph 4, Item 1 of the Companies Act);

- (21) Borrowing in a significant amount (Article 362, Paragraph 4, Item 2 of the Companies Act);
- (22) Election and dismissal of general managers and other important employees (Article 362, Paragraph 4, Item 3 of the Companies Act);
- (23) Establishment, changes or abolition of branch offices and other important organizations (Article 362, Paragraph 4, Item 4 of the Companies Act);
- (24) Establishment of system to ensure that execution of duties by the Directors complies with laws and regulations as well as the Articles of Incorporation (Article 362, Paragraph 4, Item 5 of the Companies Act);
- (25) In addition to the preceding item, establishment of the following systems prescribed by the Ordinance of the Ministry of Justice as systems necessary to ensure the properness of operations of the Company and the company group which comprises the Company and its subsidiaries (herein after, Company Group) (Article 362, Paragraph 4, Item 5 of the Companies Act and Article 100 of the Ordinance for the Enforcement of the Companies Act); and
  - i) systems related to the retention and management of information pertaining to the execution of the duties of Directors
  - ii) rules and other systems relating to management of the risk of loss of the Company
  - iii) systems to ensure that the execution of the duties of Directors is performed efficiently
  - iv) systems to ensure that the execution of the duties of employees complies with laws and regulations and Articles of Incorporation
  - v) systems to ensure the properness of operations of the Company Group
  - vi) systems to ensure that audits by Audit & Supervisory Board Members are performed effectively
- (26) Other matters provided for by laws and regulations.

2 Matters provided for by the Articles of Incorporation:

- (1) Appointment of administrator of shareholder registry and determination of the location for such administration (Article 10 of the Articles of Incorporation);
- (2) Election and dismissal of the Executive Directors and determination of order of priority of the Directors who becomes a substitute for the President/Director (Article 21 of the Articles of Incorporation);
- (3) Appointment and dismissal of corporate counselors and advisors (Article 27 of the Articles of Incorporation);
- (4) Establishment and amendments of the regulations of handling shares (Article 11 of the Articles of Incorporation) ;
- (5) Determination of the record date (Article 37, Paragraph 2 of the Articles of Incorporation) ;  
and

(6) Determination on matters concerning dividends of surplus, etc. (Article 36 of the Articles of Incorporation)

3 Important matters for management:

- (1) Decision on matters authorized by the resolutions at the shareholders meetings;
- (2) Establishment and amendments of the fundamental business policy;
- (3) Decision of medium to long term business plan
- (4) Establishment, amendments and abolition of the rules of the Board of Directors;
- (5) Decision of candidates for Directors and Audit & Supervisory Board Members;
- (6) Appointment of the Chairperson of the Board of Directors;
- (7) Establishment, amendments and abolition of the internal rules for the Corporate Officers, including the internal rules for compensation for the Corporate Officers;
- (8) Establishment of the optional committees for the Board of Directors; Appointment and dismissal of the committee members;
- (9) Evaluation of effectiveness of the Board of Directors; and
- (10) Other important matters for management.

4 Matters concerning the Executive Officers:

- (1) Establishment, amendments and abolition of the rules of the Executive Officers;
- (2) Election and dismissal of the Executive Officers;
- (3) Promotion, transfer and changes of assignment of business operations for which of the Executive Officers are primarily responsible;
- (4) Establishment, amendments and abolition of the fundamental system that pertains to treatment of the Executive Officers, etc.;
- (5) Decision on the policy of performance evaluation of the Executive Officers; and
- (6) Approval of transactions between the Executive Officers and the Company (including self-dealing/indirect transactions).

5 Other matters as the Board of Directors approves as necessary.

II. Criteria to determine whether matters are those to be resolved by the Board of Directors

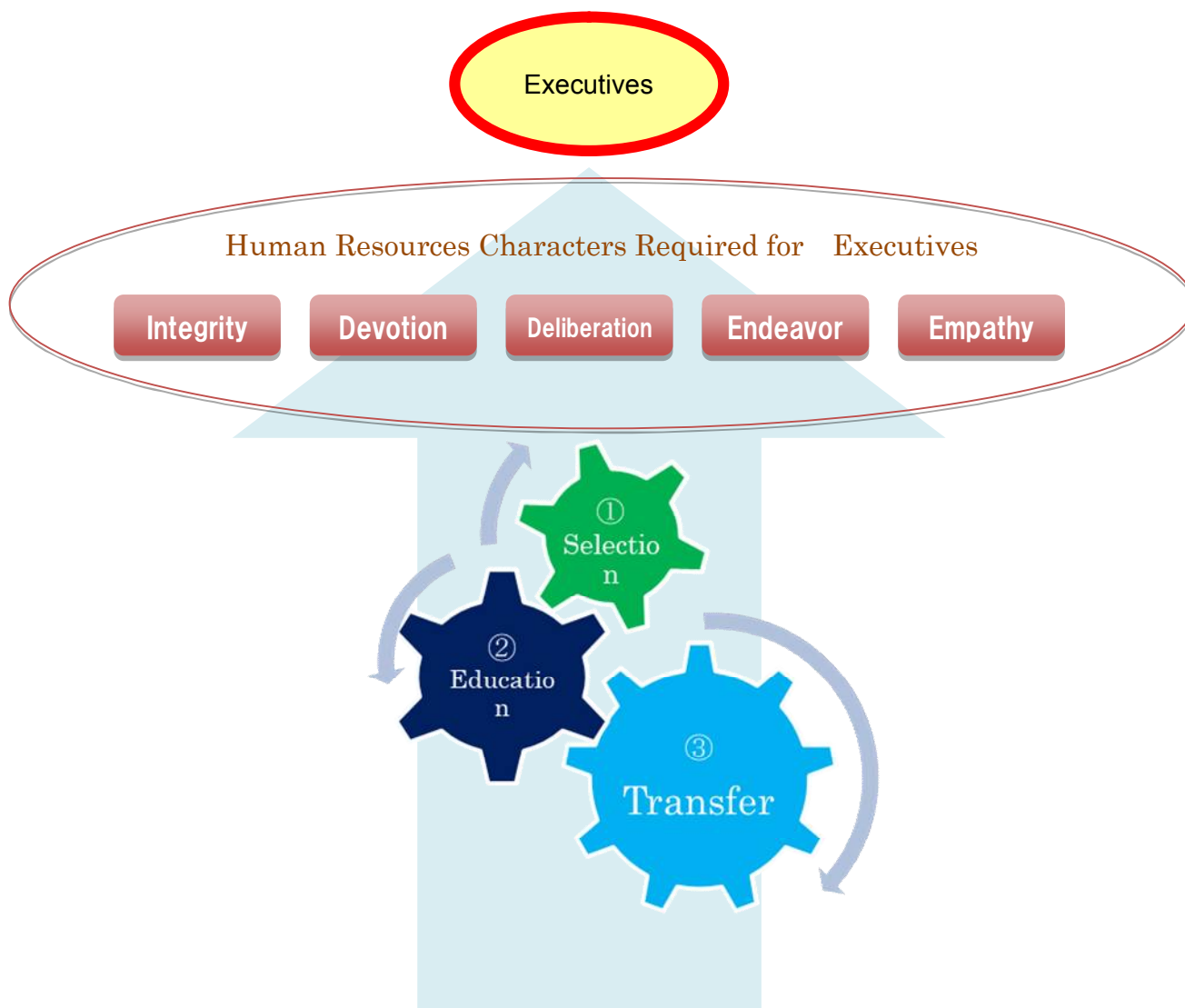
1. Whether it is “Disposal and acquisition of important assets” (See I., 1., (20) above) shall be determined by the following criteria. The affiliates here shall mean companies for which the effective shareholding ratio is more than 50% or companies of which the Company is involved in the management.

- (1) Disposal and acquisition of real properties: 5 Billion yen (or equivalents) or more per property
- (2) Investment: 5 Billion yen or more per investment
- (3) Lending: 5 Billion yen or more per lending  
Provided, lending to affiliates is exempted.
- (4) Provision of securities: 5 Billion yen or more per transaction



- (5) Discharge of debts: 500 Million yen or more per transaction  
Provided, discharge of debts for affiliates is exempted.
  - (6) Indemnity: 500 Million yen or more per matter
  - (7) Donation: 50 Million yen per donation
2. Whether it is “Borrowing in a significant amount” (I, 1., (21) above) shall be determined by the following criteria
    - (1) Borrowings: 5 Billion yen or more per borrowing
    - (2) Debt guarantees: 2 Billion yen or more per guarantee
  3. “Election and dismissal of general managers and other important employees” (I., 1., (22) above) shall be human resources affairs for a Director who has a concurrent position of employees as well as human resources affairs for a President and Representative Director of a branch company (General Manager of a branch office) and a General Manager of a Division or Business Division.
  4. “Establishment, changes or abolition of branch offices and other important organizations” (I., 1., (23) above) shall be (i) change of the head office, (ii) establishment, changes or abolition of branch offices and (iii) changes of fundamental organization (Division, Business Division etc. Organizations provided in the proviso of Article 5 of Fundamental Organization Rule).
  5. Notwithstanding certain proposed business execution not meeting the criteria set out 1. through 4. above, having regard to the scale of a company at the time of the execution, a way or manner of such execution, and circumstances of the business and assets as well as all sorts of facts and circumstances including prior dealings, if such business execution is regarded as an important business execution for the Company, it shall be resolved at the Board of Directors meeting.

## Appendix 2. Company’s Plan for the Development of the Next Generation Executives



The Company has established the Plan for the Development of the Next Generation Executives in an attempt to continuous enhancement of the corporate value. In this development plan, we define five requirements of the “Human Resources Characters Required for Executives” which are Integrity, Devotion, Deliberation, Endeavor and Empathy, and makes it clear the index for the assessment and development. The Company has introduced the company-wide “Selection, Education and Transfer Program” to make planned development of the next generation of human resources who satisfy these five requirements.

### **Appendix 3. Evaluation of Board of Directors**

The Company has conducted analysis and evaluation on the effectiveness of the Board of Directors in accordance with the NH Foods Group Fundamental Policy on Corporate Governance since the financial year commencing April 1, 2015, for the purpose of identifying issues on the system and operation of the Board of Directors of the Company and leading to the efforts to improve the effectiveness of the Board of Directors.

The summary of the evaluation conducted in the financial year commencing April 1, 2019 is disclosed as below.

#### 1. Process of Evaluation

##### (1) Method of Evaluation

The evaluation for the financial year commencing April 1, 2019 was conducted by way of questionnaires for all of the Directors and Audit & Supervisory Board Members, for the purpose of evaluating the activities of the Board of Directors for the financial year commencing April 1, 2019 as well as evaluating improvements of the issues identified through the evaluation in the financial year commencing April 1, 2018 and confirmation of the progress. Also, in an attempt to ensure obtaining candid opinions from the Officers and objective analysis, answers to the questionnaires were directly returned to a third party evaluation organization and not via the Company's secretariat and in addition, the purpose of the questions was explained at the Board of Directors meeting prior to conducting the questionnaire. Further, interviews were conducted to several Directors in order to further examine the points of concerns which were expressed in the questionnaire.

##### (2) Evaluation Items

- 1) Members and Operation of the Board of Directors
- 2) Management Strategy and Business Strategy
- 3) Corporate Ethics and Risk Management
- 4) Evaluation and Compensation of the members of the Management
- 5) Communication with Shareholders

##### (3) Compiling the opinions

Based on the answers to the foregoing questions and comments received from each Officer at the interviews and further based on the objective analysis and evaluation report prepared by a third-party evaluating organization, the Board of Directors exchanged their opinions at the Board of Directors meeting held April 27, 2020.

Based on the results of exchange of opinions, at the Board of Directors meetings held on May 7, 2020, June 10, 2020 and June 25, 2020, the analysis and evaluation were conducted regarding the effectiveness of the Board of Directors of the Company.

## 2. Outline of Results

### (1) Outline of Results of Analysis and Evaluation

As a result of the analysis conducted by the Board of Directors of the Company, the Board of Directors confirmed that, it has been composed of members with a wide variety of knowledge and experience, the development and operation of the internal control system and efforts for corporate ethics compliance have been appropriately monitored and supervised, and details of communication with shareholders and investors have been appropriately reported to and discussed at the Board of Directors.

Also, matters which were considered important for further improvement of the effectiveness include management strategies that take account of capital costs, the appropriate allocation of digital management resources, medium to long term issues from an ESG perspective, and expanded discussions on management succession plans, etc. aiming to expand discussions on management strategies from a perspective of group-wide optimization.

### (2) Efforts to resolve the issues of previous financial year

Based on the results of the evaluation on the effectiveness of the Board of Directors of the previous financial year, two efforts which were decided to be made to enhance effectiveness have been carried out as follows:

(A) Clarification of the priority order for discussion items on which the Board of Directors should focus, such as medium to long term strategy and long-term visions, and planning a schedule thereof

The Board of Directors clarified the priority order for discussion items to be focused on by the Board of Directors, and discussed the review of the business portfolio as a top priority issue continuously at the Board of Directors meetings held on and after July 12, 2019.

(B) Reinforcement of trainings for newly appointed Officers when they take office and trainings for Officers including providing supports for participation in external training programs.

Business site visits were carried out to help our newly appointed Outside Directors deepen their understanding of the Company's businesses. In addition, we promoted participation in external training programs where Internal Directors and External Directors, including newly appointed Directors, participated.

### (3) Efforts for the financial year commencing April 1, 2020

As a result of repeated discussions in light of the above, the Board of Directors has confirmed that, in addition to continuous consideration aiming to expand discussions on management strategies from a perspective of group-wide optimization, the following two efforts will be strengthened for further enhancement of effectiveness.

(A) With the aim of management with an awareness of ROE improvement and

capital costs, promotion of execution of business under management of ROIC index and reporting of the results to the Board of Directors

(B) Sharing ESG perspective and social agenda called for by the SDGs, and formulating medium to long term strategies connecting with the five CSR material issues of the Group

In addition to the above two points, we will work on the appropriate allocation of digital management resources and the expansion of discussions on management succession plans.

Through the implementation of the efforts described above, we will continue enhancing the effectiveness of the Board of Directors in the future toward further enhancing the corporate value and achieving what the Company Group desires to be.