

(Translation)

May 11, 2020

Dear Sirs and Madams

Name of the Company: NH Foods Ltd.  
Representative: Yoshihide Hata  
President and Representative Director  
(Code No. 2282, First Section of the  
Tokyo Stock Exchange)  
Person to contact: Tomoya Matsuda  
Public & Investor Relations Department  
(TEL 06-7525-3031)

**Notice Concerning the Adoption of  
Performance-Based Stock Compensation Plan for Officers**

At the meeting of the Board of Directors held today, NH Foods Ltd. (the "Company") reviewed the compensation plan for officers and resolved to adopt the "Performance-Based Stock Compensation Plan" (the "Plan") for its Directors (excluding Outside Directors or non-Japan residents; hereinafter the same) and Executive Officers (excluding non-Japan residents; together with the Directors, collectively referred to as the "Directors, etc.>").

As a result, it is hereby notified that, the Company has decided to submit a proposal for resolution on the adoption of the Plan at its 75th Ordinary General Meeting of Shareholders scheduled to be held on June 25, 2020 (the "Shareholders Meeting"), as described below:

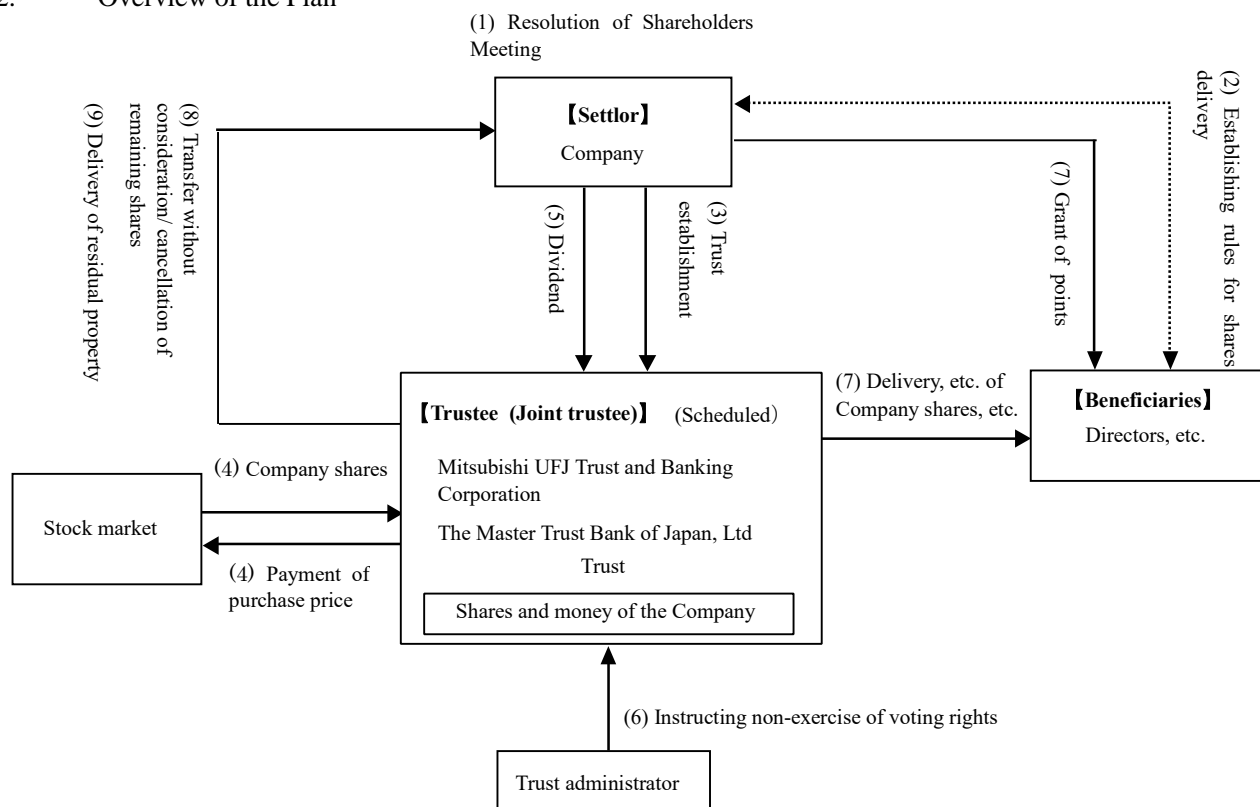
**Description**

1. Adoption of the Plan

- (1) The Company will newly introduce the Plan for the Directors, etc. with the objective of further clarifying the linkage between the compensation for Directors, etc. and the Company's business performance and shareholder value, and to provide incentives to encourage enhancement of the corporate value over the medium and long term in order to realize the Company's corporate philosophy\*.
- (2) The introduction of the Plan shall be conditional upon obtaining an approval on the compensation for officers resolution at the Shareholders Meeting.
- (3) Under the Plan, a scheme called the officers compensation BIP (Board Incentive Plan) Trust (the "BIP Trust") will be adopted. The BIP Trust is a plan, as with the performance based stock compensation (Performance Share) scheme and stock compensation with transfer restriction (Restricted Stock) scheme in Europe and America, the shares of the Company and the amount of money equivalent to the proceeds from the disposal of the shares of the Company (the "Shares, etc. of the Company") will be delivered and paid (the "Delivery, etc.") to the Directors, etc. according to their position, achievement level of the performance goal, etc.
- (4) When the trust period of the BIP Trust established in order to implement the Plan (the "Trust") expires, the Company intends to implement the Plan on a continuous basis by establishing a new Trust or changing the existing Trust for which the trust period has expired and making additional trusts.

\* By adopting the Plan, compensations for Directors will consist of "basic compensation", "appraisal compensation" and "stock compensation". Further, compensation for Outside Directors, who are independent from business execution, will consist only of "basic compensation".

## 2. Overview of the Plan



- (1) The Company will obtain an approval for resolution on compensation for officers regarding the adoption of the Plan at the Shareholders Meeting.
- (2) The Company will establish rules for delivery of shares on the Plan at a meeting of the Board of Directors.
- (3) The Company will entrust to trustees cash which will be a source of compensation for the Directors, etc. of the Company to the extent approved by the resolution of the Shareholders Meeting described in (1) above, and establish the Trust with the Directors, etc. who meet requirements for beneficiaries, as beneficiaries.
- (4) The Trust will acquire shares of the Company from a stock market using the cash contributed as described in (3) above in accordance with the instructions of the trust administrator. The number of shares that the Trust acquires shall be within the range approved by the resolution of the Shareholders Meeting described in (1) above.
- (5) Dividends will be paid for the shares of the Company within the Trust in the same manner as for the other shares of the Company.
- (6) The voting rights of the shares of the Company within the Trust shall not be exercised throughout the trust period.
- (7) Certain points will be granted to the Directors, etc. each year based on their position and achievement level of the performance goal during the trust period. The Shares, etc. of the Company will be delivered, etc. to the Directors, etc. based on the granted points, for those who meet the certain requirements as beneficiaries.
- (8) If there are any shares remaining upon the expiry of the trust period due to non-achievement of the performance goal or any other reasons, the Company is planned to continue to use the Trust as the Plan

or a new similar stock compensation plan by amending the trust agreement and making additional trust, or the Company is planned to cancel the remaining shares with resolution of the Board of Directors upon such remaining shares being transferred from the Trust to the Company without consideration.

(9) Upon the termination of the Trust, the residual property is, after being distributed to beneficiaries, planned to be vested in the Company to the extent of the reserve for trust expenses which is the trust money deducted by the funds for the acquisition of shares. Any portion exceeding the reserve for trust expenses shall be donated to an organization with no interest in the Company or the Directors, etc.

(Note) If there is no share of the Company remaining in the trust due to the Delivery, etc. of the Shares, etc. of the Company to the Directors, etc. who meet the requirements as beneficiaries, the Trust will be terminated before the expiry of the trust period. In addition, to the extent approved by resolution of the Shareholders Meeting, the Company may entrust additional funds to the Trust as funds for acquiring shares of the Company and the Trust may additionally acquire shares of the Company.

#### (1) Overview of the plan

In principle, the Plan is a scheme where the Shares, etc. of the Company will be delivered, etc. based on the position, achievement level of the performance goal, etc. during the business years corresponding to the period of the Company's Medium-Term Management Plan\* (the "Target Period"). However, for the Plan commencing in the current business year, it will cover four business years (the "Initial Target Period") which are the business year ending March 31, 2021 which is the remaining period of the current Medium-Term Management Plan and the three business years from the business year ending March 31, 2022 to the business year ending March 31, 2024 which are the period of the next Medium-Term Management Plan.

Moreover, in principle, the Directors, etc. are entitled to receive the Delivery, etc. of the Shares, etc. of the Company equivalent to 70% of the accumulated value of points during the Target Period (as set out in (5) below) (the "Accumulated Points") immediately after the end of the Target Period and the Shares, etc. of the Company equivalent to 30% of the Accumulated Points upon retirement, on the condition that the requirements as beneficiaries are being met.

\* If the Trust is to be continued pursuant to (4)(ii) below by amending the trust agreement and making an additional Trust upon expiration of the trust period, the business years corresponding to the period of then declared Medium-Term Management Plan of the Company will be regarded as the Target Period.

#### (2) Plan adoption procedures

The Company will resolve at the Shareholders Meeting, the maximum amount of trust money which may be contributed to the Trust and the maximum number of points which may be granted to the Directors, etc. (as set out in (6) below) as well as other necessary matters.

In addition, if the Plan is to be implemented continuously, the Company shall make such decisions through the resolution of the Board of Directors meeting to the extent approved by the Shareholders Meeting.

(3) Target persons of the Plan (Requirements as beneficiaries)

If the Directors, etc. meet the following requirements as beneficiaries, upon completion of prescribed procedure for determination of beneficiaries, the Directors, etc. shall be delivered, etc. the Shares, etc. of the Company in the number equivalent to the points granted up to the procedure for determination of beneficiaries.

- (i) he or she is a Director, etc. during the Target Period (including a Director, etc. who has taken office as Director, etc. during the Target Period);
- (ii) he or she remains in office at the expiry of the Target Period (regarding the Shares, etc. of the Company equivalent to 70% of the Accumulated Points) and has retired from office as Directors, etc. (regarding the Shares, etc. of the Company equivalent to 30% of the Accumulated Points)\*;
- (iii) he or she did not retire from office due to dismissal;
- (iv) he or she did not engage in certain misconducts while in office; and
- (v) any other requirements considered necessary for the achievement of the purpose of the stock-based compensation plan.

\* If the Directors, etc. retire from office before the expiry of the Target Period, Shares, etc. of the Company for all of the Accumulated Points at that time will be delivered, etc. Further, if the trust period is extended as described in (4)(iii) below and any persons eligible for the Plan are serving as the Directors, etc. at the time of the expiry of the extended period, the Trust shall be terminated at the expiry and the Shares, etc. of the Company, will be delivered, etc. for all of the Accumulated Points while the said Directors, etc. remain in office.

(4) Trust period

- (i) Trust period of the Trust

For approximately four years from August 3, 2020 (scheduled) to August 31, 2024 (scheduled).

- (ii) Continuation of the Trust

Upon the expiry of the trust period, the Trust may be continued by amending the trust agreement and making additional trusts. In such case, the period corresponding to the period of the then declared Medium-Term Management Plan of the Company shall become the new Target Period. The trust period of the Trust shall also be extended for such new Target Period and the Company shall make an additional contribution within the maximum limit of the trust money approved by resolution of the Shareholders Meeting for each extended trust period. In addition, during the extended trust period, the granting of points to the Directors, etc. shall be implemented.

However, in the case of making such additional contribution, if there are shares of the Company (other than the shares of the Company corresponding to the points granted to the Directors, etc. that are yet to be delivered, etc.) and funds which are remaining in the trust property as of the end of the trust period before extension (the "Remaining Shares, etc."), the sum of the amount of the Remaining Shares, etc. and the amount of the trust money additionally contributed shall be within the maximum limit of the trust money approved by resolution of the Shareholders Meeting.

- (iii) Treatment of termination of the Trust (Extension of trust period without additional contribution)

If there is no amendment of the trust agreement or additional trusts made at the expiry of the trust period, there will be no granting of points to the Directors, etc. thereafter. However, if the Directors, etc. who may meet the requirements as beneficiaries remain in office as of the expiry of

the trust period, the trust period of the Trust may be extended for a maximum of ten years until the said Directors, etc. retire from office and the Delivery, etc. of Shares, etc. of the Company to the said Directors, etc. is completed.

- (5) Calculation method of the number of Shares, etc. of the Company to be delivered, etc. to the Directors, etc.

The number of the Shares, etc. of the Company to be delivered, etc. to the Directors, etc. will be calculated based on the number of points granted to the Directors, etc. each year.

In June of each year during the trust period, certain points will be granted to Directors, etc. in accordance with the position and degree of achievement with respect to the target value of the performance indicators in the Medium-Term Management Plan for the business year ended at the end of March of the same year (for the first time, the business year ending March 31, 2021) (\*1).

\*1. Points granted = Base amount of stock-based compensation ÷ the average acquisition unit price of the shares of the Company by the Trust (if the trust period of the Trust is extended, the average acquisition unit price of the shares of the Company acquired by the Trust after the extension) × Performance-linked coefficient (\*2)

\*2. The performance-linked coefficient varies based on the degree of target achievement of performance indicators for each business year.

In addition, one point shall represent one share of the Company. However, if an event occurs during the trust period wherein it is found to be just and fair to adjust the number of shares of the Company, such as a share split or share consolidation, the number of shares of the Company for one point shall be adjusted according to the split ratio, consolidation ratio, etc.

- (6) Maximum amount of trust money contributed to the Trust and maximum number of total points granted

The maximum amount of trust money to be contributed by the Company to the Trust shall be 220 million yen per business year, and the maximum amount of trust money to be contributed to the Trust during the Initial Target Period (four fiscal years) shall be 880 million yen (\*1). The maximum amount of trust money where the Trust is extended in accordance with (4)(ii) above shall be the amount equivalent to the maximum amount of trust money per business year multiplied by the number of years of the Target Period.

\*1. The maximum amount of trust money is calculated, taking into consideration the current remuneration level of Directors, etc., based on the share acquisition fund added with the trust fees and trust expenses.

The maximum number of total points granted to Directors, etc. per fiscal year shall be 88,000 points (\*2). The maximum number of acquired shares where the Trust is extended in accordance with (4)(ii) above shall be the amount of shares equivalent to the maximum number of points per fiscal year multiplied by the number of years of the Target Period (\*3).

\*2. The maximum number of the total points to be granted to Directors, etc. is set with reference to share prices in the past, etc., and having regard to the maximum amount of the trust money mentioned above.

\*3. When the adjustment mentioned in the last paragraph of (5) above is made, the maximum number of shares to be acquired shall also be adjusted according to such adjustment.

(7) Acquisition method of the shares of the Company by the Trust

The acquisition of shares of the Company by the Trust is planned to be made by way of acquisitions from the stock market within the range of the maximum amount of trust money and maximum number of shares to be acquired as described in (6) above.

Further, during the trust period, if there is a possibility that the number of shares in the Trust may fall short of the number of shares corresponding to points granted to the Directors, etc., or if there is a possibility that the cash in the trust property may fall short of the payment of trust fees and trust expenses, additional monies may be contributed to the Trust and additional shares of the Company may be acquired to the extent it is within the maximum amount of trust money and the maximum number of shares to be acquired as described in (6) above.

(8) Method and timing for Delivery, etc. of the Shares, etc. of the Company to the Directors, etc.

By carrying out the prescribed procedures for determination of beneficiaries, the Directors, etc. who meet the requirements as beneficiaries described in (3) above shall be delivered shares of the Company equivalent to 50% of the portion equivalent to 70% of the Accumulated Points (fractional shares being rounded up) around July after the termination of the Target Period, and shall sell the remaining shares of the Company in the stock market and receive the amount of money equivalent to the conversion price to cash. With respect to the portion equivalent to 30% of Accumulated Points, when the Directors, etc. retire from office, they shall be delivered shares of the Company corresponding to 70% of such Accumulated Points (fractional shares being rounded up), and shall sell the remaining shares of the Company in the stock market and receive amount of money equivalent to the conversion price to cash. However, if the Directors, etc. retire from office before the expiry of the Target Period, the Shares, etc. of the Company will be delivered, etc. for all Accumulated Points up to that time. Further, Directors, etc. will continue to hold shares of the Company acquired under the Plan until one year has passed since their retirement.

In case of death of any of the Directors, etc. during the trust period, all of the shares of the Company corresponding to the Accumulated Points up to that time will be converted into cash within the Trust, and the heir of such deceased Directors, etc. will receive payment of money equivalent to the conversion price to cash promptly after the death. If the Directors, etc. become a non-resident of Japan due to an overseas assignment during the trust period, all of the shares of the Company corresponding to the Accumulated Points up to that time will be converted into cash within the Trust, and such Directors, etc. may receive payment of money equivalent to the conversion price to cash.

(9) Exercise of the voting rights of the shares of the Company within the Trust

Regarding the shares of the Company within the Trust, to ensure independence of the management, the voting rights shall not be exercised during the trust period.

(10) Treatment of dividends for the shares of the Company within the Trust

Dividends for the shares of the Company within the Trust shall be received by the Trust and applied to the trust fees and trust expenses of the Trust. If there are any amount remaining after application to the trust fees and trust expenses upon termination of the Trust, the portion which exceeds the reserve for trust expenses shall be donated to an organization with no interest in the Company or the Directors, etc. Further, if the Trust is extended, such residual funds shall be used as funds for share acquisitions.

(11) Treatment upon expiration of the trust period

If there are any shares remaining upon the expiry of the trust period due to reasons such as non-achievement of performance goals, such remaining shares is, as part of a measure for return to shareholders, planned to be transferred from the Trust to the Company without consideration, and the Company is planned to cancel the said shares by resolution of the Board of Directors meeting.

[Details of the trust agreement]

- |  |   |
|--|---|
| (i) Type of trust:                               | Money trust other than the specific individually operated money trust (third-party-benefit trust)   |
| (ii) Purpose of trust:                           | Providing incentives to the Directors, etc.   |
| (iii) Settlor:                                   | The Company   |
| (iv) Trustee:                                    | Mitsubishi UFJ Trust and Banking Corporation (scheduled)<br>(Joint trustee: The Master Trust Bank of Japan, Ltd. (scheduled))   |
| (v) Beneficiary:                                 | The Directors, etc. who meet the requirements as beneficiaries  |
| (vi) Trust administrator:                        | An expert practitioner who is a third party with no interest in the Company   |
| (vii) Date for execution of the trust agreement: | August 3, 2020 (scheduled)  |
| (viii) Trust period:                             | August 3, 2020 (scheduled) to August 31, 2024 (scheduled)   |
| (ix) Start date of Plan:                         | August 3, 2020 (scheduled)  |
| (x) Exercise of voting rights:                   | Not to be exercised.  |
| (xi) Class of shares to be acquired:             | Ordinary shares of the Company  |
| (xii) Maximum amount of trust money:             | 880 million yen (planned) (including trust fees and trust expenses)   |
| (xiii) Stock acquisition period:                 | August 4, 2020 (scheduled) to August 31, 2020 (scheduled)<br>(excluding the period from five business days before the last day of the accounting period (including interim period and quarterly period) to the last day of the accounting period) |
| (xiv) Stock acquisition method:                  | To be acquired from the stock market  |
| (xv) Holder of a vested right:                   | The Company   |
| (xvi) Residual property:                         | The residual property that the Company, the holder of a vested right, is entitled to receive shall be within the range of the reserve for trust   |

expenses which is the trust money deducted by funds for the acquisition of shares.

[Details of administrative work for trust and shares]

- (i) Administrative work for the trust: Mitsubishi UFJ Trust and Banking Corporation and The Master Trust Bank of Japan, Ltd. are planned to become the trustees of the Trust and handle the administrative work for the Trust.
- (ii) Administrative work for the shares: Mitsubishi UFJ Morgan Stanley Securities Co., Ltd. is planned to handle the administrative work for delivery of the shares of the Company to the beneficiaries in accordance with a service agreement for the administrative work.

END