

Corporate Governance

The Maruha Nichiro Group strives to achieve sustainable growth and implement improvements in corporate value over the long term by building equitable and productive relationships with our stakeholders. To this end, we are working to strengthen corporate governance by placing importance on ensuring operational integrity, transparency and efficiency while utilizing measures to accelerate decision making and strengthen oversight.

Corporate governance framework

We have adopted a corporate auditing system recognizing that having Audit & Supervisory Board members supervise the execution of duties by directors as an independent institution consigned by shareholders represents an effective means for securing the sound and sustainable growth of the company and strengthening our high quality corporate governance framework in response to social credibility.

Board of Directors

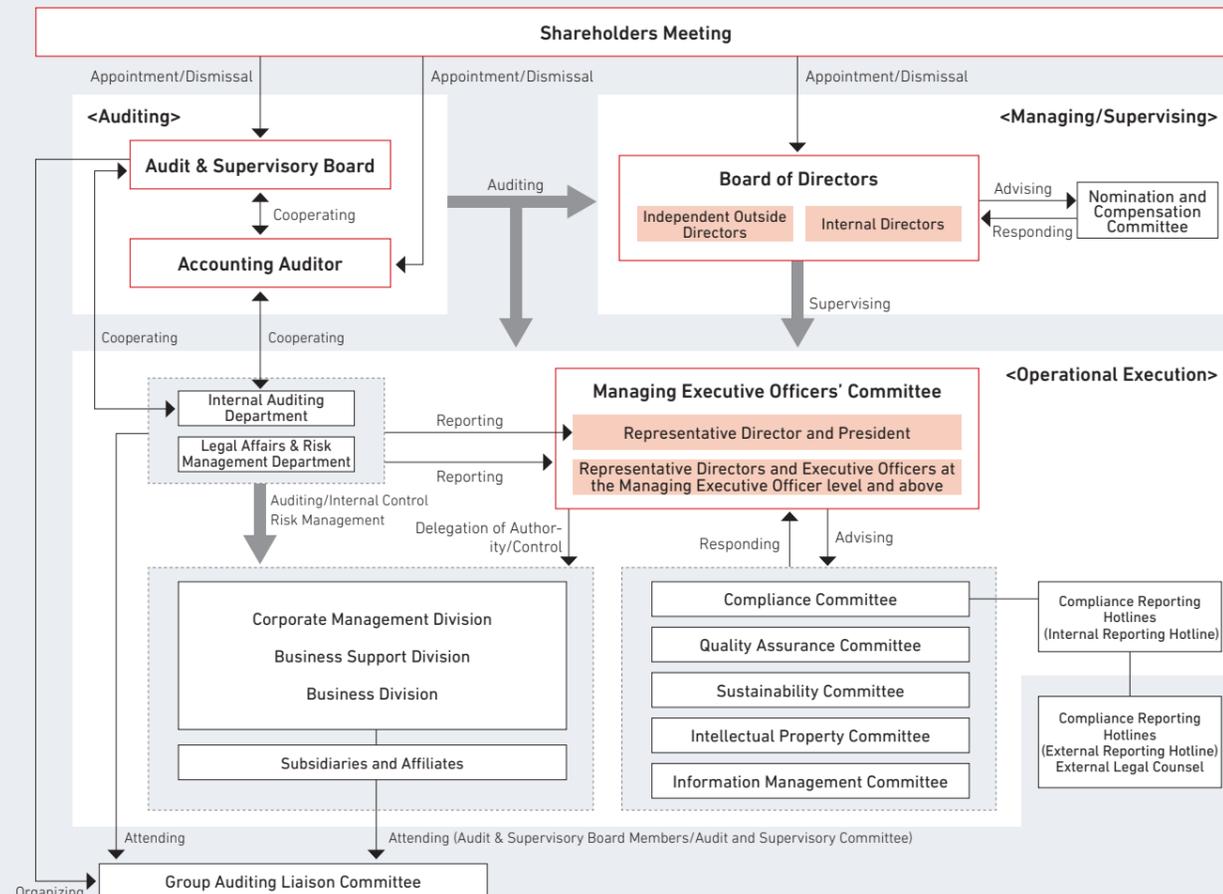
The Board of Directors is comprised of 9 directors including three outside directors. Our Board of Directors provides highly effective supervision from an independent and objective perspective by incorporating an executive officer system in which supervisory duties are independent of executive duties. The Board of Directors meets generally once a month to make decisions on important management matters such as basic management policies, management strategy, Medium-term Management Plan, annual management plan, and capital policy. Decisions on the individual execution of operations are delegated to the Managing Executive Officers'

Committee. The Managing Executive Officers' Committee meets generally once a week in which decisions are promptly made on matters delegated by the Board of Directors, and matters of importance are reported to the Board of Directors. In FY2019, the Board of Directors met 17 times, including extraordinary meetings, with an average attendance rate of 97% for directors and 99% for Audit & Supervisory Board members.

Audit & Supervisory Board

Maruha Nichiro has implemented a corporate auditing system involving five auditors (four of whom are external auditors). Audit & Supervisory Board members audit the operational execution of directors by meeting and deciding on matters pertaining to audit policies, audit plans, audit methods, and auditor duties, and by attending high-level meetings including Board of Directors meetings, holding discussions with Maruha Nichiro directors and division directors, conducting site visits at domestic and overseas subsidiaries, receiving and reviewing the results of audits from, and exchanging opinions with our accounting auditor, and regularly holding meetings of the Group Audit Liaison Committee. In

Corporate governance framework



History of recent governance reforms



FY2019, Audit & Supervisory Board meetings were held seven times, with an average attendance rate of 97%. At Maruha Nichiro, the four highly-independent outside Audit & Supervisory Board members are designated as independent officers. Three outside members have been appointed based on their long years of experience and in-depth knowledge from their career experience at financial institutions.

Main deliberations by the Board of Directors (FY2019)

- Capital cost and ROIC by unit
- Examination of cross-shareholdings
- Evaluation of board effectiveness
- Progress of Medium-term Sustainability Management Plan
- Business reforms centered on operational reforms to sales and logistics
- Maruha Nichiro Group Risk Management Basic Plan
- Executive officer compensation system of the Maruha Nichiro Group's affiliated companies
- Acquisition of all shares of listed subsidiary (Daito Gyorui Co., Ltd.) through public tender offer

Nomination and Compensation Committee

Outside directors comprise a majority of the members of the Nomination and Compensation Committee. The chair and members of this committee are appointed by the Board of Directors. This committee deliberates on candidates for director and executive officer positions, which are determined by resolution of the Board of Directors. In FY2019, the Nomination and Compensation Committee met in May 2019 to deliberate on candidates for director and executive officer positions after the General Shareholders' Meeting held in June 2019. Respecting the findings of the committee, the Board of Directors passed a resolution on director and executive officer candidates during its meeting in June 2019. When appointing a former Representative Director, President & CEO as Counselor or Corporate Advisor, the Nomination and Compensation Committee Regulations require a resolution by the Board of Directors based upon deliberations

by the Nomination and Compensation Committee. At present, there are no applicable persons.

Additionally, the committee deliberates on the compensation system and standards for directors and executive officers. The committee assists the Board of Directors with decision making by providing its views regarding these matters, which are then approved by resolution of the Board of Directors. In FY2019, the Nomination and Compensation Committee met in May 2019 to deliberate on officer compensation for July 2019 and beyond. Respecting the findings of the committee, the Board of Directors passed a resolution on officer compensation during its meeting in June 2019.

In FY2019, the Nomination and Compensation Committee met two times, once in May and in February, with an attendance rate of 100%.

Other committees

Maruha Nichiro has established the following committees as advisory bodies to the Managing Executive Officers' Committee which are chaired by persons appointed by the Managing Executive Officers' Committee. These committees hold active discussions and make proactive proposals.

Situation of each committee

Committee name	Chair	Meetings held in FY2019
Compliance Committee	Representative Director, President & CEO Masaru Ikemi	2 times
Quality Assurance Committee	Director and Senior Managing Executive Officer Masayuki Nakajima	2 times
Sustainability Committee	Representative Director, President & CEO Masaru Ikemi	2 times
Intellectual Property Committee	Director and Senior Managing Executive Officer Masayuki Nakajima	2 times
Information Management Committee	Managing Executive Officer Kenichi Kokado	2 times

Corporate Governance

Evaluation of board effectiveness

The continued process to regularly examine whether the Board of Directors is functioning optimally and take appropriate measures to address any issues found is important in ensuring the board is fulfilling its roles and

responsibilities effectively. Every year, Maruha Nichiro Corporation conducts a self-evaluation of its Board of Directors by all of its directors and Audit & Supervisory Board members to analyze and evaluate the board's effectiveness, and discloses the summary of the results.

Effectiveness evaluation process



Evaluation items

- 1 Roles and responsibilities of the Board of Directors
- 2 Relationship between the Board of Directors and management
- 3 Institutional design and composition of the Board of Directors, etc.
- 4 Qualities and expertise of the (board of) directors
- 5 Deliberation by the Board of Directors
- 6 Relations and dialogue with shareholders
- 7 Response to stakeholders other than shareholders
- 8 Improvement status of issues from previous term

Analysis and evaluation of board effectiveness

Recognized issues and action policy for FY2018

- 1 The Board of Directors further fulfills its function in addressing medium-term management strategy and management issues
- 2 Response from the Board of Directors to meet the expectations of shareholders and other stakeholders
- 3 Further involvement of the Board of Directors in the succession plan for officers

Evaluation for FY2019

- 1 While some find that more information sharing and active discussion have been noted compared to before, some also believe more creativity in implementation and proactive discussions are required.
- 2 There was feedback that information content is sufficient with the publication of Integrated Report and Sustainability Report, and continuous, proactive efforts should be made.
- 3 While there is certain level of positive feedback on current initiatives, it is also thought that strengthening future initiatives and greater information sharing at the Board of Directors on consideration status are necessary.

Looking ahead

- Recognized issues and action policy for FY2019**

 - Further encourage discussion among each director through creativity in the operation of the Board of Directors
 - Further enhance discussions on expectations of shareholders and investors at the Board of Directors meetings
 - Enrich information sharing at the Board of Directors meetings on the deliberation process by the Nomination and Compensation Committee

Main field of experience of outside directors and outside Audit & Supervisory Board members

Candidates for directors and Audit & Supervisory Board members are nominated for excellence in character,

knowledge, capabilities, as well as wealth of experience and high moral sense. Particularly for outside directors, nominees are nominated for their expertise in fields including corporate management and risk management.

Outside Director

Name	Independent officer	Main experience and concurrent position	Main specialization, background		
			Corporate management	Legal affairs and risk management	Finance and social
Yoshiro Nakabe 	○	President and Representative Director of Daitoh Trading Co., Ltd.			
Somuku Iimura 	○	External Audit & Supervisory Board Member of Yamada Denki Co., Ltd. Senior Partner, Attorney at Natori Law Office			
Sonoko Hachoji 	○	Former Executive Officer of IBJ Leasing Company, Limited External Director of Japan Airlines Co., Ltd. External Director of Daicel Corporation			

Outside Audit & Supervisory Board Member

Name	Independent officer	Main experience and concurrent position	Main specialization, background		
			Corporate management	Finance and accounting	Finance and social
Hiroyuki Shimizu 	○	Former Executive Officer of Mitsubishi UFJ Trust and Banking			
Takeshi Iwabuchi 	○	Former Auditor of The Norinchukin Bank Former Full-time Corporate Auditor of Ube Industries, Ltd.			
Ryusuke Aya 	○	Former Member of the Board of Directors and Managing Executive Officer of Mizuho Financial Group, Inc.			
Yoshito Kaneyama 	○	Representative of Kaneyama Certified Public Accountant Office			

Independence criteria for outside officers

Maruha Nichiro Corporation deems an outside officer independent if the following conditions do not apply.

- a) Operational executor of a major business partner of the Group. A major business partner is a business partner whose transaction amount exceeds 2% of the consolidated net sales of the Group or the business partner (including its parent company and important subsidiaries).
- b) Operational executor of the Group's major lender. Major lenders are lenders who have financed the Group in excess of 2% of the Company's consolidated total assets at the end of the most recent fiscal year.
- c) Lawyer, certified accountant, tax accountant or consultant receiving monetary or financial benefits in excess of 10 million yen a year from the Company in addition to compensation as director.
- d) Person or operational executor who received donations or subsidies from the Company in excess of 10 million yen a year.
- e) A person who fell under (a) to (d) above within the past 2 years.
- f) If the person who falls under (a) to (d) above is a operational executor, including director, executive director, company executive, or department manager level or higher, or an operational executor with equivalent authority, the spouse or a blood relative within the second degree kinship of the above.

Training and discussions among outside directors and outside Audit & Supervisory Board members

Maruha Nichiro Corporation is taking measures for briefings and inspections as needed in order to promote understanding of the Maruha Nichiro Group's businesses among outside directors and outside Audit & Supervisory Board members. In addition, outside directors participate as members of the Compliance Committee, which is an advisory body to the Managing Executive Officers' Committee, and provide opinions based on objective and specialized knowledge. Moreover, opinion exchange meetings led by outside directors and outside Audit & Supervisory Board members are also held to aid in ensuring the effectiveness of audits.

Approach to officer compensation system

The compensation for the executive management and directors of Maruha Nichiro Corporation consists of fixed compensation and performance-linked compensation, with consolidated ordinary income serving as the evaluation criterion for the latter, while compensation for outside directors is fixed only. Moreover, we established the Nomination and Compensation Committee as an advisory body to the Board of Directors. The same committee deliberates on topics such as the compensation system and standards, which are then approved by the Board of Directors. Performance-linked compensation for FY2019 was determined by the performance level of consolidated ordinary income budget for the previous fiscal year. The achievement rate was 76%.

Approach to cross-shareholdings

Maruha Nichiro Corporation maintains cross-shareholdings with its partners with the purpose of maintaining and strengthening business relationships. We comprehensively taken into account our business strategy and relationship in business transactions and develop a basic policy to judge the investment value. Each year, the Board of Directors examines the investment value of each cross-shareholding, and reduces holdings based on stock prices and market trends such as selling of holdings that have diminished value in maintaining based on our business strategy or business relationships.

As a result of this review, we held the shares of 57 listed companies as of the end of FY2018, and reduced this to 54 as of the end of FY2019. While we respect proposals of relevant business partners under the principle of facilitating increased shareholder value over the medium to long-term, if shareholder value is largely damaged due to restructuring, such as merger and splits, or serious concern in corporate governance over scandals, we will exercise the voting rights of cross-shareholdings aimed at improving the outcome.

Approach to group governance

Maruha Nichiro Corporation has established the Maruha Nichiro Group Risk Management Regulations, and has been conducting annual risk surveys to identify and evaluate risks among each division and group company since FY2015. We also formulate the Risk Management Basic Plan. Details of these initiatives are reported to the Board of Directors, and risk information is shared across the entire group.

See p. 64 for details about our risk management.

Amount of compensation paid to directors and Audit & Supervisory Board members

Executive classification	Total amount of compensation, etc.	Total amount of compensation, etc. by type (million yen)		Number of eligible officers (persons)
		Fixed compensation	Performance-linked compensation	
Director	324	273	51	10
(Outside Director)	(24)	(24)	(-)	(3)
Audit & Supervisory Board Member	99	99	-	6
(Outside Audit & Supervisory Board Member)	(78)	(78)	(-)	(5)
Total	424	372	51	16
(Outside Officer)	(103)	(103)	(-)	(8)

Note 1. Amounts paid to directors do not include salary paid to directors who serve concurrently as employee.

Note 2. The compensation of directors is limited to no more than 60 million yen per month (not including any employee salary). The compensation of Audit & Supervisory Board members is limited to no more than 10 million yen per month. (Resolution passed by the extraordinary meeting of shareholders held on January 30, 2014)