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Corporate Governance Report

Nisshin Seifun Group Inc.

June 25, 2021

Nobuki Kemmoku

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Nisshin Seifun Group Inc.

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Corporate Governance of Nisshin Seifun Group Inc. (the “Company”) is conducted as follows:

I Basic Views on Corporate Governance, Capital Structure, Corporate Data and Other Basic Information

1. Basic views on corporate governance

The Company, aiming for sustainable corporate growth and the maximization of its long-term corporate value, holds basic views on corporate governance aiming to (i) develop an efficient management system and clarify management responsibility and (ii) promote management that respects the status of each stakeholder such as shareholders and achieve transparency, timeliness and appropriateness in the Company’s decision-making. The Company, based on such basic views, formulated the Corporate Governance Policy (the “Policy”) to fulfill its responsibilities to stakeholders, including its fiduciary responsibility to shareholders who have entrusted the management of the Company, and to achieve effective corporate governance that leads to sustainable corporate growth and the creation of mid- to long-term corporate value. Please refer to the Policy attached to the end of this report.

【Reasons for not implementing each principle of Corporate Governance Code】

The Company has complied with all principles of the Corporate Governance Code.

【Disclosure based on each principle of Corporate Governance Code】

【1】 Guiding philosophies, corporate principles, key management policies and basic stance toward stakeholders (Principle 3-1(i))

1 Guiding philosophies and Corporate principles

The Group (the Company and its subsidiaries and affiliates) is expanding globally in life-essentials industries under the corporate principle of “contributing to a healthy and fruitful life for all” which is founded on the guiding philosophies that “the basis of business is built on trust” and of being “in tune with the changing climate.”

2 Key Management Policy

Based on the fundamental concepts of “trust,” being “in tune with the changing climate” and “contributing to a healthy and fruitful life for all,” the key policy of the Group management is to maximize the “long-term corporate value” of the entire Group. As such, the Group conducts its Group management by continuing to focus on the allocation of resources into core businesses and growth businesses.

As each Group company shares these fundamental principles, they push ahead with business activities under the corporate slogan of “Self-Sufficiency and Alliance.”

In other words, each company exercises independence in responding to the distinctive features of their business and their industry environment, and they combine with all the other companies of and out of the Group to strive for further development.

At the same time, companies push for self-improvement while fulfilling their social responsibility to comply with laws and regulations, food safety standards and preservation of the environment. We strive to contribute to the realization of a sustainable society and to become a group that continues to be actively supported by our stakeholders, including customers, shareholders, employees, suppliers and the public.

3 Basic Stance toward stakeholders

Based on our corporate principles and guiding philosophy, the Group adopts the following basic stances toward all stakeholders of the Group.

(1) Toward Our Customers

We strive to consistently generate customer satisfaction, by accurately identifying the needs and wants of our consumers and business customers, and by providing products and services which are safe, reliable, and of high quality.

(2) Toward Our Shareholders

We are expanding our Group management as a key policy in maximizing our “long-term corporate value.”

We maintain high profitability and steady growth potential, and we strive for effective utilization of our assets. We also distribute fair and stable dividends.

At the same time, we aim to improve our share price by being correctly understood, valued and trusted through the timely, adequate and ongoing disclosure of information.

(3) Toward Our Employees

Based on mutual trust founded on respect for humanity, each and every employee feels joy and a sense of purpose in life through their work. They make maximum use of their abilities and individual qualities, and create a workplace environment where they can work safely and healthily.

The group expects and assists employees to strive to maintain and improve a healthy standard of living, as well as to seek self-change and to consistently improve themselves.

(4) Toward Our Business Partners

Based on the principles of fair and free competition, we strive for co-existence and co-prosperity by respecting the position of the other party on the basis of mutual trust, and by sharing the fruits of such mutual respect.

(5) Toward Society

We contribute to the development of society through sound business activities.

We believe that respect for human rights is fundamental, and we strive for safety in our products and the preservation of the environment. We are thorough in our compliance with social standards and secure our position as a reliable company.

We actively press forward with activities that contribute to society, and will pursue harmony with society.

Also, as we proceed further with globalization, we will undertake similar missions and roles, in forms which meet the conditions of the different countries in the world, and we will focus on achieving harmony with the international community.

[2] Business strategies, business plans and basic capital policy (Principle 3-1-(i), Principle 1-3 and Principle 5-2)

In formulating business strategies and business plans, regard should be given that:

- (1) business strategies and business plans are to be consistent with the Group's corporate principles and key management policy;
- (2) basic earning plans and capital policies are to be indicated when establishing business strategies and business plans, and clear and logical explanations are to be provided to the shareholders regarding specific measures to be taken in order to enhance the Group's profitability and capital efficiency; and
- (3) aggressively expanding strategic investments such as capital investment, M&A, human resource development, technical development, etc. toward sustainable corporate growth and sufficiently considering our social responsibility of stably supplying staple food. With the creation of corporate value in mind, a basic capital policy, striking a balance between the improvement of capital efficiency and financial stability, is to be established (i) to ensure and improve the Group's profitability that consistently exceeds the capital costs and (ii) to sustain appropriate shareholder returns.

The above can also be found in the Corporate Governance Policy 1 (5) attached to the end of this report.

[3] A long-term vision "NNI 'Compass for the Future'-Toward a New Stage-Maximizing Group-wide Capabilities and Effecting Business Model Change" (Principle 3-1-(i), Principle 1-3 and Principle 5-2)

1 Basic Views

The Group's key management policy is to maximize its long-term corporate value through "innovation" and "implementation" under the guiding philosophies that "the basis of business is built on trust" and being "in tune with the changing climate," and the corporate principle of "contributing to a healthy and fruitful life for all" which is founded on the guiding philosophies.

Upon recognizing this key management policy, we set out our long-term vision called "NNI 'Compass for the Future' - Toward a New Stage - Maximizing Group-wide Capabilities and Effecting Business Model Change" in May 2018, taking into account anticipated structural changes driven by highly complex and rapid shifts in society for the next 10 to 20 years.

As for long-term vision, by having "Group-wide Capabilities" based on the "Three Collaborations" of the "Intra-Business," "Inter-Business and "External" strengths, and "emphasis of customer oriented policy" as key, we will strengthen our business competitiveness by "business model change for existing businesses" that will establish a strong profit base and "strengthening a business portfolio" that is linked to maximizing corporate value, and further reinforce management functions which support the aforesaid initiatives. With this long-term vision as our compass for the future, we will press ahead with New Nisshin Innovation activities, and establish "a solid and firm position in the domestic food industry" as "a globally-operating company that assists 'healthy lifestyle' and plays a critical role in building 'the food infrastructure' of the future".

<Review of the Medium-Term Management Plan "NNI-120 II">

The Group has worked on the six-year medium-term management plan "NNI-120 II" starting from April 1, 2014 and ending on March 31, 2021. During the five-year period from the start of the plan to March 31, 2020, we actively invested in growth areas and restructured our businesses, including the acquisition of Allied Pinnacle Pty Limited in Australia for our overseas flour milling business, the acquisition of Tokatsu Foods Co., Ltd. as a subsidiary for our prepared dishes and other prepared food business, the establishment of a new plant for commercial-use prepared mix in Vietnam for our processed food business, and the sale of our processed meat food business, such as ham. As a result, the Group was able to achieve certain results in terms of both growth and profitability.

However, in fiscal 2020, the final year of the plan, due to the impact on consumption caused by COVID-19, while the processed food business in Japan performed well, owing to factors, such as struggling in the flour milling business (in Japan, Australia, etc.) and the prepared dishes and other prepared food business in terms of sales, a temporary decrease in facility construction, and the transfer of the pet food business, the Group could not achieve the target figures. As mentioned above, in light of the current uncertain business environment due to COVID-19, the Group has temporarily suspended the formulation of a new medium-term management plan, and the Group is currently working to strengthen our

ability to respond to changes in the market environment. The Group is also focusing on achieving an early recovery in its sales capabilities and earning capacity as a top priority.

2 Group's long-term basic strategy

(1) Position in the industry

By pressing ahead with our strategy for growth based on "Group-wide Capabilities," we plan to increase our corporate value to become a corporation that establishes "a solid and firm position in the domestic food industry."

(2) Maximizing Group-wide capability

Each Group business "emphasizes customer oriented policy" and promotes "Three Collaborations" that use "Intra-Business", "Inter-Business" and "External" strengths to maximize the Group-wide capability.

(3) Strengthening business competitiveness

1) Business model change for existing businesses

Looking ahead at the upcoming environment change, we will promote a significant change of the business structure and emphasis of our business areas, and implement business model change for existing businesses that will establish a strong profit base.

2) Strengthening a business portfolio

We will conduct "strengthening a business portfolio that links to maximizing corporate value" with a sense of speed, putting weight on strengthening the core businesses that continue to be the profit base of the Group, focusing on allocating managerial resources to growth fields, further creation of Group synergies, and realignment of Group's business from the perspective of profitability and growth.

(4) Investment policy

We will always be conscious of the capital cost, improve the mid to long-term profitability, and have a basic management policy to strike a balance between capital efficiency and financial stability to achieve an ROE which stably exceeds capital costs.

1) Approach regarding financial strategy and the balance sheet

We will appropriately control our capital structure by further aggressively increasing strategic investments such as capital investment, M&A, human resource development, technical development, etc. toward sustainable corporate growth, sufficiently considering our social responsibility of stably supplying staple food, and striking a balance between the improvement of capital efficiency and financial stability. We will proceed with the reduction of cross-shareholdings in a planned manner considering business competitiveness.

2) Approach regarding returning profits

We will strengthen the stable return of profits to shareholders with a long-term stance. Along with the continuation of ongoing dividend growth and a medium- to long-term payout ratio of 40% or more as a baseline standard, we intend to buyback shares in a flexible manner, taking into account the demand for funds for strategic investments etc.

3) Approach regarding capital efficiency

Aiming for EPS (earnings per share) growth from the perspectives of profit growth and capital policy, we will strive to improve our ROE (return on equity) and ensure it stably exceeds capital costs, as our profitability index for all stakeholders, while taking into consideration our Group's "Social Mission" and "Business Model."

(5) Constructing an organizational structure that increases our ability to achieve strategic growth

1) Stimulating our organization and human resources

We will stimulate our organization and human resources by reforming working style and improving working environments etc. in order to improve labor productivity, by more

effectively utilizing the resource of time, and greatly increase the value-add our organizations can achieve.

- 2) Creating a business culture committed to strategic execution
The holding company will certainly execute and lead policy for realizing each business' strategy and topics affecting the entire Group, and each business will re-invigorate their business culture by aggressively challenging themselves with new endeavors and increase their strategic execution ability in order to support competitive advantages.
- (6) Promoting continuous cyclical growth
In a business environment intermittently changed by social issues and technological innovation, we will realize sustainable growth by accurately identifying the opportunities and threats that emerge, and use our strengths to overcome and transform risks into business opportunities. The result will create a cycle of contributing to society through the added value we produce. We will develop as a corporate group that continues to be positively supported by each stakeholder, and better "Realize our Corporate Philosophy" and "Maximize our Corporate Value." We will do so by strengthening Governance (G) as a discipline to increase our corporate value, and by promoting management that deeply connects new cross-value chains, to be established by our Group, and our contributions to Society (S) and the Environment (E), which pertain to the sustainability of business.
- (7) Basic policy for each business
 - 1) Flour Milling Business
 - Promote the maintenance of a production system and low-cost-operation which utilizes new technologies, and establish a standard of production cost that can succeed against global competition.
 - Not only adapt with customer needs and realize a strongly-held position in Japan, but also promote new business development such as further acceleration of the expansion of the foreign business utilizing the technologies that we have accumulated since our establishment.
 - 2) Food Business
 - Processed food business will establish a strong profit base by dealing with the expansion of high value-added products by pursuing health effect, convenience and deliciousness, and increasing cost competitiveness by global optimal production structure. In addition, we will pursue acceleration and expansion of business development in foreign markets.
 - Yeast and biotechnology business will expand business dealing with the wide range of food ingredients such as yeast domestically and internationally and enhance productivity, and expand high value-added bio business such as raw materials for diagnostic pharmaceuticals, culture mediums, reagents and testing services.
 - Healthcare foods and raw materials for pharmaceuticals business will expand the range of development to new areas in addition to the current business, and create group synergies alongside being fostered as a growth driver for the future.
 - 3) Prepared Dishes and Other Prepared Food Business
 - Prepared dishes and other prepared food business will aim for conversion to a highly commercialized business model that achieves both the pursuit of taste and high production efficiency.
 - 4) Other Business
 - Engineering business will develop, considering new technologies such as automation, by having plant engineering such as the construction of food factories, play a central role, and aim to expand the sales of original equipment and powder processing business by utilizing characteristic powder technologies.
 - Mesh cloth business will make use of our predominance in high efficiency mesh cloth, and place new areas such as environment, medical care and health in the center of the business, in addition to the current areas.

[4] Basic views and guidelines on Corporate Governance (Principle 3-1 (ii))

Please refer to the Policy attached to the end of this report.

【5】A view on the appropriate balance between knowledge, experience and skills of the board as a whole, and also on diversity and appropriate board size (Supplementary Principle 4-11-1)

The Company's board of directors ("Board of Directors") consists of: (i) directors ("Directors") who belong exclusively to the holding company and evaluate and oversee the actions of operating companies; (ii) Directors who concurrently manage major operating companies, who are familiar with the market environment and who have the experience and management skills required to oversee those businesses; (iii) outside Directors ("Outside Directors") who are in a position to oversee the management of the Company from independent and third-party viewpoints; (iv) Directors who have voting rights on the Board of Directors and are members of the audit & supervisory committee of the Company ("Audit & Supervisory Committee") who conduct audits of business operations from the perspectives of legality and appropriateness.

Additionally, the Board of Directors is composed in a manner designed to achieve diversity, including gender and international experience, and consists of members who have diverse careers such as experience in overseas business, as well as having a female member.

Regarding our views on the diversity of Directors, etc. please refer to 5(2)(3)(6)(7) of the Policy attached to the end of this report.

【6】Board of Directors' policies and procedures in the appointment and dismissal of the Senior Management and the nomination of Directors candidates (Principle 3-1(iv), Supplementary Principle 4-1-3)

Regarding the policies and procedures of the Company's Board of Directors on the appointment and dismissal of the Senior Management (including executive directors of the Company ("Executive Directors"), executive officers of the Company ("Executive Officers") and directors and presidents of major operating companies; the same shall apply hereafter) and the nomination of Directors candidates, please refer to 5(2)(3)(6)(7)(9) and 6(2)(3) of the Policy attached to the end of this report. The appointment and dismissal of Senior Management is subject to deliberation and resolution by the Board of Directors, which is attended by independent Directors ("Independent Directors"), and the Board of Directors proactively engages in the establishment and implementation of a development plan of Senior Management and appropriately oversees the systematic development of succession plan. The appointment and dismissal of the Company's representative Director ("Representative Director") is discussed at the advisory committee which is composed of all the Outside Directors ("Advisory Committee"), in addition to the Board of Directors.

【7】Explanations with respect to the individual appointments and dismissals of Senior Management and nominations of Director candidates (Principle 3-1(v))

1. Current Senior Management are (i) Executive Directors and Executive Officers who belong exclusively to the holding company and assume functions of overseeing the whole Group, or (ii) senior management of major subsidiaries who concurrently hold management positions at the Company who, in a timely and appropriate manner, understand the operating companies' circumstances, reflect that understanding when implementing the strategy of the Group management and oversee the operating companies effectively.

2. The Company's current Outside Directors (excluding Outside Directors who are Audit & Supervisory Committee members ("Audit & Supervisory Committee Members")) are (i) persons with rich experience and a wide range of knowledge as corporate managers, (ii) persons with rich experience and a wide range of knowledge in the public sector, and (iii) persons with a high degree of expertise in corporate finance.

3. Audit & Supervisory Committee Members consist of (i) full time members who are familiar with the Group's circumstances and have broad experience, (ii) persons with a high degree of expertise in risk management, compliance and legal matters, and (iii) persons with a high degree of expertise in finance and accounting.

4. Explanations with respect to the individual appointment of Outside Directors are provided at II. 1. Organizational structure and organizational operation, 【Directors】, Relationship with the Company (2), (Outside Directors).

Reasons for the election of inside Directors are as follows.

Nobuki Kemmoku

Nobuki Kemmoku was regarded as capable of adequately fulfilling his duties as a Director of the Company, in that he has a wealth of experience and an excellent track record in management of the flour milling business and also has been leading the holding company's management as President of the Company, and thus is considered to possess the requisite skills and qualities for the Company to pursue sustainable growth and medium- to long-term enhancement of corporate value.

Akira Mori

Akira Mori was regarded as capable of adequately fulfilling his duties as a Director of the Company, in that he has a wealth of experience and an excellent track record in areas including accounting, finance and corporate planning, and thus is considered to possess the requisite skills and qualities for the Company to pursue sustainable growth and medium- to long-term enhancement of corporate value.

Koichi Iwasaki

Koichi Iwasaki was regarded as capable of adequately fulfilling his duties as a Director of the Company, in that he has a wealth of experience and an excellent track record in management of businesses producing prepared dishes and other prepared foods, and thus is considered to possess the requisite skills and qualities for the Company to pursue sustainable growth and medium- to long-term enhancement of corporate value.

Satoshi Odaka

Satoshi Odaka was regarded as capable of adequately fulfilling his duties as a Director of the Company, in that he has a wealth of experience and an excellent track record in areas including production management and technological development, and thus is considered to possess the requisite skills and qualities for the Company to pursue sustainable growth and medium- to long-term enhancement of corporate value.

Naoto Masujima

Naoto Masujima was regarded as capable of adequately fulfilling his duties as a Director of the Company, in that he has a wide range of experience and an excellent track record in the areas including general administration, investor relations, corporate planning and overseas business, and thus is considered to possess the requisite skills and qualities for the Company to pursue sustainable growth and medium- to long-term enhancement of corporate value.

Takao Yamada

Takao Yamada was regarded as capable of adequately fulfilling his duties as a Director of the Company, in that he has a wealth of experience and an excellent track record in management of the flour milling business, and thus is considered to possess the requisite skills and qualities for the Company to pursue sustainable growth and medium- to long-term term enhancement of corporate value.

Yuji Koike

Yuji Koike was regarded as capable of adequately fulfilling his duties as a Director of the Company, in that he has a wealth of experience and an excellent track record as a business manager, along with extensive expertise in the area of sales operations in the processed food business, and thus is considered to possess the requisite skills and qualities for the Company to pursue sustainable growth and medium- to long-term enhancement of corporate value.

Shoh Ohuchi (Audit & Supervisory Committee Member)

Shoh Ohuchi adequately fulfilled his auditing and supervisory duties as an Audit & Supervisory Committee Member, in that he has a wealth of experience and an excellent track record in the area of accounting, finance and auditing, and thus is considered to qualify for the office of Audit & Supervisory Committee Member in charge of auditing and supervising the Company's operations from an objective standpoint.

[8] Independence Standards for Outside Directors (Principle 4-9)

Regarding our “Independence Standards for Outside Directors,” please refer to II. 1. Organizational structure and organizational operation, **【Independent Directors】**, other items related to Independent Directors of this report and the Company’s website (https://www.nisshin.com/uploads/governance_is.pdf).

[9] Positions at other listed companies concurrently held by Directors (Supplementary Principle 4-11-2)

Positions at other listed companies concurrently held by Directors are described on pages 13-14 of the Business Report and pages 25-36 of reference documents of Convocation Notice of the 177th Ordinary General Meeting of Shareholders. Please refer to the Convocation Notice of the 177th Ordinary General Meeting of Shareholders on the Company’s website (<https://www.nisshin.com/english/shareholders/meeting.html>).

[10] Board of Directors policies and procedures in determining the remuneration of the Senior Management and Directors (Principle 3-1-(iii))

1 Policies

In order for Senior Management remuneration to operate as a healthy incentive for sustainable growth, the remuneration is composed of (i) a fixed basic portion paid monthly according to his/her position, (ii) a variable portion (bonus) paid, in principle, annually with a fixed timing, reflecting his or her past performance contributions, and (iii) stock-based remuneration paid annually with a fixed timing, reflecting future performance with the objective of promoting management that focuses more on shareholder value. The composition ratio of this remuneration is essentially 70:15:15 and will vary depending on the financial performance of the Company.

Outside Director remuneration (excluding that of Outside Directors who are Audit & Supervisory Committee Members) is composed of (i) a fixed basic portion and (ii) stock-based remuneration, and remuneration of Directors who are Audit & Supervisory Committee Members is composed solely of a fixed basic portion within the amount approved by the general meeting of shareholders of the Company (“General Meeting of Shareholders”).

To ensure objectivity and propriety in the amount of remuneration, the remuneration standards for each management class are determined by taking into account factors such as the responsibilities that are specific to the management class and the significance of its impact on the Group management, after referencing the results of surveys by external institutions.

2 Procedures

A resolution was made at the Board of Directors meeting that the amounts of basic remuneration and bonus and the stock remuneration base amount for individual Directors (excluding Directors who are members of the Audit & Supervisory Committee) shall be determined by the Director and President (Nobuki Kemmoku). In this regard, it is considered to be appropriate that the Director and President, who oversees the execution of duties across the Group, determines each of the above matters, based on factors such as the responsibilities specific to the management class and the significance of its impact on Group management. To enhance both the independence and objectivity of the remuneration decision-making process, the approach regarding remuneration for Senior Management and Directors (excluding Directors who are members of the Audit & Supervisory Committee), including the proportional composition of each remuneration, among other things, is discussed by the Advisory Committee, which is a body comprising Independent Directors. The Director and President then determines the amounts of basic remuneration and bonuses, and the stock remuneration base amount for Senior Management and individual Directors based on the policy for determining remuneration of individual Directors (excluding Directors who are members of the Audit & Supervisory Committee).

【11】 Analysis and evaluation regarding board effectiveness (Supplementary Principle 4-11-3)

The Company recognizes the importance of improving the function of the board by conducting regular analysis and evaluation of board's effectiveness and since fiscal year 2015, the Board of Directors has been conducting an analysis and evaluation of the board's effectiveness.

As is written in 5 (1) of the Policy attached to the end of this report, the basic responsibilities and roles of the Board of Directors are, (i) setting the direction of corporate strategy, (ii) establishing an environment where appropriate risk-taking by Senior Management is supported, (iii) carrying out effective oversight of Senior Management of the Company from an independent and objective standpoint, and (iv) engaging in oversight activities in order to ensure timely and accurate information disclosure, and establish an appropriate internal control and risk management system.

In fiscal year 2020, the Company sent questionnaires to all directors and conducted individual interviews with some directors. Based on the results, and following discussions by the Advisory Committee ,etc., the Board of Directors conducted consideration and evaluation of the effectiveness of the Board of Directors. First, the Board of Directors confirmed that with regard to the overall operation of meetings of the Board of Directors, proceedings by the chairperson, the selection of agenda items, the time for discussion, the quality of discussion, and the frequency of meetings, etc. are appropriate. In addition, the Board of Directors confirmed that the effectiveness of the Board of Directors has been ensured because it was evaluated that the diversity and appropriate size of the Board of Directors enable the Board of Directors to effectively fulfill its roles structurally.. At the same time, new issues such as further consideration of new matters relating to sustainability issues and DX strategy have been raised; and the Board of Directors will continue to work on these issues and to conduct analysis and evaluation of its own effectiveness using appropriate methods.

【12】Scope of the matters delegated to the Management from the Board of Directors and a brief summary thereof (Supplementary Principle 4-1-1)

Regarding the scope of the matters delegated to the Management (Executive Directors, Executive Officers, and directors of major operating companies) by the Board of Directors, please refer to 5(4) of the Policy attached to the end of this report.

Matters to be reported to, and resolved by the Board of Directors include important particulars such as matters related to maximizing the corporate value of the Group, the distribution of management resources and compliance, matters related to financial statements, matters related to important business activities (such as expansion and downsizing of important businesses), important investments, loans and spending, and other matters stipulated in the Companies Act. The Company and each operating company will clarify these matters in their internal rules for the board of directors. Pursuant to the provisions of the Companies Act, it is stipulated in the Company's articles of incorporation (the "Articles of Incorporation") that the Company may, by a resolution of the Board of Directors, delegate all or part of decisions regarding the execution of important operations. The Board of Directors will specify the matters delegated to Senior Management and the procedures for such delegation under the approval rules and others.

We will continuously review the scope of matters to be resolved by the Board of Directors from the perspective of securing sufficient time for constructive deliberation on business strategies and business plans, timely and decisive decision-making, and provision of necessary information to the Board of Directors.

【13】Effective Use of Independent Directors and Optional Approach, etc. (Principle 4-8, 4-10, 4-13)

Regarding effective use of Independent Directors, etc., please refer to 7(3) and 8(2) of the Policy attached to the end of this report.

The Company currently has six Independent Directors. They exchange information and develop a shared awareness through regular meetings with Independent Directors, the Director and President and others. Moreover, the Company provides each Independent Director with the necessary information and each Independent Director expresses his views to the Director and President and others.

In order to not only promote information exchange among Outside Directors but also to improve

the objectivity of the Board of Directors regarding the appointment of the Representative Directors and Outside Directors, and the framework of Senior Management remuneration, the Company has established an Advisory Committee and is obtaining appropriate advice from it.

In addition, the proposals to be presented to the Board of Directors are explained to Outside Directors in advance to enable them to proactively collect information.

【14】Training policy for Directors (Supplementary Principle 4-14-2)

Regarding our training policy for Directors, please refer to 8(5) of the Policy attached to the end of this report.

The Company provides Directors with opportunities to acquire the necessary knowledge appropriate for a critical governance body within the Company. For example, the Company arranges workshops about the Companies Act, corporate governance and other issues. The Company also provides and arranges training opportunities along with financial support for associated expenses in order for Directors to update the professional expertise required to lead the industry. Making use of these opportunities, Directors deepen their understanding of their roles and responsibilities and endeavor to acquire and update the necessary knowledge and skills.

【15】Standards for the selection and evaluation of independent auditors (Supplementary Principle 3-2-1)

Regarding the selection and evaluation of independent auditors of the Company (“Independent Auditor(s)”), the Company has established standards to select and evaluate Independent Auditors based on independence, operational structure, internal management structure, rotational structure, the global audit system, results of external evaluations, work performed during the fiscal year, Independent Auditor remuneration and other criteria.

【16】Policies concerning the measures and organization structures aimed at promoting constructive dialogue with shareholders (Principle 5-1)

Regarding the policies concerning dialogue with shareholders, please refer to 4 of the Policy attached to the end of this report.

【17】Identifying shareholder ownership structure (Supplementary Principle 5-1-3)

The Company endeavors to assess its shareholder ownership structure on a regular basis, before the General Meeting of Shareholders season or other times.

【18】 Cross-Shareholdings (Principle 1-4)

1 The Company’s business foundation is flour-milling and, in the food industry which demands food safety and reliability, the stable supply of wheat flour and other products are the Company’s important missions. To this end, it is essential to build and strengthen long-term and stable relationships with business partners in the course of production and sales.

The Company will hold shares of other listed companies as cross-shareholdings if holding such shares promotes mid- to long-term increases in the Group’s corporate value, through building relationships of trust and conducting and maintaining transactions with such business partners. For instance, the Company will hold shares as a cross-shareholding, if holding shares will contribute to mid- to long-term increases of corporate value and be reasonable in terms of smoothing and solidifying business alliances and joint business, and structuring and strengthening long-term and stable business transactions.

2 The Board of Directors checks the financial record, earnings and financial condition, status of shareholder returns and credit scores, etc., of the business partner, compares the benefits and risks associated with the ownership of the shares with the Company’s cost of capital, and assesses whether or not to hold each individual cross-shareholding on an annual basis from a medium- and long-term perspective. The Board of Directors will take steps to reduce the shares that were found out to be unreasonable to own as a result of the assessment.

- 3 In exercising voting rights as to its cross-shareholdings, the Company will check the business environment, financial results, and mid- to long-term business strategy, etc., of the business partner, and carefully examine the agenda of the General Meeting of the Shareholders from the perspective of the significance of holding such shares for the Group and hold a dialogue with the business partner, as necessary.

【19】Takeover Defense Measures (Principle 1-5)

As described in V.1. Takeover Defense Measures, the Plan is not intended to entrench the Management or the Board of Directors. The Board of Directors have carefully examined the necessity and rationale in light of their fiduciary responsibility to shareholders, ensured appropriate procedures were taken, and provided sufficient explanation to shareholders.

【20】Related Party Transactions (Principle 1-7)

Regarding transactions between Directors and the Company, and competing transactions by the Directors, in order to ensure that such transactions do not harm the interest of the Company or the common interest of shareholders, we require the approval of the Board of Directors in accordance with the Companies Act. Please refer to 11 of the Policy attached to the end of this report regarding the details of related party transactions.

【21】Roles of Corporate Pension Funds as Asset Owners (Principle 2-6)

Since we are mainly adopting a defined contribution pension plan for our pension plan system, we do not manage corporate pension funds that may impact our financial standing.

2. Capital structure

| | |
|--|----------------------|
| Percentage of shares held by overseas shareholders | 10% to less than 20% |
|--|----------------------|

【Principal Shareholders】

| Name | Number of shares held | Investment ratio (%) |
|--|-----------------------|----------------------|
| The Master Trust Bank of Japan, Ltd. (Trust Account) | 36,568,100 | 12.29 |
| Nippon Life Insurance Company | 19,387,827 | 6.51 |
| Yamazaki Baking Co., Ltd. | 16,988,986 | 5.71 |
| Custody Bank of Japan, Ltd. (Trust Account) | 14,434,500 | 4.85 |
| Mizuho Bank, Ltd. | 10,447,048 | 3.51 |
| The Norinchukin Bank | 6,932,848 | 2.33 |
| Marubeni Corporation | 6,284,571 | 2.11 |
| Sumitomo Mitsui Banking Corporation | 5,026,876 | 1.68 |
| Mitsubishi Corporation | 4,224,322 | 1.42 |
| Nisshin Seifun Group Employee Shareholding Association | 3,602,237 | 1.21 |

| | |
|---|------|
| Controlling Shareholder (except for parent company) | None |
| Parent Company | None |

Supplementary Information

1. The Large Shareholding Report (Report of Changes) made available to the public on April 13, 2018, contained the information listed below regarding shares held by MUFG Bank, Ltd. and two joint shareholder companies as of April 9, 2018. However, because the Company was unable to verify the actual number of shares held as of March 31, 2021, the number of shares that are described in the Large Shareholding Report was omitted from the list of Principal Shareholders above.

The content of the aforementioned Large Shareholding Report (Report of Changes) was as follows:

| Name | Address | Number of shares held (thousands) | Shareholding as proportion of total outstanding shares (%) |
|---|--|-----------------------------------|--|
| MUFG Bank, Ltd. | 7-1, Marunouchi 2-chome, Chiyoda-ku, Tokyo | 3,849 | 1.26 |
| Mitsubishi UFJ Trust and Banking Corporation | 4-5, Marunouchi 1-chome, Chiyoda-ku, Tokyo | 8,454 | 2.78 |
| Mitsubishi UFJ Kokusai Asset Management Co., Ltd. | 12-1, Yurakucho 1-chome, Chiyoda-ku, Tokyo | 3,478 | 1.14 |
| Total | — | 15,783 | 5.19 |

2. The Large Shareholding Report (Report of Changes) made available to the public on December 21, 2018 contained the information listed below regarding shares held by Sumitomo Mitsui Trust Bank, Limited and two joint shareholder companies as of December 14, 2018. However, because the Company was unable to verify the actual number of shares held as of March 31, 2021, the number of shares that are described in the Large Shareholding Report (Report of Changes) was omitted from the list of Principal Shareholders above.

The content of the aforementioned Large Shareholding Report (Report of Changes) was as follows:

| Name | Address | Number of shares held (thousands) | Shareholding as proportion of total outstanding shares (%) |
|--|--|-----------------------------------|--|
| Sumitomo Mitsui Trust Bank, Limited | 4-1, Marunouchi 1-chome, Chiyoda-ku, Tokyo | 2,419 | 0.79 |
| Sumitomo Mitsui Trust Asset Management Co., Ltd. | 1-1, Shibakoen 1-chome, Minato-ku, Tokyo | 6,080 | 2.00 |
| Nikko Asset management Co., Ltd. | 7-1, Akasaka 9-chome, Minato-ku, Tokyo | 7,825 | 2.57 |
| Total | — | 16,325 | 5.36 |

3. The Large Shareholding Report (Report of Changes) made available to the public on June 4, 2020 contained the information listed below regarding shares held by BlackRock Japan Co., Ltd. and five joint shareholder companies as of May 29, 2020. However, because the Company was unable to verify the actual number of shares held as of March 31, 2021, the number of shares that are described in the Large Shareholding Report was omitted from the list of Principal Shareholders above.

The content of the aforementioned Large Shareholding Report (Report of Changes) was as follows:

| Name | Address | Number of shares held (thousands) | Shareholding as proportion of total outstanding shares (%) |
|---------------------------|--|-----------------------------------|--|
| BlackRock Japan Co., Ltd. | 8-3, Marunouchi 1-chome, Chiyoda-ku, Tokyo | 3,697 | 1.21 |

| | | | |
|--|---|--------|------|
| BlackRock Fund Managers Limited | 12 Throgmorton Avenue, London, United Kingdom | 392 | 0.13 |
| BlackRock Asset Management Ireland Limited | 1st Floor, 2 Ballsbridge Park, Ballsbridge, Dublin, Ireland | 931 | 0.31 |
| BlackRock Fund Advisors | 400 Howard Street, San Francisco, California, United States | 2,672 | 0.88 |
| BlackRock Institutional Trust Company, N. A. | 400 Howard Street, San Francisco, California, United States | 2,924 | 0.96 |
| BlackRock Investment Management (UK) Limited | 12 Throgmorton Avenue, London, United Kingdom | 1,125 | 0.37 |
| Total | — | 11,742 | 3.86 |

4. The Large Shareholding Report (Report of Changes) made available to the public on July 20, 2020 contained the information listed below regarding shares held by Nomura International plc and its joint shareholder company Nomura Asset Management Co., Ltd. as of July 15, 2020. However, because the Company was unable to verify the actual number of shares held as of March 31, 2021, the number of shares that are described in the Large Shareholding Report was omitted from the list of Principal Shareholders above.

The content of the aforementioned Large Shareholding Report (Report of Changes) was as follows:

| Name | Address | Number of shares held (thousands) | Shareholding as proportion of total outstanding shares (%) |
|-----------------------------------|---|-----------------------------------|--|
| Nomura International plc | 1 Angel Lane, London EC4R 3AB, United Kingdom | 1,714 | 0.56 |
| Nomura Asset Management Co., Ltd. | 2-1, Toyosu 2-chome, Koto-ku, Tokyo | 17,953 | 5.90 |
| Total | — | 19,668 | 6.46 |

5. The Large Shareholding Report (Report of Changes) made available to the public on January 8, 2021, contained the information listed below regarding shares held by Mizuho Bank, Ltd. and its joint shareholder company Asset Management One Co., Ltd. as of December 31, 2020. However, because the Company was unable to verify the actual number of shares held as of March 31, 2021, the number of shares that are described in the Large Shareholding Report was omitted from the list of Principal Shareholders above.

The content of the aforementioned Large Shareholding Report (Report of Changes) was as follows:

| Name | Address | Number of shares held (thousands) | Shareholding as proportion of total outstanding shares (%) |
|--------------------------------|--|-----------------------------------|--|
| Mizuho Bank, Ltd. | 5-5, Otemachi 1-chome, Chiyoda-ku, Tokyo | 10,447 | 3.43 |
| Asset Management One Co., Ltd. | 8-2, Marunouchi 1-chome, Chiyoda-ku, Tokyo | 8,976 | 2.95 |
| Total | — | 19,423 | 6.38 |

3. Corporate data

| | |
|---|---|
| Exchange on which stock is listed | Tokyo Stock Exchange (First Section) |
| Fiscal year-end | March 31 |
| Industry | Food |
| Number of employees at the end of the last fiscal year (consolidated basis) | More than 1,000 |
| Amount of consolidated net sales of the last fiscal year | 100 billion yen to under 1 trillion yen |
| Number of consolidated subsidiaries at the end of the last fiscal year | 50 to under 100 |

4. Policies concerning protection of minority shareholders in transaction with controlling shareholder

5. Other special circumstances that could materially affect corporate governance

II Organizational Structure for Managerial Decision-Making, Operational Execution, and Supervision and other Corporate Governance Structure

1. Organizational structure and organizational operation

| | |
|---------------------|--|
| Organizational form | Company with Audit & Supervisory Committee |
|---------------------|--|

【Directors】

| | |
|---|-----------|
| Number of Directors in the Articles of Incorporation | 14 |
| The term of office of Directors | 1 year |
| Chairperson of the Board of Directors | President |
| Number of Directors | 14 |
| Appointment of Outside Directors | Yes |
| Number of Outside Directors | 6 |
| Number of Outside Directors designated as Independent Directors appointed | 6 |

| |
|-----------------------------------|
| Relationship with the Company (1) |
|-----------------------------------|

| Name | Attribute | Relationship with the Company (※) | | | | | | | | | | | |
|------------------|-----------------------------|-----------------------------------|---|---|---|---|---|---|---|---|---|---|--|
| | | a | b | c | d | e | f | g | h | i | j | k | |
| Akio Mimura | From another company | | | | | | | | | | | | |
| Kazuhiko Fushiya | Other | | | | | | | | | | | | |
| Motoo Nagai | From another company | | | | | | | | | | | | |
| Tetsuo Kawawa | Attorney | | | | | | | | | | | | |
| Satoshi Ito | Certified Public Accountant | | | | | | | | | | | | |
| Mieko | Attorney | | | | | | | | | | | | |

| | | | | | | | | | | | | |
|--------|--|--|--|--|--|--|--|--|--|--|--|--|
| Tomita | | | | | | | | | | | | |
|--------|--|--|--|--|--|--|--|--|--|--|--|--|

- ※ Categories for relationship with the Company
 - ※ If the said person currently falls or has recently fallen under any of (a) through (k), mark “○.” If such person previously fell under any of (a) through (k), mark “△.”
 - ※ If the said person’s immediate family member falls or has recently fallen under any of (a) through (g) or (k), mark “●.” If such person previously fell under any of (a) through (g) or (k), mark “▲.”
- a. Operating executive or employee (“Operating Executive”) of the Company or those of its subsidiary
 - b. Operating executive or non-executive Director of the parent company
 - c. Operating executive of a company that shares the same parent company as the Company
 - d. A person for whom the Company is a major business partner or Operating Executives thereof
 - e. Major business partner of the Company or Operating Executive thereof
 - f. Consultant, accountant, or lawyer who receives a large amount of money or other property from the Company, other than compensation for being a Director or an Audit & Supervisory Board Member
 - g. Major shareholder (if the major shareholder is a corporate body, Operating Executive of the major shareholder)
 - h. Operating Executive of the Company’s major business partner (except for d, e, or f above)
 - i. Operating Executive of another company which appoints Operating Executives of the Company as its director or audit & supervisory board member
 - j. Operating Executive of an organization that receives any donation(s) from the Company
 - k. Others

| |
|-----------------------------------|
| Relationship with the Company (2) |
|-----------------------------------|

| Name | Audit & Supervisory Committee Member | Independent Director | Supplementary Information on the Relationship with the Company | Reasons for Appointment |
|------------------|--------------------------------------|----------------------|--|---|
| Akio Mimura | | ○ | --- | The Company appointed Mr. Akio Mimura as an Outside Director with the aim of ensuring sustainable growth and increasing corporate value over the mid- to long-term since we have been obtaining his advice and counsel with regard to the operations and execution of the Company, made possible by his rich experience and a wide range of knowledge as a corporate manager. He is anticipated to continue to fulfill the aforementioned expected role. In addition, the Company selected him as an Independent Director because he satisfies the “Independence Standards for Outside Directors,” which are stipulated by the Company based on the requirements for independent directors set forth by the Tokyo Stock Exchange. |
| Kazuhiko Fushiya | | ○ | --- | The Company appointed Mr. Kazuhiko Fushiya as an Outside Director with the aim of ensuring sustainable growth and increasing corporate value over the mid- to |

| | | | | |
|---------------|---|---|-----|--|
| | | | | <p>long-term since he has successively held important positions at the Ministry of Finance and other governmental organizations and we have been obtaining his advice and counsel with regard to the operations and execution of the Company based on his rich experience and professional knowledge. He is anticipated to continue to fulfill the aforementioned expected role. In addition, the Company selected him as an Independent Director because he satisfies the “Independence Standards for Outside Directors,” which are stipulated by the Company based on the requirements for independent directors set forth by the Tokyo Stock Exchange.</p> |
| Motoo Nagai | | ○ | --- | <p>The Company appointed Mr. Motoo Nagai as an Outside Director with the aim of ensuring sustainable growth and increasing corporate value over the mid- to long-term, since we have been obtaining his advice and counsel with regard to the operations and execution of the Company, made possible by his abundant experience and extensive knowledge regarding corporate management based on his substantial experience as a manager of financial institutions. He is anticipated to continue to fulfill the aforementioned expected role. In addition, the Company selected him as an Independent Director because he satisfies the “Independence Standards for Outside Directors,” which are stipulated by the Company based on the requirements for independent directors set forth by the Tokyo Stock Exchange.</p> |
| Tetsuo Kawawa | ○ | ○ | --- | <p>The Company appointed Mr. Tetsuo Kawawa as an Audit & Supervisory Committee Member in charge of auditing and supervising the Company’s operations mainly from an objective standpoint, since he has been diligently performing the audit and supervisory duties of the</p> |

| | | | | |
|--------------|---|---|-----|---|
| | | | | <p>Company as an Outside Director who is an Audit & Supervisory Committee Member from a legal perspective, based on his high level of expertise and advanced knowledge of the Companies Act and corporate governance as an attorney in both cases. He is anticipated to continue to fulfill the aforementioned expected role. In addition, the Company selected him as an Independent Director because he satisfies the “Independence Standards for Outside Directors,” which are stipulated by the Company based on the requirements for independent directors set forth by the Tokyo Stock Exchange.</p> |
| Satoshi Ito | ○ | ○ | --- | <p>The Company appointed Mr. Satoshi Ito as an Audit & Supervisory Committee Member in charge of auditing and supervising the Company’s operations from an objective standpoint, since he has been diligently performing the auditing and supervisory duties of the Company as an Outside Director who is an Audit & Supervisory Committee Member, based on his abundant auditing experience as a Certified Public Accountant, and his high level of expertise in financial and accounting matters. He is anticipated to continue to fulfill the aforementioned expected role. In addition, the Company selected him as an Independent Director because he satisfies the “Independence Standards for Outside Directors,” which are stipulated by the Company based on the requirements for independent directors set forth by the Tokyo Stock Exchange.</p> |
| Mieko Tomita | ○ | ○ | --- | <p>The Company appointed Ms. Mieko Tomita as an Audit & Supervisory Committee Member in charge of auditing and supervising the Company’s operations from an objective standpoint, since she has been diligently performing the auditing and supervisory duties of the Company as an Outside Director</p> |

| | | | | |
|--|--|--|--|---|
| | | | | who is an Audit & Supervisory Committee Member, mainly from a legal perspective, based on her high level of expertise and extensive experience in corporate legal affairs as an attorney in both cases. She is anticipated to continue to fulfill the aforementioned expected role. In addition, the Company selected her as an Independent Director because she satisfies the “Independence Standards for Outside Directors,” which are stipulated by the Company based on the requirements for independent directors set forth by the Tokyo Stock Exchange. |
|--|--|--|--|---|

【Audit & Supervisory Committee】

Composition and attributes of the chairperson

| | Number of Members | | | | Chairperson |
|-------------------------------|-------------------|-------------------|-----------------|------------------|-----------------|
| | Total | Full-time members | Inside Director | Outside Director | |
| Audit & Supervisory Committee | 4 | 1 | 1 | 3 | Inside Director |

| | |
|--|-----|
| Directors or employees who assist the Audit & Supervisory Committee in performing their duties | Yes |
|--|-----|

The Directors or employees’ independence from Executive Directors

Employees assisting the Audit & Supervisory Committee also serve as the Internal Audit Department and personnel changes concerning the Audit & Supervisory Committee Administration Office require the consent of the Audit & Supervisory Committee.

Coordination among Audit & Supervisory Committee, Independent Auditor and Internal Audit Department

The Company enhances its auditing structure with audits by the Audit & Supervisory Committee and internal audits by the Internal Audit Department.

【1】 In addition to the Administration Office assisting the Audit & Supervisory Committee (the “Audit & Supervisory Committee Administration Office”), those who have rich practical experience in the Company are exclusively assigned to assist with the audit of the Group companies by Audit & Supervisory Committee.

【2】 Within the Company’s internal control systems, the Internal Audit Department and the expert personnel in charge of audits covering specialized areas such as facilities, safety, environmental protection, and quality assurance are responsible for overseeing internal audits of the Group companies. The total number of staff in the Internal Audit Department and the expert personnel in charge of audits covering facilities, safety, environmental protection and quality assurance is 48.

[3] The Audit & Supervisory Committee shares audit results and similar information with the Internal Audit Department, which is directly supervised by the committee. The audit & supervisory board members of the major subsidiaries and the teams consisting of specialized auditing personnel who aid in cooperative efforts, report their audit results to both the Audit & Supervisory Committee and the Internal Audit Department. In addition, the Audit & Supervisory Committee Members, the audit & supervisory board members of the major subsidiaries, and the Internal Audit Department regularly convene meetings of the “Audit & Supervisory Liaison Committee of the Nisshin Seifun Group.” These meetings provide a forum to exchange opinions and discuss issues, thereby contributing to the sharing of related information and to higher internal audit quality across the Group.

[4] The Audit & Supervisory Committee and the Internal Audit Department hold regular meetings with the Independent Auditor to review financial audit plans and results. These meetings also provide a forum to explain specific audit items and to exchange information.

| | |
|---|-----|
| Optional committee equivalent to nomination committee or remuneration committee | Yes |
|---|-----|

Name of committee, composition, and attribute of the chairperson

| | Name | Number of Members | | | | | | Chairperson |
|---|--------------------|-------------------|-------------------|-----------------|------------------|-----------------|--------|------------------|
| | | Total | Full-time members | Inside Director | Outside Director | Outside experts | Others | |
| Optional committee equivalent to nomination committee | Advisory Committee | 6 | 0 | 0 | 6 | 0 | 0 | Outside Director |
| Optional committee equivalent to remuneration committee | Advisory Committee | 6 | 0 | 0 | 6 | 0 | 0 | Outside Director |

Supplementary Information

The Advisory Committee is composed of all the Outside Directors. It facilitates information exchange among the Outside Directors. Furthermore, in response to a request for consultation from the Board of Directors, the Advisory Committee discusses and advises on the appointment of Representative Directors and Outside Directors, the framework of Senior Management remuneration and similar matters, and also serves functions similar to a nomination committee and remuneration committee. The Advisory Committee meets twice a year, in principle, and more frequently whenever the need arises.

The Advisory Committee consists of six people (Kazuhiko Fushiya, Akio Mimura, Motoo Nagai, Tetsuo Kawawa, Satoshi Ito and Mieko Tomita). Kazuhiko Fushiya serves as the chairperson. The Advisory Committee met twice last year, and Mr. Fushiya, Mr. Mimura, Mr. Nagai, Mr. Kawawa, Mr. Ito, and Ms. Tomita all attended twice.

In addition, we established Corporate Value Committee that consists only of the Independent Directors of the Company as an optional committee and deliberates an acquisition proposal when it is submitted to the Company from the perspective of whether the relevant acquisition proposal secures and improves the Company’s corporate value and the common interests of the shareholders. The Corporate Value Committee meets once a year, regardless of the receipt of acquisition proposals, and discusses measures to secure and improve the Company’s corporate value and the common interests of the shareholders.

【Independent Directors】

| | |
|---------------------------------|---|
| Number of Independent Directors | 6 |
|---------------------------------|---|

Other items related to Independent Directors

The Company selects all of the Outside Directors (including Outside Directors who are members of the Audit & Supervisory Committee) as Independent Directors, in accordance with our “Independence Standards for Outside Directors” which are stipulated based on the requirements for independent directors set forth by the Tokyo Stock Exchange.

【Independence Standards for Outside Directors】

In order for Outside Directors to qualify as independent, the relevant Outside Directors must not fall into any of the following categories.

- (1) A person for whom the Company is a Major Business Partner, or an operating executive or employee (an “Operating Executive”) thereof, or a person who is a Major Business Partner of the Company or an Operating Executive thereof, except for those who fall into (2) below;
 - ※ “A person for whom the Company is a Major Business Partner” means a person who has received payments from the Company for property or services in an amount which, in the last fiscal year, equaled the greater of 2% of the recipient’s consolidated gross revenues (including its equivalent; hereinafter the same), or 100 million yen, or more.
 - ※ “A person who is a Major Business Partner of the Company” means a person who has made payments to the Company for property or services in an amount which, in the last fiscal year, equaled 2% of the Company’s consolidated gross revenues or more, provided that in the case of a financial institution from which the Company borrows funds, such institution is indispensable for the Company to fundraise and an institution on which the Company depends irreplaceably.
- (2) A consultant, an accountant, or a lawyer who receives, or who works at a group such as a corporate body, association or firm which receives, “a Large Amount of Money or Other Property from the Company,” other than compensation for being a Director ;
 - ※ “A Large Amount of Money or Other Property” means an amount of money or other property (excluding the compensation for being a Director) which, in the last fiscal year, equaled the greater of: 10% of the recipient’s gross revenues (or, if the recipient is a group such as corporate body, association or firm, the consolidated gross revenues of such group), or 10 million yen or more.
- (3) A person who has recently fallen into either of (1) or (2) above;
 - ※ “A person who has recently fallen into either of (1) or (2) above” means a person who is or could be deemed to fall into either of (1) or (2) above. More specifically, it means a person who fell into either of (1) or (2) above at the time when the board of directors of the Company passed resolutions regarding the agenda for the General Meeting of Shareholders, where such person is selected as an Outside Director.
- (4) A person who falls under either of (a) or (b) below within 10 years before becoming an Outside Director:
 - (a) an Operating Executive, or a non-executive director of the parent company of the Company ;or
 - (b) an Operating Executive of a company that shares the same parent company as the Company.
- (5) A person whose Immediate Family Member (except for those who do not hold an important position) falls under (a) through (e) below:
 - (a) a person who falls into any of (1) through (4) above;
 - (b) an Operating Executive of a subsidiary of the Company;

- (c) an Operating Executive, or a non-executive director of the parent company of the Company;
 - (d) an Operating Executive of a company that shares the same parent company as the Company;
 - or
 - (e) a person who has recently qualified under (b) above or who was an Operating Executive of the Company.
- ※ Whether an Immediate Family Member holds an important position or not shall be determined according to section “*ho*” of item 6, paragraph 4, Article 74, of the Ordinance for Enforcement of the Companies Act, etc. For instance, with respect to (1) above, a director or an employee who is above manager level of a business partner company, and with respect to (2) above, a certified public accountant who belongs to an auditing firm and a lawyer (including associate lawyer) who belongs to a law firm are considered to hold an important position.
 - ※ “Immediate Family Member” means a relative within the second degree of kinship. If a person is no longer a relative within the second degree of kinship as a result of divorce or dissolution of adoption, etc., such a person shall not be considered an “Immediate Family Member.”
- (6) A person who is likely to unjustly assert the interests of a specific shareholder, or any other person who is likely to cause a substantial conflict of interest in light of the interests of the Company and the common interests of its shareholders.

【Insignificance Criteria】

The insignificance criteria regarding the attribute information of Independent Directors in the last fiscal year will be (i) less than 1 percent of the operating income of the Company in the last fiscal year with respect to trade and (ii) less than 10 million yen with respect to donations.

【Incentives】

| | |
|---|--|
| The implementation status of the policies regarding incentives toward Directors | Introduction of stock options and others |
|---|--|

Supplementary Information

1) Stock-Based Remuneration

On June 28, 2017, the 173rd Ordinary General Meeting of Shareholders passed a resolution authorizing the adoption of a plan of stock-based remuneration for the Company’s directors (hereinafter, the “plan”). In order for the remuneration of Directors of the Company to function as a healthy incentive toward sustainable growth, the remuneration of Directors are consisted of a combination of (i) a fixed basic portion corresponding to role, (ii) variable portion (bonus) reflecting his or her past performance contributions and (iii) stock-based remuneration reflecting future performance aiming to promote management that emphasizes more the enhancement of shareholder value. At present, no new share subscription rights as stock options have been issued with the adoption of the new plan.

The Company adopted a company structure with an audit & supervisory committee at the 175th Ordinary General Meeting of Shareholders, which was held on June 26, 2019. Accordingly, the meeting passed a resolution authorizing the establishment of a new cap on the aggregate amount of remuneration for Directors (excluding Directors who are Audit & Supervisory Committee Members) under the plan. In addition, the Board of Directors at its meeting held on May 14, 2020 resolved to continue the plan. The introduction of the plan for directors of major subsidiaries was resolved at the ordinary general meeting of shareholders of each subsidiary, and the continuation of the plan was resolved at the board of directors of each subsidiary.

(Overview of the plan)

For Directors (excluding directors who are Audit & Supervisory Committee Members), the new plan serves as an incentive plan designed to provide recipients with benefits on an annual basis with respect to the delivery of shares and through compensation consisting of the Company’s shares (stock-based portion) and monetary compensation from the perspective of tax payment (monetary salary portion). The number of Company shares for delivery is calculated based on a set formula derived from the Stock Remuneration Base Amount established based on the position and other relevant factors of the directors. The Company’s shares are purchased via a trust established by the Company (hereinafter, the “trust”), using funds

contributed by the Company. Shares are then delivered to eligible directors from the trust. For Company shares delivered annually to the directors through the new plan, a transfer restriction period (i.e., period prohibiting the transfer, establishment of security interests and other dispositions) is to be established based on share delivery regulations for 3 years from the date of delivery. For directors, this restriction will heighten their desire to contribute to improvement in corporate value over the mid- to long-term, while raising management awareness from the viewpoint of shareholders through shared interest in profit with shareholders. In addition, we have also introduced the same stock-based remuneration plan for our executive officers and directors of Group’s major subsidiaries.

2) Bonus

The Company uses consolidated ordinary profit and factors that reflect the results of the overall management activities of the Group as indicators to show its performance, and the amount to be paid is determined by increasing or decreasing the amount of the bonus for the previous year based on the rate of increase or decrease in consolidated ordinary profit over the previous year, along with other factors.

| | |
|-------------------------------|--|
| The grantees of stock options | Directors, Outside Directors , and some directors of consolidated subsidiaries of the Company and others |
|-------------------------------|--|

Supplementary Information

The grantees of stock options are Directors, Executive Officers and some directors of consolidated subsidiaries of the Company (excluding foreign subsidiaries). General Meeting of Shareholders will resolve the maximum number of the stock options to be given and the number of stock options to be given to each person will be decided based on the role of such person.

With the introduction for the plan of stock-based remuneration, no new stock options have been granted since 2017.

【Remuneration of Directors】

| | |
|-------------------------------------|---|
| Disclosure of Director remuneration | Nondisclosure of the individual amounts of the remuneration of each Director. |
|-------------------------------------|---|

Supplementary Information

Total amounts of remuneration for Directors and Audit & Supervisory Board Members in the last fiscal year are as follows:

- Directors (excluding Audit & Supervisory Committee Members and Outside Directors): 8 people, 246 million yen (basic remuneration: 176 million yen, bonus: 35 million yen, and stock-based remuneration: 34 million yen)
- Audit & Supervisory Committee Members (excluding Outside Directors): 1 person, 16 million yen (basic remuneration 16 million yen)
- Outside Directors (including Audit & Supervisory Committee Members): 6 people, 60 million yen (basic remuneration: 57 million yen, and stock-based remuneration: 3 million yen)

| | |
|--|-----|
| Policy and method of determining the amounts of remuneration | Yes |
|--|-----|

Disclosure of the policy and method of determining the amounts of remuneration

At the Board of Directors meeting, the Company established a policy for determining remuneration of individual Directors (excluding Directors who are members of the Audit & Supervisory Committee), after discussions by the Advisory Committee, which is a body comprising of Independent Directors. An overview of the content of the policy is as follows.

The remuneration of the Company’s Directors was established with reference to three key factors, functioning to 1) retain talented human resources, 2) offer remuneration at levels appropriate to the Company’s size and business domains, and 3) provide a healthy incentive to improve the Company’s

medium- to long-term corporate value. A certain proportion of remuneration consists of variable remuneration reflecting business performance; thus, it takes into consideration the level of contribution to the Group, the level of contribution to medium- to long-term basic Group strategies, etc.

In order to ensure that remuneration for the Company's inside Directors functions as a healthy incentive for sustainable growth, it is the Company's policy that such remuneration should comprise a combination of the following components: 1) fixed remuneration paid monthly based on role or position (basic remuneration); 2) variable remuneration reflecting contribution to past business performance (bonus), which is, in principle, paid annually with a fixed timing; and, 3) stock-based remuneration reflecting future business performance, with the objective of promoting management that focuses on shareholder value, which is paid annually with a fixed timing.

Remuneration for Outside Directors consists primarily of basic remuneration.

To ensure objectivity and propriety in the amount of remuneration, the remuneration standards for each management class are determined by taking into account factors such as the responsibilities that are specific to the management class and the significance of its impact on Group management, after referencing the results of surveys by external institutions.

As for bonuses and stock-based compensation, please refer to **【Incentives】**.

A resolution was made at the Board of Directors meeting that the amounts of basic remuneration and bonus and the stock remuneration base amount for individual Directors (excluding Directors who are members of the Audit & Supervisory Committee) shall be determined by the Director and President (Nobuki Kemmoku). In this regard, it is considered to be appropriate that the Director and President, who oversees the execution of duties across the Group, determines each of the above matters, based on factors such as the responsibilities specific to the management class and the significance of its impact on Group management. To enhance both the independence and objectivity of the remuneration decision-making process, the approach regarding remuneration for Directors (excluding Directors who are members of the Audit & Supervisory Committee), including the proportional composition of each remuneration, among other things, is discussed by the Advisory Committee, which is a body comprising of Independent Directors. The Director and President then determines the amounts of basic remuneration and bonuses, and the stock remuneration base amount for individual Directors based on the policy for determining remuneration of individual Directors (excluding Directors who are members of the Audit & Supervisory Committee).

【Support for Outside Directors】

Contact with the Outside Directors is made through the Board Meeting Administration Office. Considering the scheduling for the distribution of materials for the Board of Directors, the Board Meeting Administration Office gives Outside Directors overview of the proposals to be presented to the Board of Directors in advance. In addition, the Company's applicable sections or departments explain the proposals to be presented to Outside Directors in advance, as necessary. For Outside Directors who are Audit & Supervisory Committee Members, the Audit & Supervisory Committee Administration Office drafts documents for the Audit & Supervisory Committee, and a full-time Audit & Supervisory Committee Member or the Audit & Supervisory Committee Administration Office provides explanations of the agenda as necessary.

【Status of the Company executives who are the former Representative Director and President and other positions】

Name and other information of the senior advisor and other positions who are the former representative director and president and other positions

| Name | Position/Status | Assignment | Work Condition (full time or non-full time, remuneration etc.) | Retirement Date of the President etc. | Term of Assignment |
|----------------|---|--|--|---------------------------------------|--------------------|
| Osamu Shoda | Honorary Chairman and Executive Advisor | provide advice based on his experience and knowledge at management's request | non-full time remuneration paid | June 25, 2009 | Not fixed |
| Ippei Murakami | Corporate Special Adviser | provide advice based on his experience and knowledge at management's request | non-full time remuneration paid | June 28, 2011 | 1 year renewable |
| Hiroshi Oeda | Corporate Special Adviser | provide advice based on his experience and knowledge at management's request | non-full time remuneration paid | June 28, 2017 | 1 year renewable |

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| Number of the senior advisor and other positions who are the former representative director and president and other positions | 3 |
|---|---|

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|---------|
| Remarks |
|---------|

2. Matters related to functions of execution of business, audit & supervisory, nomination and determination of remuneration (outline of the present corporate governance system)

The Company is a company with an audit & supervisory committee. The reasons for selecting a company structure with an audit & supervisory committee are as follows:

- By selecting a company structure with an audit & supervisory committee in which Directors who are Audit & Supervisory Committee Members have voting rights on the Board of Directors and also increasing the ratio of Outside Directors, the Company will strengthen the supervisory function of the Board of Directors with regard to company operations.
- By having the Audit & Supervisory Committee the majority of which are Outside Directors, conduct audits of business operations from the perspectives of legality and appropriateness, the Company will further promote transparency of its business operations, and through the Audit & Supervisory Committee exercising direct supervision over the Internal Audit Department, the Company will enhance its auditing functions.
- The Company reviews the authority of the Executive Directors and enables timely decision-making, which expedites the execution of business operations.

In so doing, the Company aims for sustainable corporate growth and an increase in corporate value over the mid- to long-term. Other matters related to corporate governance at the Company are as follows.

【1】 Reasons for adopting a holding company structure

The Company adopts a holding company structure to evaluate and oversee the operating companies from the perspective of shareholders and to achieve Group management that ensures strategic utilization of management resources and effective governance. The Company will clarify the management responsibility and establish a structure that ensures timely and appropriate managerial decision making.

[2] Management System

The Company establishes the Board of Directors as a body for making managerial decisions on important issues such as management policy and supervising operations and appoints six Outside Directors, who provide opinions at meetings of the Board of Directors from an independent and third-party viewpoint. The Company adopts the Executive Officer system to expedite the execution of business operations. In addition, the Company holds Group Management Meetings, which mainly consist of Executive Officers who discuss and exchange opinions as to important matters regarding the execution of business operations of the Nisshin Seifun Group and the group companies. The Group Management Meeting meets twice a month, in principle, and whenever the need arises.

[3] Auditing System

The Company has an Audit & Supervisory Committee, consisting of three Outside Directors and one Inside Director. The Audit & Supervisory Committee Members attend important meetings, including those of the Board of Directors, and hold regular meetings with Directors including the Representative Directors, among other things, according to the Committee's auditing standards and audit plans, auditing execution of business operations. A member of the Audit & Supervisory Committee works on a full-time basis and, serves concurrently as an audit & supervisory board member for the Group's major subsidiaries and conducts auditing of the Group's subsidiaries.

The Audit & Supervisory Committee Members and audit & supervisory board members of the Group's subsidiaries attend the regular meetings of the "Audit & Supervisory Liaison Committee of the Nisshin Seifun Group", in which they share auditing and risk information. Regarding the support staff structure for audits by the Audit & Supervisory Committee, in addition to operating the Audit & Supervisory Committee Administration Office, the Company assigns several people who have rich practical experience and have experience in certain positions in the Company to conduct audits of each Group company.

Regarding the nomination of Audit & Supervisory Committee Members, the Company assigns one person who has experience in finance and accounting operations as a full time Audit & Supervisory Committee Member, and one Certified Public Accountant (CPA) as a non-full time Outside Audit & Supervisory Committee Member. The Company assigns two lawyers who have knowledge of the relevant law as non-full time Outside Audit & Supervisory Committee Members. For the status of the selection of Independent Directors, please see 1. "Organizational structure and organizational operation,"

[Directors] , Relationship with the Company (2), "Reasons for Appointment" above.

The Company and its major subsidiaries had an independent auditing contract with Deloitte Touche Tohmatsu LLC, which conducted audits as stipulated in the Companies Act and the Financial Instruments and Exchange Law under that contract. The CPAs who executed the accounting audit of the Company are Yoshio Sato, Tokio Suzuki and Shinji Dobata. The support staff for such accounting auditing team (including audits of consolidated subsidiaries) consisted of 13 CPAs and 21 assistant accountants and others. Audit & Supervisory Committee and the subsidiary audit & supervisory board members hold regular meetings with Ernst & Young ShinNihon LLC to review financial audit plans and results. These meetings also provided a forum to explain specific audit items and to exchange information.

[4] Function concerning appointment and determination of remuneration

The appointment and dismissal of Senior Management, and determination of their remuneration is based on fair and highly transparent procedures.

For function concerning appointment and determination of remuneration, please refer to the Policy 5(2)(3)(6)(7)(8)(9) and 6(2)(3) attached to the end of this report.

[5] Limited liability contract

Pursuant to the provision of Article 427, Paragraph 1 of the Companies Act, the Company enters into a limited liability contract with each of its Directors (excluding Executive Directors, etc.) to the effect that the maximum amount of liability as stipulated in Article 423, Paragraph 1 of the Companies Act shall

be the sum of the amounts stipulated in each item of Article 425, Paragraph 1 of the Companies Act, as long as they perform their duties in good faith and without gross negligence.

3. Reasons for adopting the current corporate governance systems

The reasons for selecting a company structure with an audit & supervisory committee are expressed above in 2. “Matters related to functions of execution of business, audit & supervisory, nomination and determination of remuneration (outline of the present corporate governance system).” In addition, to achieve the goal expressed in 【1】 “Reasons for adopting a holding company structure” (in 2.), and maximize the effect of the holding company structure, the Board of Directors consists of i) Directors who belong exclusively to the holding company and evaluate and oversee the actions of operating companies, ii) Directors who concurrently manage major operating companies, who are familiar with the market environment and who have the experience and management skills required to oversee those businesses, iii) Outside Directors who are in a position to oversee the management of the Company from independent and third-party viewpoints and iv) Directors who have voting rights on the Board of Directors and are Audit & Supervisory Committee Members who conduct audits of business operations from the perspectives of legality and appropriateness. This organizational structure enables us to respect the position of each stakeholder, starting from shareholders, and ensures transparency of management and promotes timely and appropriate decision-making by the management. Outside Directors deliver opinions based on the accumulated experience and knowledge in their respective career fields at meetings of the Board of Directors. Their opinions are delivered from the same viewpoint as the Company’s shareholders and the general public, and such opinions are extremely important for examining the management of the Company.

III Policies related to shareholders and other stakeholders

1. Efforts toward promotion of General Meeting of Shareholders and facilitation of the exercise of voting rights

| | Supplemental explanation |
|---|---|
| Early notification of the General Meeting of Shareholders | Convocation notice is sent three weeks before (five business days before the statutory date) the meeting. Convocation notice is posted on the Company’s website prior to being sent to all shareholders. |
| Scheduling of the General Meeting of Shareholders of shareholders to avoid dates of most other shareholder meetings | The meeting is scheduled to avoid dates when most other companies hold their ordinary shareholder meetings. |
| Allows voting rights to be exercised through use of and electronic method | Voting rights can be exercised via the Internet. |
| Participation in an electronic voting platform, and other initiatives to improve the voting environment for institutional investors | The Company is participating in an electronic voting platform for institutional investors managed by ICJ, Inc. |
| Provision of convocation notice (summary) in English | Convocation notice is also prepared in English and posted on the Company’s website. |

2. Investor Relations (IR) activities

| | Supplemental explanation | Explanation by representatives |
|--|---|--------------------------------|
| Creation and announcement of a disclosure policy | Disclosure Policy that includes basic stance, disclosure policy, disclosure measures, quiet period and disclosure system. Disclosure Policy is posted on the Company’s website. | |

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| Hold regular meetings for analysts and institutional investors | The Company conducts financial results briefings, second quarter financial results briefings for analysts and institutional investors. The Company arranges individual visits to investors, press conferences with investors and factory tours to deepen investors' understanding of individual businesses. | Yes |
| Post IR materials on the Company's website | Main materials and contents posted on the website include: corporate principles (corporate philosophy and key management policy), corporate governance, disclosure policy, long-term vision, IR news, press releases (financial statements, shareholders reports and securities reports), materials for financial results briefings (explanation materials, reference materials and materials indicating the circumstances of the milling industry), financial highlights, financial data (BS, PL and CF), integrated reports, information regarding shares, shareholder return, shareholder special benefits, General Meeting of Shareholders (convocation notice), IR schedules, and "To individual investors" etc. | |
| Establishment of an IR office (officers) | The Company has established the Investor & Shareholder Relations Office as a dedicated department. | |

3. Measures concerning respect for the positions of Stakeholders

| | Supplemental explanation |
|--|--|
| Prescribe provisions that show respect for the positions of stakeholders in the Company's internal rules | In the preamble of "Nisshin Seifun Group Corporate Code of Conduct and Employee Action Guidelines," in addition to the Corporate Code of Conduct and Employee Action Guidelines, "the Basic Stance toward Stakeholders" is stipulated. "Customers, shareholders, business partners, employees and social communities" are regarded as stakeholders and the Company's basic stance toward such stakeholders is clarified. The content of the Basic Stance toward Stakeholders is posted on the Company's website, and the Company shares the idea of the Basic Stance with employees by distributing cards reaffirming such ideas to all employees. |
| Environmental protection and CSR activities | <p>Establishment of CSR Management Office</p> <p>To promote the Group's corporate social responsibility (CSR) activities further, a CSR Management Office was established within the General Affairs Department on June 1, 2020. The company will appropriately recognize, and promptly respond to, CSR issues that change with the times, and the entire Group will work on "CSR Priorities" throughout the various businesses. We will continue to work together as a group to address CSR issues.</p> <p>CSR activities</p> <p>The company has identified "CSR Priorities (materiality)," which include providing safe and healthy food and responding to climate change, as one of its most important management issues. Based on the "Nisshin Seifun Group Corporate Code of Conduct and Employee Action Guidelines," the Social Committee shall address all of Nisshin Seifun Group's CSR issues by discussing a comprehensive range of CSR issues, including corporate ethics and compliance, promoting practical CSR measures, providing</p> |

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| | <p>education on CSR throughout the Group and ensuring recognition of and compliance with laws, the Articles of Incorporation and social standards. The CSR Management Office will share the measures discussed in the Social Committee with Group companies, to promote CSR activities. All employees will always carry the distributed card on which the Group Corporate Code of Conduct and Employee Action Guidelines are printed, and every October is set as the CSR enforcement period which accelerates the Group's action as a whole.</p> <p>Environmental Protection The Group established “the Nisshin Seifun Group's Basic Environmental Policy” in 1999 and has been promoting environmental protection activities. Based on this policy, the Company is making efforts to reduce CO2 and waste, and to use recycled resources. In particular, the Company has established a mid-term goal as a Group to reduce CO2 emissions and is taking measures to stop global warming. In the area of environmental protection, a wider range of activities are required currently than in the past to address social issues, in order to realize a sustainable global environment, and we will respond to various environmental issues facing society, such as climate change. Furthermore, every June is “environment enrichment month,” in which all employees have the chance to renew their recognition of the importance of global environmental protection and actively conduct environmental protection activities. The Company is also aiming to strengthen an environment management system, via ISO 14001, to comply with environment-related laws and regulations, strengthen risk management, conduct environmental education, and the Company revised “the Nisshin Seifun Group's Basic Environmental Policy” last year and is seeking further implementation of such activities. The Company publishes the above mentioned environmental protection activities in the integrated reports and on the Company's website.</p> |
| Others | <p>Regarding Policy and Measures to support Women to take active roles, the Company considers supporting women to take active roles as one of the major points of the management strategy. The Company has taken several steps to support work-life balance, such as (i) raising the proportion of female workers from among new graduates, (ii) facilitating skills development by implementing business leader training for women and a mentoring program for female management, (iii) establishing a consultation counter for employees on childcare leave, (iv) provision of a day-care hunting support service and (v) further developing a shortened work hours program. The Company will continue to further expand these actions and increase the number of female employees and managers.</p> |

IV Internal Control Systems

1. Basic policy on internal control systems and status

The internal control systems of the Company establish the hierarchical command structure and clarify authority and responsibility while putting in place management control of department heads or managers in operational departments, internal checks between departments (i.e., operations division and accounting division), as well as the following systems.

[1] Systems for ensuring the compliance of the performance of duties of directors' and employees' of the Company and its subsidiaries with laws and the articles of incorporation

- (1) The Group has formulated the Nisshin Seifun Group Corporate Code of Conduct and Employee Action Guidelines. The presidents and directors of the Company and other Group companies recognize their duty to comply with said Code and Guidelines, and shall take the lead in following said rules and publicizing them to the people concerned. Said presidents and directors shall also endeavor to grasp internal and external opinion at all times, and adjust their internal systems accordingly to enhance their effectiveness, while promoting corporate ethics throughout their companies.
- (2) The Audit & Supervisory Committee and the audit & supervisory board members of its subsidiaries shall audit the performance of duties by the directors of each company, and oversee the directors to verify whether they have constructed and are operating systems for internal control in an appropriate manner.
- (3) The Internal Audit Department, directly supervised by the Audit & Supervisory Committee, shall lead the enhancement and operation of the internal control systems of the Group. As an independent organization, the Internal Audit Department shall evaluate the internal control systems of the Group and perform internal audits of the Group's business operations.
- (4) The Company's Social Committee shall address all of the Group's corporate social responsibility (CSR) issues by discussing a comprehensive range of CSR issues, including corporate ethics and compliance, promoting practical CSR measures, providing education on CSR throughout the Group and ensuring recognition of and compliance with laws, the Articles of Incorporation and social standards.
- (5) The Group shall not bow to unreasonable demands of antisocial forces that could threaten the order and safety of civil society and shall take organized countermeasures in collaboration with specialized institutions.
- (6) The Company shall operate and maintain the Compliance Hotline, which was established as a measure for the Group's employees, etc., to directly report any acts of non-compliance so that such acts can be detected and dealt with at an early stage.

[2] Rules and systems for managing the risks of loss to the Company and the Group

- (1) For issues concerning business operations, approval and reporting procedures shall be determined according to their level of importance, impact, etc., and evaluation of such issues, including risk assessment thereof, shall be made in advance.
- (2) In line with the Nisshin Seifun Group Risk Management Rules, the Company's Risk Management Committee shall supervise the overall risk management efforts of the Group by confirming and providing guidance to ensure that the Group's operating companies have appropriate control over the risks that are recognized, analyzed, and evaluated by themselves, and that no risks are left unnoticed.
- (3) In line with the Nisshin Seifun Group Crisis Control Rules, any emergence of crises or fear thereof shall be reported to a specified contact within the Nisshin Seifun Group to ensure the early detection and handling of the danger of loss.
Should crises occur, the Company shall immediately set up countermeasures headquarters to handle them in an appropriate manner to minimize damage.
- (4) The Audit & Supervisory Committee and the audit & supervisory board members of its subsidiaries shall take the necessary measures, such as giving advice and recommendations to directors, whenever they recognize the possibility that directors of respective companies may bring about significant loss or serious accident.

[3] Systems for ensuring that duties of the Company's or its subsidiaries' directors are performed efficiently

- (1) The Company and its subsidiaries have clarified the range of responsibility and authority of directors, for example, by identifying matters to be resolved by and reported to the board of directors and matters requiring requests for the approval of presidents, directors, Executive Officers, etc. governing each division, and others. This enables directors to perform their duties in a prompt and appropriate manner.

- (2) The Group clarifies its business strategies and their potential direction, according to which the Group's operating companies formulate their profit plans on a yearly basis. The term of office of directors (excluding Directors who are Audit & Supervisory Committee Members) shall be one year, throughout which time a director is expected to fully understand their responsibilities. The board of directors reviews business performance on a monthly basis, and discusses and implements measures to improve performance.

【4】 Systems for ensuring that proper business operations are conducted within the group of companies that consist of the Company and its subsidiaries

- (1) The Group has adopted a holding company structure under the Company whereby the Company, a holding company, constantly oversees and evaluates the actions of operating companies with the best interests of the shareholders in mind.
- (2) For important issues concerning the business operations of subsidiaries, standards are set to determine the issues to be submitted for discussion or reported to the Board of Directors.
- (3) The Group has formulated the Nisshin Seifun Group Corporate Code of Conduct and Employee Action Guidelines. The Corporate Principle, the Key Management Policy, the Basic Stance towards Stakeholders, the Corporate Code of Conduct and the Employee Action Guidelines for the Nisshin Seifun Group are stipulated, and awareness of these throughout the Group is promoted.
- (4) The procedures and methods for creation of the Group's financial reports, including the consolidated financial statements, are stipulated to eliminate wrongful acts and errors and ensure the reliability of such reports.
- (5) The Audit & Supervisory Committee Members and the audit & supervisory board members of its subsidiaries hold regular meetings of the "Audit & Supervisory Liaison Committee of the Nisshin Seifun Group" to exchange opinions on audit cases, etc., and share issues to be addressed.
- (6) Special audits, such as of facilities, safety, environment and quality assurance are provided by the Company for the Group.
- (7) The Internal Audit Department, directly supervised by the Audit & Supervisory Committee, shall lead the enhancement and operation of the internal control systems of the Group. As an independent organization, the Internal Audit Department shall evaluate the internal control systems of the Group and perform internal audits of the Group's business operations.
- (8) The subsidiaries of the Company have their own Internal Control Committee, headed by the President, which leads efforts to enhance and operate their internal control systems.

【5】 Systems for ensuring the preservation and management of information in relation to the Directors' performance of their duties

The minutes of Board of Directors' meetings, requests for managerial decisions, and other documents and information relating to the Directors' performance of their duties shall be preserved and managed appropriately as confidential information in accordance with the relevant regulations.

【6】 Provisions concerning the assistants to the Audit & Supervisory Committee in the performance of its duties and their independence from the Directors (excluding Directors who are Audit & Supervisory Committee Members), and ensuring the effectiveness of instructions from the Audit & Supervisory Committee to the assistants to the Audit & Supervisory Committee

- (1) The Audit & Supervisory Committee appoints the Audit & Supervisory Committee Administration Office, which assists the Audit & Supervisory Committee in performing their duties. The Audit & Supervisory Committee Administration Office assists the Audit & Supervisory Committee in performing audits under the direction of the Audit & Supervisory Committee, and personnel changes concerning the Audit & Supervisory Committee Administration Office require the consent of the Audit & Supervisory Committee.

- (2) The Directors (excluding Directors who are Audit & Supervisory Committee Members) shall take care not to impair the Audit & Supervisory Committee Administration Office's independence by unreasonably restricting the performance of their duties.

【7】 Systems for directors (excluding Directors who are Audit & Supervisory Committee Members) and employees of the Company or its subsidiaries, audit & supervisory board members of the Company's subsidiaries to report to Audit & Supervisory Committee

- (1) The Audit & Supervisory Committee arranges for certain of its members to attend the meetings of the Board of Directors and other important meetings, including the Group Management Meeting, the Credit Management Committee, and the Normative Ethics Committee, and the members state their opinions as appropriate.
- (2) The Audit & Supervisory Committee may ask for reports from the Independent Auditor, the Directors, the Internal Audit Department and others, whenever the necessity arises.
- (3) Directors of the Company and its subsidiaries shall report to the Audit & Supervisory Committee or the audit & supervisory board members of their companies, and the audit & supervisory board members of each operating company shall report to the Audit & Supervisory Committee.
- (4) Audit & supervisory board members of the Company's subsidiaries shall share the audit results with the Audit & Supervisory Committee.
- (5) The Internal Audit Department shall share the results of internal control evaluation and internal control audit with the Audit & Supervisory Committee.
- (6) Results of special audits, such as audits of facilities, safety, the environment, and quality assurance shall be reported to the Audit & Supervisory Committee.
- (7) Any information obtained through the Compliance Hotline shall be reported immediately to the Audit & Supervisory Committee.
- (8) Documents for taking over the duties of outgoing Division Executives of the Company's divisions and the presidents of its subsidiaries shall be submitted to the Audit & Supervisory Committee.
- (9) All requisitions of the Company and its subsidiaries shall be sent to the Audit & Supervisory Committee or the audit & supervisory board members of their companies.

【8】 Systems for ensuring that individuals reporting to the Audit & Supervisory Committee are not treated disadvantageously for reporting

Individuals who make reports, including those who report through the Compliance Hotline, shall not be treated disadvantageously through personnel systems or in any other way due to the making of reports.

【9】 Provisions regarding policies guiding procedures for the prepayment or reimbursement of expenses incurred by the Audit & Supervisory Committee Members in the execution of their duties and other expenses incurred in the execution of such duties or related obligations

Anticipated expenses incurred by the Audit & Supervisory Committee Members in executing their duties are budgeted; expenses incurred beyond the budget, excluding expenses deemed unnecessary for the performance of the duties of the Audit & Supervisory Committee Members, shall be dealt with immediately by the Company under Paragraph 4, Article 399-2 of the Companies Act.

【10】 Other systems for ensuring that the audits by Audit & Supervisory Committee are conducted efficiently

The Audit & Supervisory Committee holds regular meetings with the Representative Directors, and exchanges opinions on prospective challenges and risks for the Company, as well as the status of the environment for audits by the Audit & Supervisory Committee and other important auditing issues.

2. Basic policy and status of efforts for elimination of antisocial forces

The Group shall not bow to unreasonable demands of antisocial forces that could threaten the order and safety of civil society and shall take organized countermeasures in collaboration with specialized institutions. The details of the Group’s efforts to achieve this are as follows.

- (1) The Nisshin Seifun Group Corporate Code of Conduct requires compliance with laws and social standards, and the Employee Action Guidelines call for a resolute attitude in rejecting unreasonable demands from antisocial forces.
- (2) Within the Company, an office for control of countermeasures against unreasonable demands and a person responsible for the rejection of such demands are provided to collect information about antisocial forces and to take organized countermeasures in collaboration with specialized institutions. In addition, educational opportunities on ethics and compliance are provided to have the organized countermeasures effectively in place throughout the Group.
- (3) The Normative Ethics Committee is established within the Company and Social Standards Committees within major subsidiaries. The committees take steps to ensure a resolute attitude in rejecting unreasonable demands from antisocial forces and check that there are no illegal payments made by the Group.

V Others

1. Takeover Defense Measures

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|---------------------------|-----|
| Takeover Defense Measures | Yes |
|---------------------------|-----|

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| Supplementary Information |
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Basic policies regarding control of the corporation

(1) Brief policies

As a corporate group involved in food, the Company guarantees a high level of safety and quality in our products, and consistently ensures the stable supply of food, including wheat flour and other staple foods for the people. The Company believes that these are the responsibilities of the Group as a whole, a source and a foundation of corporate value, and a contribution to the Group’s sustainable growth, creating medium- to long-term corporate value. In particular, wheat flour is used in various foods including breads, noodles, and confectioneries. With a market share of approximately 40%, the Group is the leading company in the domestic wheat flour market, supplying wheat flour to general consumers as well as to food companies, etc. By fulfilling our responsibility to provide a stable supply of safe, high quality wheat flour, we support food culture and maintain social functions in Japan; and this leads to the Group’s sustainable growth and enhances medium- to long-term corporate value. Therefore, from the perspective of our social responsibility, in order to secure and improve the Company’s corporate value and the common interests of the shareholders, it is essential that we operate from a stable business base in accordance with planned and continuous management policies from medium- to long-term perspectives and we continue to guarantee a high level of safety and quality in our products, providing a stable supply of products. This is specific to the Company. Any party which, failing to understand these matters, buys up shares of the Company and acts in a way that goes against a sustainable and systematic medium- to long-term management policy, may damage the Company’s corporate value and the common interests of the shareholders. Depending on the conditions, there are other types of share acquisitions that also could damage the Company’s corporate value and the common interests of the shareholders. In order to properly manage the above issues, we believe that it is necessary to ensure advance and sufficient disclosure of information concerning the content of any management policies and business plans planned by an acquirer of the Company’s shares, the impact of the proposed acquisition on the Company’s shareholders and the management of the Group, the impact on the numerous parties affected by the Group, and the acquirer’s philosophy regarding social responsibility, including securing stable supplies of wheat flour and other staple foods for the people, and food safety, as well as to ensure a reasonable period of investigation and bargaining power.

(2) Measures that contribute to the effective utilization of the Company's assets, structuring of the appropriate form of the business group and others for the realization of the basic policies regarding control of the corporation

As a pure holding company for the Group, the Company plans management strategies for the Group, allocates its managerial resources efficiently, and audits and oversees the Group's business operations. Our operating companies optimize themselves according to the markets in which they operate, and by doing so, they secure high levels of safety and quality, as well as a stable supply for their products, thus mutually improving their corporate value, and, in turn, the corporate value of the entire Group.

Under this structure, the Group aims to secure and enhance its high levels of production technologies, and capacities for development and analysis that underpin the safety and quality of its products. The Group also makes ongoing well-planned capital investments, from a long-term perspective; provides employee education to enhance employees' professional abilities; introduces audit and instructional systems as to quality assurance and production facilities on a continuous basis; builds and enhances systems for internal control and legal compliance; and endeavors to maintain trustful relations with stakeholders, including business partners/customers and local communities.

(3) Measures to prevent a decision regarding the Company's financial and business policies from being controlled by a party who is deemed inappropriate according to the basic policies

With the aim of securing and improving the corporate value of the Company and the common interests of the shareholders, the Company has introduced measures using a gratis allotment of subscription rights to shares ("the Plan"), in line with Article 45 of its Articles of Incorporation and the "Renewal of the Resolution to Approve Gratis Allotment of Subscription Rights to Shares for Securing and Improving Corporate Value of the Company and the Common Interests of the Shareholders," as approved at the 177th Ordinary General Meeting of Shareholders held on June 25, 2021. The outline of the Plan is as follows.

- 1) The Board of Directors shall request that parties intending to implement a Specified Acquisition make an advance written submission of an Acquisition Proposal, and seek a resolution of the Board of Directors not to implement countermeasures, including the gratis allotment of the Subscription Rights to Shares defined in Paragraph 6) below (hereinafter, "the Confirmation Resolution") against that proposal. Parties intending to implement the Specified Acquisition shall make an advance submission of an Acquisition Proposal, and seek a Confirmation Resolution. In order to implement prompt operation of the Plan, the Board of Directors may establish a reply period, and request the provision of additional information in respect to any parties making a proposal regarding a Specified Acquisition, to the Company. Even in this case, the reply period shall be set with an upper limit of within 60 business days, starting from the day on which the provision of information was requested of the proposed acquirer by the Board of Directors, and the Corporate Value Committee shall commence its deliberation and discussion upon the expiry of such reply period.

"Specified Acquisition" means a) an act of purchasing the Company's share certificates, etc., that would result in the ratio of holdings reaching or exceeding 20% of the Company's share certificates, etc. (including similar acts as specified by the Board of Directors), or b) an act of commencing a tender offer on the Company's share certificates, etc., that would result in the ratio of possessions reaching or exceeding 20% of the Company's share certificates, etc.

An "Acquisition Proposal" means a written proposal that contains information reasonably requested by the Company, including the Company's management policies and business plans after said acquisition, evidence used to calculate prices, proof of acquisition funds, any possible impact on the Company's stakeholders, and information related to Items 4) [1] through [5] below.

- 2) Upon receiving the Acquisition Proposal, the Board of Directors shall promptly put it before the Corporate Value Committee, which consists only of the Independent Directors of the Company.
- 3) The Corporate Value Committee shall investigate said Acquisition Proposal, and discuss whether or not to pass a resolution to recommending that the Board of Directors passes a Confirmation Resolution in regard to said Acquisition Proposal (hereinafter, "the Recommendation Resolution"). The Recommendation Resolution shall be passed by a majority of all members of the Corporate Value Committee, and the results of that said Recommendation Resolution shall be

disclosed. The period for such deliberation and discussion by the Corporate Value Committee shall be a maximum of 60 business days (or a maximum of 90 business days, for Acquisition Proposals other than those that specify only cash in Japanese currency as consideration, and set no upper limit on the number of shares to be purchased) after the Acquisition Proposal is received by the Board of Directors. Only when reasonable grounds exist, the period for deliberation and discussion may be extended by an upper limit of 30 business days. However, in this case, the grounds for extension and the intended extension period will be disclosed.

- 4) Deliberations and discussion regarding the Recommendation Resolution by the Corporate Value Committee shall be made by faithfully forming an accurate judgment as to whether the Acquisition Proposal secures and improves the Company's corporate value and the common interests of the shareholders. The Corporate Value Committee must issue a Recommendation Resolution for an Acquisition Proposal that meets all of the below requirements and secures and improves the Company's corporate value and the common interests of the shareholders.
- [1] The acquisition does not fall under any of the following types of action:
- (a) Buyout of the Company's shares to demand that the Company or its related party purchase said shares at an inflated price;
 - (b) Management that achieves an interest for the Proposed Acquirer (including its group company or other related party, hereinafter the same shall apply) to the detriment of the Company, such as temporary control of the Company's management for transfer of the Company's material assets;
 - (c) Diversion of the Company's assets to secure or repay debts of the Proposed Acquirer; and
 - (d) Action unjustly causing harm to an important foundation of the creation of the Company's medium- to long-term corporate value, such as the action of taking temporary control of the Company's management to decrease the assets, funds, etc., that are required for the Company's business expansion, product development, etc., for years ahead, and the action of causing harm to the cooperative relations with the Company's shareholders, business partners, customers, employees, etc.
- [2] The scheme, content, etc., of the deal proposed by the Acquisition Proposal comply with the relevant laws and regulations.
- [3] The scheme and content of the deal proposed by the Acquisition Proposal do not threaten to have the effect of compelling shareholders of the Company to sell their shares.
- [4] The true information necessary for deliberations on the Acquisition Proposal is provided in the appropriate timing, such as upon request of the Company, and sincere responses are otherwise made in compliance with the procedures specified by the Plan.
- [5] The period for the Company to deliberate the Acquisition Proposal is secured (including deliberation and presentation of alternative proposals to the Company's shareholders). This period is specified as a maximum of 60 business days upon the receipt of the Acquisition Proposal, a maximum of 90 business days for Acquisition Proposals other than those that specify only cash in Japanese currency as consideration and set no upper limit on the number of shares to be purchased, and an upper limit extension of 30 business days applies if required on reasonable grounds.
- 5) A Confirmation Resolution of the Company's Board of Directors shall be made according to the Recommendation Resolution of the Corporate Value Committee. If the Corporate Value Committee issues the Recommendation Resolution, the Board of Directors must make the Confirmation Resolution promptly, unless there are particular reasons that are obviously against the directors' duty of care. The Gratis Allotment of Subscription Rights to Shares cannot be taken against the Acquisition Proposal for which the Confirmation Resolution is made.
- 6) If a Specified Acquirer—which is defined as a party implementing a Specified Acquisition which has not obtained a Confirmation Resolution at the time when a Specified Acquisition was implemented—appears, the Board of Directors shall, in addition to disclosing the fact that a Specified Acquirer has appeared, implement the gratis allotment of Subscription Rights to Shares, after passing a resolution to designate a record date for the gratis allotment, an effective date for the gratis allotment, and other necessary matters in respect to the gratis allotment of Subscription Rights to Shares and publicizing the items of the resolution. "Subscription Rights to Shares" are defined as the subscription rights to shares with restrictions on the exercise of such rights by Specified Acquirer and its related parties, which are collectively defined as the Specified Acquirer and Related Parties.

If it is revealed that the ratio of holdings of the Company's share certificates, etc., by the Specified Acquirer falls below 20% by a date that is to be specified elsewhere by the Board of Directors, which shall be earlier than the record date for the gratis allotment (the Board of Directors does not intend to stipulate a day on or later than 3 business days prior to the record date for the gratis allotment.), and in some other cases, the Board of Directors may choose not to effect a gratis allotment of Subscription Rights to Shares.

- 7) If a gratis allotment of Subscription Rights to Shares is effected, the Company shall allot Subscription Rights to Shares to all common shareholders, except the Company, as of the record date for the gratis allotment, at a ratio of one Subscription Right to Shares for every one share of the Company's common stock held, and the number of shares to be issued per one Subscription Right to Shares will not exceed two, and be determined elsewhere by the Board of Directors. The value of assets contributed to exercise one Subscription Right to Shares shall be one yen, multiplied by the number of shares to be issued per one Subscription Right to Shares.
- 8) The Subscription Rights to Shares will have an acquisition clause by which the unexercised Subscription Rights to Shares can be acquired by the Company. For the Subscription Rights to Shares held by shareholders other than the Specified Acquirer and Related Parties, this is accomplished in exchange for common shares of the Company of a number equal to the integral part of the number of said Subscription Rights to Shares multiplied by the number of shares to be issued per Subscription Right to Shares. For other Subscription Rights to Shares, this is accomplished in exchange for subscription rights to shares with restriction on transfer (and with restriction on the exercise of the rights by the Specified Acquirer and Related Parties) of a number equal to the number of said Subscription Rights to Shares.

(4) Judgment of the Board of Directors and its Reasons

The Plan complies with the basic policies described in Item (1) above, The Plan complies with the basic policies described in Item [1] above, and the following special methods are to be implemented as a way of increasing its rationality. Therefore, the Plan protects the corporate value of the Company and the common interests of the shareholders, and does not pursue the personal interests of the Company's management.

- 1) The Plan received the prior approval of the shareholders at the 177th Ordinary General Meeting of Shareholders held on June 25, 2021, pursuant to the provisions of Article 45 of the Articles of Incorporation.
- 2) The term of office of the Company's Directors(excluding Directors who are Audit & Supervisory Committee Members) is one (1) year, and the timing of all Directors' reelection is concurrent. In addition, a resolution on dismissal of Directors may be passed by an ordinary resolution at a General Meeting of Shareholders. Therefore, the Plan can be abolished by a resolution of the Board of Directors through the election or dismissal of Directors, by an ordinary resolution at a single General Meeting of Shareholders.
- 3) To secure the neutrality of judgments relating to the Plan, the Corporate Value Committee, composed only of the Company's Independent Directors, shall deliberate the Acquisition Proposal, under legal obligations as Directors of the Company, to determine if the proposal secures and improves the Company's corporate value and the common interests of the shareholders. It is also required that the Board of Directors make a Confirmation Resolution, upon receipt of a Recommendation Resolution to that effect from the Corporate Value Committee, unless there are particular reasons that are obviously against the directors' duty of care.
- 4) To enhance the objectivity of judgment relating to the Plan, the Plan specifies when the Corporate Value Committee must issue a Recommendation Resolution, as stated in Paragraph (3) above.
- 5) Subject to the approval resolution of Ordinary General Meeting of Shareholders, the Plan can be revised every year by a resolution of the Board of Directors. This allows the Plan to adjust itself to the development of the related laws and regulations, and various other business circumstances surrounding the Company.
- 6) The validity of an approval resolution of Ordinary General Meeting of Shareholders is three (3) years. Upon the passage of three years, the Board of Directors will present a Plan that reflects any revisions, including reflection of its supplementary conditions, for approval by the shareholders.

- 7) The Plan satisfies all of the requirements for legality (to avoid suspension of the issuance of subscription rights to shares, etc.) and rationality (to gain the understanding of shareholders, investors and other stakeholders) specified in the “Securing and/or Improving Corporate Value and Common Interests of Shareholders: Takeover Defense Guidelines” released on May 27, 2005, by the Ministry of Economy, Trade and Industry and the Ministry of Justice. Moreover, the Plan is in accordance with the recommendations of the June 30, 2008 report of the Ministry of Economy, Trade and Industry’s Corporate Value Study Group, entitled “Takeover Defense Measures in Light of Recent Environmental Changes.”

2. Other items related to corporate governance system

Outline of timely disclosure

[1] Basic policy of disclosure

The Company will endeavor to acquire accurate understanding, evaluation and trust of each stakeholder by (i) positive promotional campaigns and IR activities, and (ii) appropriately and continuously providing accurate information related to the business operations of each company of the Group to the public in a timely manner. The Company will ensure fair disclosure which expresses its attitude toward disclosure by establishing “Disclosure Policy” and “Disclosure Rules” and IR.

[2] Internal system for timely disclosure

To clarify the control system related to disclosure and to unify practices of information collection and judgment in the Company, the Company has formed a “Disclosure Committee” that is organized by the Director and President, Division Executive (General Administration) and General Manager (Legal Affairs Department of General Administration). The Director and President is the chairperson, the Division Executive (General Administration) is the vice chairperson of the committee, and the Public Communications Department (General Administration Division) is the back office of the committee.

The role of the Disclosure Committee is as follows.

- (1) The committee will widely collect information from the Group in its entirety and accelerate necessary timely and appropriate disclosure of information regarding the material facts that were the subject of institutional decisions made by the Company or its subsidiaries (“Corporate Decisions”), and will examine the information regarding material facts that have occurred to the Company or its subsidiary (“Occurrence of Material Fact”) and information regarding financial results of the Company or its subsidiary (“Financial Results”) and provide advice from the perspective of timely disclosure;
- (2) The committee will discuss how to maintain and improve the disclosure procedure and the disclosure system of the Company and report to the Board of Directors as necessary. The back office of the committee examines whether and how to disclose particular information reported from each department or subsidiary (if necessary, the back office will report to the committee and ask for its decision if a case management decision is required for such matters). Given that the final judgment of timely disclosure will be made by the Board of Directors, the information subject to timely disclosure is categorized into 3 groups, consisting of information related to 1) Corporate Decisions, 2) Occurrence of Material Facts and 3) Financial Results, and the procedure of disclosure will be as follows.
 - 1) Information Related to Corporate Decisions
 - (i) Information related to Corporate Decisions will be initially reported by each department or subsidiary to the Director and President, and the Director and President will report such information to the committee and the committee will decide whether such information should be disclosed or not. (ii) The contents and method of disclosure decided by the committee will be, in principle, reported to the Director and President and the resolution of the Board of Directors will be made as necessary. (iii) The Public Communication Department will conduct the disclosure of such information.
 - 2) Information related to Occurrence of Material Facts
 - (i) Information related to Occurrence of Material Facts will be reported by each

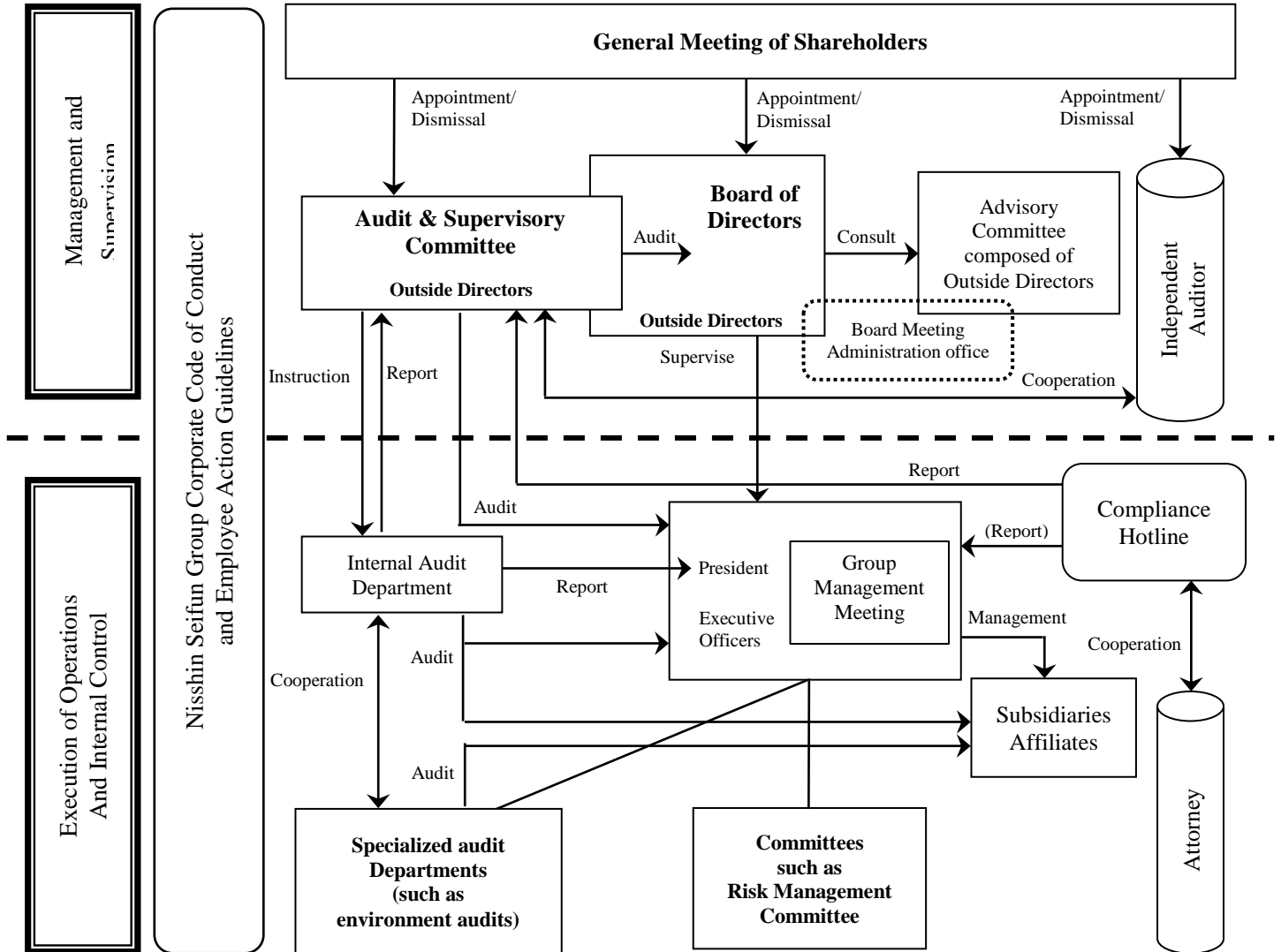
department, subsidiary or committee (including countermeasures headquarters) to the Director and President and to the Disclosure Committee in a timely manner. (ii) The Disclosure Committee (or countermeasures headquarters, in the case a countermeasures headquarters is established) will decide whether such information should be disclosed or not. (iii) If it is decided that timely disclosure is required, the Public Communication Department will conduct the disclosure of such information.

3) Information related to Financial Results

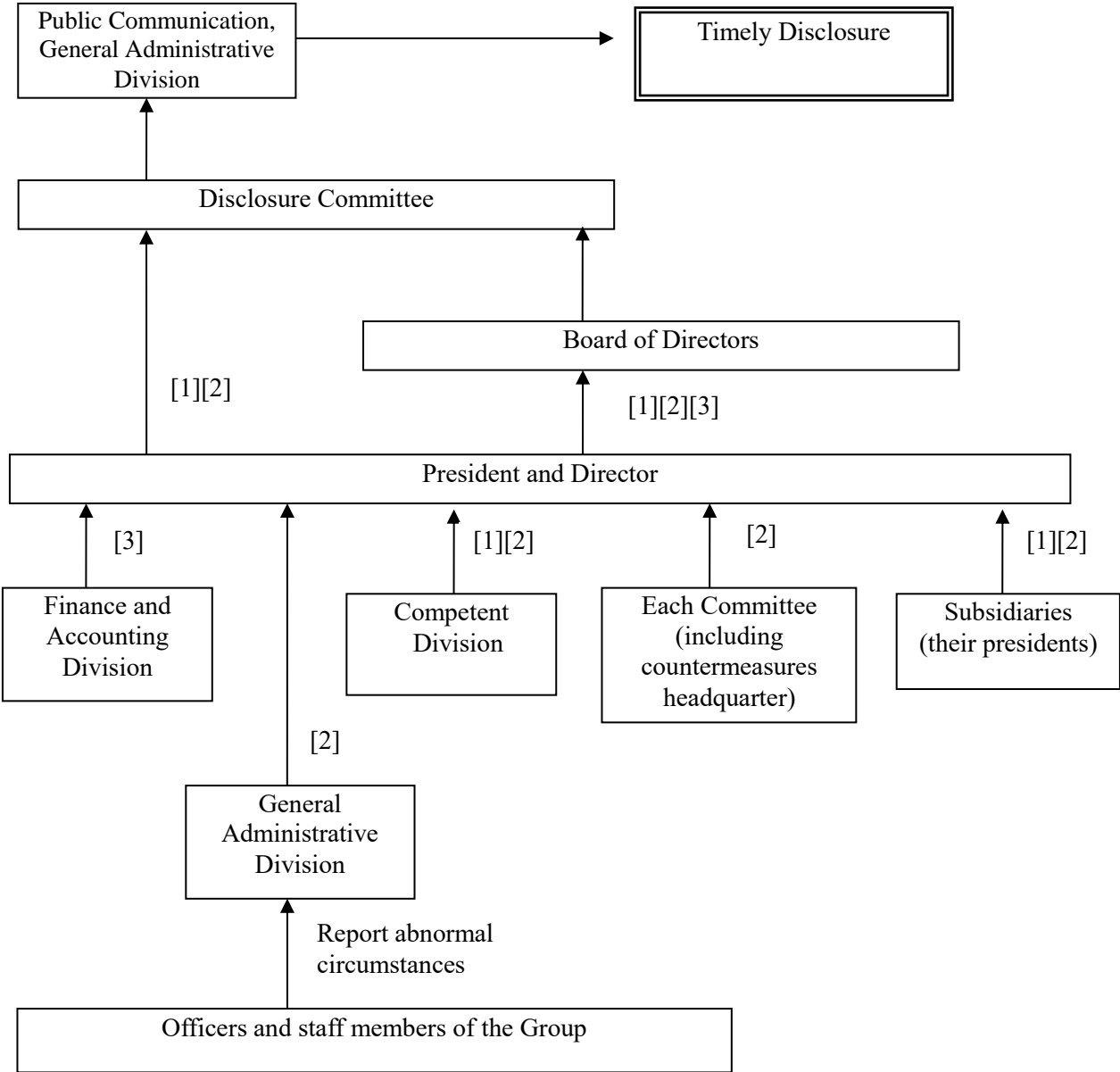
(i) Information related to Financial Results will be reported to the Director and President by the Finance & Accounting Division. (ii) The Board of Directors will then resolve whether to disclose such information. (iii) The Public Communication Department will conduct the disclosure of such information.

Corporate Governance Structure

The diagram below sets out the structure of the Company for management/supervision, execution of operations and internal control.



Internal System for Timely Disclosure



- [1]: Information regarding Corporate Decisions
- [2]: Information regarding Occurrence of Material Fact
- [3]: Information regarding Financial Results

Corporate Governance Policy

Nisshin Seifun Group Inc. (the “Company”) established this Corporate Governance Policy (the “Policy”) to fulfill its responsibilities to stakeholders, including its fiduciary responsibility to shareholders who have entrusted the management of the Company to us, and to achieve effective corporate governance that leads to sustainable corporate growth and the creation of mid- to long-term corporate value.

1 Basic Views on Corporate Governance

- (1) The Group’s (the Company and its subsidiaries and affiliates) mission is to stably provide safe and reliable “shoku” (food), including flour, with the corporate principle of “contributing to a healthy and fruitful life for all,” which is founded on the guiding philosophies that “the basis of business is built on trust” and of being “in tune with the changing climate.” Based on this basic principle and aim of sustainable corporate growth and long-term corporate value maximization, the Company’s basic views on corporate governance are to (i) develop an efficient management system and clarify management responsibility and (ii) promote management that respects the status of each stakeholder, beginning with shareholders, and achieve transparent, timely and appropriate decision-making in relation to the Company.
- (2) The Company adopts a holding company structure under which the Company constantly oversees and evaluates the activities of operating companies with the viewpoints of shareholders in mind.
- (3) The Company establishes an organizational structure and systems to strengthen corporate governance functions and to promote efficient management. The Company will empower the board of directors of the Company (the “Board of Directors”) and aims to promote swifter and more effective decision-making. The statutory function of the audit & supervisory committee of the Company (“Audit & Supervisory Committee”) and the independent external auditors of the Company (“Independent Auditors”) will be further reinforced with systematic, specialized internal audits covering areas such as facilities, safety, environmental protection and quality assurance, along with a systematic evaluation of the internal control system and internal audits related to business operations.
- (4) The Board of Directors and Management (executive directors of the Company (“Executive Directors”), executive officers of the Company (“Executive Officers”), directors of the major operating companies; the same shall apply hereafter) of the Company will exercise leadership in establishing a corporate culture where the rights and positions of the Company’s stakeholders are respected and sound business ethics are ensured.
- (5) In formulating business strategies and business plans:
 - [1] business strategies and business plans are to be consistent with the Group’s corporate principles and key management policy;
 - [2] basic earning plans and capital policies are to be indicated when establishing business strategies and business plans, and clear and logical explanations are to be provided to the shareholders regarding specific measures to be taken in order to enhance the Company’s profitability and capital efficiency; and
 - [3] with the creation of corporate value in mind, a basic capital policy, striking a balance between capital efficiency and financial stability, is to be established (i) to improve the Company’s profitability and ensure that it consistently exceeds the capital costs and (ii) to sustain appropriate shareholder returns.

2 Securing the rights and equal treatment of shareholders

- (1) In advancing Group management under the basic policy of maximizing long-term corporate value, adequate consideration will be given to shareholders (the suppliers of capital) to provide for the smooth exercise by them of their shareholder rights. In particular, accurate information will be provided to shareholders as necessary in order to facilitate appropriate decision-making at the Company’s general meeting of shareholders (“General Meeting of Shareholders”), and take proper measures to ensure the exercise of various shareholder rights, including voting rights.

- (2) The Company will fully secure the rights of all shareholders (including minority shareholders and foreign shareholders). An environment in which non-institutional investor shareholders can exercise their rights appropriately and effectively and receive equal treatment will be maintained by ensuring fair disclosure to them.
- (3) With respect to a capital policy of the Company that results in a change of control or in significant dilution, the Board of Directors will carefully examine the necessity and rationale of the capital policy from the perspective of its fiduciary responsibility to shareholders before approving the implementation of the policy and provide sufficient explanations to shareholders.

3 Information Disclosure

- (1) The Company will strive to ensure proactive information disclosure in order to enhance transparency and fairness in decision-making and ensure effective corporate governance of the Company.
- (2) The Company will disclose information in accordance with Financial Instruments and Exchange Law and the rules on timely disclosure of the Tokyo Stock Exchange, proactively conduct public relations and IR activities, and appropriately and continuously provide accurate information on the Group companies' business activities to the public in a timely manner.
- (3) The Company will improve disclosure and explanation of non-financial information such as views on corporate governance in addition to the disclosure and explanation of financial information.

4 Dialogue with shareholders

- (1) The Company recognizes the importance of constructive dialogue with shareholders and will consider how to achieve valuable dialogue with shareholders so as to support sustainable growth and increase corporate value over the mid- to long-term.
- (2) In order to promote constructive dialogue with shareholders, the Company will, through positive cooperation between Management members who handle IR, Finance and Accounting, Legal Affairs and Public Communication under the supervision of the Director and President (director ("Director") concurrently serving as president), consider and implement (i) measures to explain non-financial information such as by posting it on the Company's website or holding explanatory sessions and (ii) a framework to facilitate dialogue with shareholders. The Investor & Shareholder Relations Office will serve as a specialized unit for dialogue with shareholders such as investor meetings and IR activities in addition to meetings with institutional investors and others to provide opportunities to make explanations and hold Q&A sessions regarding business strategy and business performance.
The Director and President and Management will endeavor to attend meetings with institutional investors and others and engage in direct dialogue with institutional investors and others who can discuss corporate value growth from a mid- to long-term perspective. Furthermore, shareholder views and concerns learned through such dialogue will be periodically relayed to Management and outside Directors ("Outside Directors") so as to be reflected in the management of the Company.
- (3) The Company will post major materials that were used in investor meetings, etc. on the Company's website from the perspective of fair and equitable disclosure to shareholders.
- (4) The Company will ensure fair disclosure and the confidentiality of insider information pursuant to its disclosure policy, rules for the prevention of insider trading and others.

5 The Board of Directors, Directors and Senior Management

- (1) Given the Board of Directors' fiduciary responsibility to shareholders, in order to promote the Company's sustainable corporate growth and the increase of corporate value over the mid- to long-

term and to enhance profitability and capital efficiency, the Board of Directors will appropriately fulfill its roles and responsibilities, including:

- [1] setting the direction of corporate strategy;
 - [2] establishing an environment where appropriate risk-taking by Senior Management (including Executive Directors, Executive Officers and, the directors and presidents of major operating companies; and the same shall apply hereafter) is supported;
 - [3] carrying out effective oversight of Senior Management of the Company from an independent and objective standpoint; and
 - [4] engaging in oversight activities in order to ensure timely and accurate information disclosure, and establishing an appropriate internal control and risk management system.
- (2) To make use of the holding company structure, the Board of Directors basically consists of (i) Directors who belong exclusively to the holding company and assume functions to oversee the whole Group, (ii) Directors who concurrently hold a management position in major operating companies, and (iii) Outside Directors who oversee Management of the Company from an independent and objective viewpoint; (iv) Directors who have voting rights on the Board of Directors and are members of the Audit & Supervisory Committee (“Audit & Supervisory Committee Members”) who conduct audits of business operations from the perspectives of legality and appropriateness.
- (3) The number of Directors will be set to enable timely and decisive decision-making on the basis of the Company’s business lineup and business scale within the range provided in the articles of incorporation of the Company.
- (4) The Company and each operating company will clarify in their internal rules for the board of directors that the Board of Directors will determine important particulars such as matters related to maximizing the corporate value of the Group, the distribution of management resources and compliance.
The Board of Directors will specify the matters delegated to Senior Management and the procedures for such delegation under the approval rules and others.
- (5) With due attention to their fiduciary responsibilities to shareholders, Directors will continuously review the criteria and systems for their decision-making from the perspective of transparency, timeliness and others and secure appropriate cooperation between stakeholders and act for the interests of the Company and the common interests of its shareholders.
- (6) For sustainable corporate growth and the increase of mid- to long-term corporate value, members of Senior Management will be those who have high-level personal and professional ethics and integrity, inquisitive and objective perspectives, practical knowledge and discernment.
- (7) Outside Directors will be appointed on the basis of (i) high professional expertise, (ii) extensive experience and deep insight as corporate managers, (iii) international knowledge, and (iv) appreciations of risk management and compliance issues. The Company will endeavor to achieve an appropriate balance of diversity, knowledge, experience and skills of the Outside Directors.
- (8) The Company will determine Management remuneration from the perspective of (i) retaining excellent human resources, (ii) setting an appropriate level of remuneration corresponding to the Company’s scale and business category and (iii) providing healthy incentives for increasing the mid- to long-term corporate value of the Company. Management remuneration will include a variable performance-based portion, considering the degree of contribution to the Group and the mid- to long-term basic strategy of the Group.
- (9) The appointment and dismissal of Senior Management and the determination of their remuneration will be based on fair and highly transparent procedures. In order to strengthen the independence and objectivity of the Board of Directors with respect to the nomination and remuneration of Senior Management, the Company will endeavor to obtain advice from independent Directors (“Independent Directors”).

6 Audit & Supervisory Committee and its Members

- (1) The Audit & Supervisory Committee will conduct audits of the business operations conducted by Directors as an independent organ under the Companies Act. The Audit & Supervisory Committee Members will attend important meetings, including those of the Board of Directors, hold regular meetings with the representative Directors (“Representative Directors”), and audit the performance of duties by Directors, in accordance with the Board’s auditing standards and audit plans. Given their fiduciary responsibility to shareholders, the Audit & Supervisory Committee Members will make decisions from an independent and objective standpoint when fulfilling their roles and responsibilities, including auditing the performance of Directors’ duties. Their functions will not be limited to so-called “defensive functions” such as the prevention of scandals, and they will positively and proactively exercise their rights and appropriately express their views at the meetings of the Board of Directors.
- (2) The Audit & Supervisory Committee of the Company consists of several Audit & Supervisory Committee Members who are Outside Directors and full-time Audit & Supervisory Committee Members. The Audit & Supervisory Committee Members will endeavor to prevent matters that would harm the healthy and sustainable corporate growth of the Company, by organizationally utilizing the information gathering power of full-time Audit & Supervisory Committee Members and the independence of Outside Audit & Supervisory Committee Members.
- (3) Audit & Supervisory Committee Members will: (i) be honest, (ii) exercise good judgment and insight based on an objective perspective, and (iii) have considerable professional knowledge and rich experience. At least one Audit & Supervisory Committee Member will have appropriate expertise in finance and accounting.

7 Independent Directors

- (1) The Board of Directors will include Independent Directors at least one third of all Directors, and it is expected that the independence and objectivity of the functions of the Board of Directors will be strengthened through the following roles and responsibilities of Independent Directors:
 - [1] providing advice on key management policies and business plans based on their knowledge and experience with the aim to promote sustainable corporate growth and to increase corporate value over the mid- to long-term;
 - [2] monitoring management through important decision-making at the Board of Directors meeting;
 - [3] monitoring conflicts of interest between the Company and Senior Management or controlling shareholders; and
 - [4] appropriately representing the views of stakeholders at the Board of Directors meeting from a standpoint independent of Senior Management and controlling shareholders.
- (2) The Board of Directors will establish standards for the independence of Independent Directors, taking into consideration the independence criteria set by Tokyo Stock Exchange, Inc.
- (3) Aiming to exchange information and develop a shared awareness among Independent Directors from an independent and objective standpoint, the Company will endeavor to promote regular meetings attended by Outside Directors and to ensure cooperation among them.

8 The Board of Directors’ and Audit & Supervisory Committee’s Effectiveness

- (1) With the aim of enabling active deliberations, the Board of Directors will consider the schedule for the distribution of materials for the Board of Directors and provide supplementary information as necessary. Furthermore, to facilitate more vigorous deliberations at the Board of Directors, the Board of Directors will establish a schedule for meetings of the Board of Directors for the current year and provide it to each Director in advance, consider the meeting agenda and the number of agenda items, allow sufficient time for deliberations and a reasonable frequency of meetings, and endeavor to ensure the appropriate operation of meetings.

- (2) The Company's Board Meeting Administration Office, and other applicable sections or departments, will explain the proposals to be presented to the Board of Directors to Outside Directors in advance as necessary. In addition, full-time Audit & Supervisory Committee Members or employees who assist them in performing their duties ("Audit & Supervisory Committee Administration Office") will explain the proposals to Outside Audit & Supervisory Committee Members as necessary.
- (3) The Company will carry out the following to ensure the effectiveness of audits by the Audit & Supervisory Committee:
 - [1] ensure there are a sufficient number of Audit & Supervisory Committee Administration Office members to assist the operation of Audit & Supervisory Committee;
 - [2] require the consent of the Audit & Supervisory Committee for personnel changes and personnel evaluations concerning the Audit & Supervisory Committee Administration Office in order to ensure the effectiveness of instructions from the Audit & Supervisory Committee to the Audit & Supervisory Committee Administration Office;
 - [3] supervise the Internal Audit Department directly in order to facilitate coordination between the Audit & Supervisory Committee and the Internal Audit Department on a daily and flexible basis; and
 - [4] consider whether the Audit & Supervisory Committee can consult with external specialists as they deem necessary, at the Company's expense.
- (4) Directors will, on an annual basis, conduct a self-evaluation regarding the efficiency and achievements of the Board of Directors and discuss improvements.
- (5) Directors will devote sufficient time and effort required to appropriately fulfill their respective roles and responsibilities as members of a critical governance body of the Company. They will also endeavor to acquire and update knowledge and skills necessary for their operations, including the Company's organization and corporate governance, in order to deepen their understanding of their roles and responsibilities. The Company will provide and arrange training opportunities suitable to each Director along with financial support for associated expenses.

9 Securing Proper Execution of Audits by Independent Auditors

- (1) The Audit & Supervisory Committee of the Company will conduct the following within the range of responsibility as specified by law:
 - [1] establish standards for the appropriate selection of candidates for the Independent Auditor and proper evaluation of the Independent Auditor; and
 - [2] verify whether Independent Auditor possesses necessary independence and expertise to fulfill its responsibilities.
- (2) The Board of Directors and the Audit & Supervisory Committee will cooperate to ensure the following:
 - [1] give adequate time for Independent Auditor to ensure high-quality accounting audits;
 - [2] arrange interviews with Senior Management if requested by Independent Auditor as it deems necessary for its accounting audits;
 - [3] ensure adequate coordination between the Independent Auditor, the Audit & Supervisory Committee, the Internal Audit Department and the Outside Directors; and
 - [4] ensure that the Company is constituted in a way that it can adequately respond to any misconduct, inadequacies or concerns identified by Independent Auditor.

10 Cross-Shareholdings

The Company will hold shares of other listed companies as cross-holdings if holding such shares promotes mid- to long-term corporate value increase and is regarded as reasonable from the perspective of facilitating and solidifying business alliances and joint business, and the structuring and enforcement of

long-term and stable business transactions. The Board of Directors will annually examine the reasonableness of holding such shares.

11 Related Party Transactions

- (1) When the Company engages in transactions with Directors or when the Company's subsidiaries engage in transactions with its directors, board of director's approval of the corresponding company is required in accordance with the Companies Act.
- (2) When the Company engages in transactions with its Major Shareholders (shareholders that own 10% of the Company's shares on a voting-rights basis) and such transactions are material from the perspective of the interests of the Company or the common interests of its shareholders, the Board of Directors approval, etc., is required.
- (3) In approving such transactions, the Board of Directors will consider various factors, including the purpose, conditions, commercial necessity and business scale of such transactions, and the profit that each of the Company, directors and Major Shareholders will gain through such transactions.

12 Whistleblowing

The Company will establish internal rules that secure a point of contact that is independent of Senior Management, the confidentiality of the information provider and the prohibition of any disadvantageous treatment of the information provider.

13 Continual Review

The Company will continually review its governance for possible improvements to seek the best governance of the Company, considering changes to the Group's business field, economic environment, laws and regulations, and the rules of stock exchanges, etc., on the understanding that corporate governance is a structure for transparent, fair, timely and decisive decision-making by companies, with due consideration of the needs and perspectives of shareholders and also customers, business partners, employees and the public, not as an end in itself, but as a measure to support the Company's sustainable corporate growth and the increase of its mid- to long-term corporate value. The Board of Directors will promptly disclose any amendment made to the Policy.