

Corporate Governance Report

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Oenon Holdings, Inc.

Yuji Nishinaga, President and CEO

Contact: Corporate Communication Dept.

+81-3-6757-4584

Securities Code: 2533

<https://www.oenon.jp/>

The corporate governance of Oenon Holdings (the “Company”) is described below.

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

1. Basic Views

The Oenon Group (“the Group”) operates businesses based on biotechnologies derived from fermentation technologies in the Alcoholic Beverages, the Enzymes and Pharmaceuticals, and other fields, guided by its group corporate philosophy: “From the bounty of nature and with biotechnology as our base, we aim to help people find enjoyment and health through food.”

The Group considers the provision of safe and secure products to customers its top priority. It conducts business activities in accordance with group-wide universal concepts—specifically, a focus on customers and a focus on profit—and concurrently pursues initiatives that contribute to “the co-creation of future value,” while aiming to enhance the quality of its management and ultimately achieve sustainable growth and maximize corporate value for the Group over the medium to long term.

To enhance the quality of its management, achieve sustainable growth, and maximize corporate value, the Group ensures transparency and fairness in decision-making processes related to management, and accordingly works to establish a corporate governance structure that promotes timely and decisive decision-making.

[Reasons for Non-compliance with the Principles of the Corporate Governance Code]

The principles of Corporate Governance Code listed are based on the revised code (as of June 2018).

[Disclosure Based on the Principles of the Corporate Governance Code]

[Principle 1.4]

The Company strategically holds shares of other listed companies deemed necessary to maintain and strengthen trading relationships between the Group and business partners, and to achieve sustainable growth and improve corporate value for the Group over the medium to long term.

If the significance of holding certain shares has weakened, the Company gradually disposes of the holdings while taking into consideration conditions at the relevant companies.

Each year, the Board of Directors examines the purpose of its holdings by carefully reviewing their appropriateness and whether the associated benefits and risks are commensurate with cost of capital, and discloses the results of this review.

When exercising votes for cross-shareholdings, the company for each proposal confirms and reasonably determines factors such as whether the exercise will contribute to growth in group-wide corporate value over the medium to long term.

[Principle 1.7]

When the Company engages in transactions with its officers, major shareholders, or other related parties, it obtains approval in advance from the Board of Directors—which includes independent directors—and reports to the Board of Directors after such transactions have been completed without delay.

[Principle 2.6]

The Company does not operate a corporate pension plan at present, and therefore does not qualify as an asset owner.

[Principle 3.1]

(1) Corporate philosophy, business strategies, and medium-term management plans disclosed on Company website (<https://www.oenon.jp/>) and through other channels.

Its corporate philosophy is also presented in “1. Basic Views” under “Basic Views on Corporate Governance, and Basic Information on Capital Structure, Corporate Attributes, and Other Matters” of this report.

(2) Basic views and basic policy on corporate governance disclosed on Company website (<https://www.oenon.jp/>) and through other channels.

Its basic views on corporate governance are also presented in “1. Basic Views” under “Basic Views on Corporate Governance, and Basic Information on Capital Structure, Corporate Attributes, and Other Matters” of this report.

(3) Basic policies and procedures to determine officer remuneration disclosed on Company website (<https://www.oenon.jp/>) and through other channels.

The same information is also presented in “Remuneration Amounts and Presence/Absence of Determination Policy for Calculation Method” under “Status of Management and Administration Organization for Management-Related Decision-Making, Execution, and Supervision, and other Corporate Governance Structures” of this report.

(4) Basic policies and procedures to select or dismiss its representative director and to nominate director and auditor candidates disclosed on Company website (<https://www.oenon.jp/>) and through other channels.

(5) The reasons behind the selection of director candidates are as presented in reference document “Proposal 2: Appointment of One Director” accompanying the Convocation Notice for the 113th General Meeting of Shareholders, and reference document “Proposal 2: Appointment of Four Directors” accompanying the Convocation Notice for the 114th General Meeting of Shareholders. The Convocation Notice for the 113th General Meeting of Shareholders and the Convocation Notice for the 114th General Meeting of Shareholders are disclosed on the Company’s website (<https://www.oenon.jp/>).

The reasons behind the selection of auditor candidates are as presented in reference document “Proposal 4: Appointment of Three Auditors” accompanying the Convocation Notice for the 112th General Meeting of Shareholders. The Convocation Notice for the 112th General Meeting of Shareholders is disclosed on the Company’s website (<https://www.oenon.jp/>).

[Principle 4.1.1]

The Board of Directors makes decisions on matters specified in laws and regulations, matters specified in the Company’s articles of incorporation, matters delegated to the Board of Directors by a resolution of the general meeting of shareholders, and other important matters related to management. Decision-making for other matters regarding business execution is delegated to the representative director and responsible directors.

The Board of Directors receives reports on delegated matters and matters related to management from directors and group companies, and confirms operational decisions are consistent with the broad direction reflected in the Company’s long-term vision, medium-term management plan, and management policies, and other plans.

[Principle 4.9]

The Board of Directors has established its own “Criteria Regarding the Independence of Outside Officers,” and these are disclosed on the Company’s website (<https://www.oenon.jp/>).

[Supplementary Principle 4.11.1]

The Company ensures diversity in its Board of Directors by including directors with extensive experience in various fields such as group businesses, sales, production, and management, as well as independent directors who can exercise oversight of management from an independent and objective standpoint.

As per its Articles of Incorporation, the Company believes it is appropriate for the Board of Directors to have no more than 10 directors to facilitate timely and decisive decision-making, and that it is necessary to appoint at least two outside directors to support effective oversight of management from an independent and objective standpoint.

The Board of Directors nominates individuals who possess the expertise, capabilities, high sense of ethics, fairness, and integrity required of directors as director candidates.

When selecting directors, the representative director prepares a proposal, which is approved by the Board of Directors following deliberation by a Nomination and Remuneration Committee that comprises a majority of outside directors. The proposal is subsequently submitted to the general meeting of shareholders for approval. [Supplementary Principle 4.11.2]

If its directors or auditors concurrently intend to serve as officers at other listed companies (in director, auditor, or executive positions), the Company requires that such activities are approved by the Board of Directors to ensure the relevant directors and auditors can devote sufficient time and effort required to appropriately fulfill their respective roles and responsibilities at the Company.

The status of important concurrent positions of directors and auditors is disclosed in the reference documents, business reports, or other materials accompanying convocation notices.

[Supplementary Principle 4.11.3]

The Company has decided to analyze and evaluate the effectiveness of all its Board of Directors functions each year by taking into consideration self-evaluations submitted by all directors and auditors as well as other information, and it discloses a summary of the corresponding results on its website (<https://www.oenon.jp/>).

The Group also evaluates the effectiveness of the boards of directors at its four major subsidiaries.

The directors and auditors of all group companies complete self-evaluation surveys, and the effectiveness of the boards of directors of all group companies is evaluated based on the aggregated results.

In addition, summaries of evaluation results for each group company are reported by the group companies to the Board of Directors.

Based on these summaries, the Company has been able to confirm the effectiveness of the boards of directors of group companies in general terms.

Going forward, the Company will continue to perform regular evaluations of such effectiveness, and strive to further enhance the effectiveness of the boards of directors of major group companies.

[Supplementary Principle 4.14.2]

The Company's basic policy is to provide continual opportunities for directors and auditors to receive training required to appropriately fulfill their roles and responsibilities as a critical governance body of the Company.

[Principle 5.1]

The Company responds to the requests from shareholders to engage in dialogue as necessary and within a reasonable extent. The Board of Directors establishes policies concerning constructive dialogue with shareholders and strives to promote such dialogue.

<Policy for Constructive Dialogue with Shareholders>

1. Have the director responsible for investor relations supervise and strive to realize constructive dialogue.
2. Make the Corporate Communication Dept. responsible for investor relations and have the department strive to cooperate with other departments involved in investor relations to ensure reasonable and smooth dialogue with shareholders.
3. Proactively work to expand and enhance investor briefings and investor relations activities.
4. Appropriately and effectively relay shareholder views and questions learned through dialogue to the Board of Directors.
5. When engaging in dialogue with shareholders, strive to prevent the handling or leaking of unannounced important information in accordance with the Regulations Regarding Management of Internal Information and Restrictions on Insider Trading, which aim to prevent insider trading.

2. Capital Structure

Foreign Shareholding Ratio	From 20% to less than 30%
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[Status of Major Shareholders]

Name / Company Name	Number of Shares Owned	Percentage (%)
THE HONGKONG AND SHANGHAI BANKING CORPORATION LTD - SINGAPORE BRANCH PRIVATE	9,053,700	15.10

BANKING DIVISION CLIENT A/C 8221-563114		
The Dai-ichi Mutual Life Insurance Co.	3,061,000	5.10
The Master Trust Bank of Japan, Ltd. (Trust A/C)	2,684,600	4.47
Mizuho Bank, Ltd.	2,443,209	4.07
Oenon Holdings Employee Shareholder Association	2,225,549	3.71
Nanyu Trading Company Ltd.	1,884,146	3.14
Hokuyo Bank, Ltd.	1,750,000	2.92
THE HONGKONG AND SHANGHAI BANKING CORPORATION LIMITED - HONGKONG PRIVATE BANKING DIVISION CLIENT A/C 8028-394841	1,623,900	2.70
MLI FOR CLIENT GENERAL OMNI NON COLLATERAL NON TREATY-PB	1,291,132	2.15
HSBC PRIVATE BANK (SUISSE) SA GENEVA, CLIENT ACCOUNT	1,280,000	2.13

Controlling Shareholder (except for Parent Company)	—
Parent Company	None

Supplementary Explanation

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3. Corporate Attributes

Listed Stock Market and Market Section	Tokyo Stock Exchange First Section
Fiscal Year-End	December
Type of Business	Foods
Number of Employees (consolidated) as of the End of the Previous Fiscal Year	From 500 to less than 1000
Sales (consolidated) as of the End of the Previous Fiscal Year	From ¥10 billion to less than ¥100 billion /
Number of Consolidated Subsidiaries as of the End of the Previous Fiscal Year	Less than 10

4. Policy on Measures to Protect Minority Shareholders in Conducting Transactions with Controlling Shareholder

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5. Other Special Circumstances which may have Material Impact on Corporate Governance

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II. Business Management Organization and Other Corporate Governance Systems regarding Decision-making, Execution of Business, and Oversight in Management

1. Organizational Composition and Operation

Organization Form	Company with <i>Kansayaku</i> Board
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[Directors]

Maximum Number of Directors Stipulated in Articles of Incorporation	10
Term of Office Stipulated in Articles of Incorporation	2
Chairperson of the Board	Company Chairperson (except when concurrently serving president & CEO)
Number of Directors	5
Number of Outside Directors	2
Number of Independent Directors	2

Outside Directors' Relationship with the Company (1)

Name	Attribute	Relationship with the Company*											
		a	b	c	d	e	f	g	h	i	j	k	
Yukimasa Ozaki	Lawyer												
Tadao Saito	Academic												

* Categories for "Relationship with the Company"

* "○" when the director presently falls or has recently fallen under the category;

"△" when the director fell under the category in the past

* "●" when a close relative of the director presently falls or has recently fallen under the category;

"▲" when a close relative of the director fell under the category in the past

a. Executive of the Company or its subsidiaries

b. Non-executive director or executive of a parent company of the Company

c. Executive of a fellow subsidiary company of the Company

d. A party whose major client or supplier is the Company or an executive thereof

e. Major client or supplier of the listed company or an executive thereof

f. Consultant, accountant or legal professional who receives a large amount of monetary consideration or other property from the Company besides compensation as a director/*kansayaku*

g. Major shareholder of the Company (or an executive of the said major shareholder if the shareholder is a legal entity)

h. Executive of a client or supplier company of the Company (which does not correspond to any of d, e, or f) (the director himself/herself only)

- i. Executive of a company, between which and the Company outside directors/*kansayaku* are mutually appointed (the director himself/herself only)
- j. Executive of a company or organization that receives a donation from the Company (the director himself/herself only)
- k. Others

Outside Directors' Relationship with the Company (2)

Name	Designation as Independent Director	Supplementary Explanation of the Relationship	Reasons of Appointment
Yukimasa Ozaki	○	—	<p>(Reasons for appointment) Since joining the Company as an outside director in March 2015, Mr. Ozaki has provided effective advice and recommendations to ensure the adequacy and appropriateness of decision-making by the Board of Directors from an objective and neutral standpoint independent from the Company's management team. In particular, he has offered opinions based on his specialized expertise and extensive experience in corporate legal affairs as an attorney.</p> <p>(Reasons for designation as independent officer) The Company does not permit conflicts of interest between itself and Mr. Ozaki, and believes he is unlikely to have conflicts of interest with general shareholders. It therefore regards him as independent, and designates him as an independent officer.</p>
Tadao Saito	○	—	<p>(Reasons for appointment) Since joining the Company as an outside director in March 2016, Mr. Saito has provided effective advice and recommendations to ensure the adequacy and appropriateness of decision-making by the Board of Directors from an objective and neutral standpoint independent from the Company's management team. In particular, he has offered opinions based on his specialized expertise and extensive experience in the enzymes and pharmaceuticals fields as a researcher.</p> <p>(Reasons for designation as independent officer) The Company does not permit conflicts of interest between itself and Mr. Saito, and believes he is unlikely to have conflicts of interest with general shareholders. It therefore regards him as</p>

			independent, and designates him as an independent officer.
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Voluntary Establishment of Committee(s) Corresponding to Nomination Committee or Remuneration Committee	Established
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Committee's Name, Composition, and Attributes of Chairperson

	Committee Corresponding to Nomination Committee	Committee Corresponding to Remuneration Committee
Committee's Name	Nomination and Remuneration Committee	Nomination and Remuneration Committee
All Committee Members	3	3
Full-time Members	0	0
Inside Directors	1	1
Outside Directors	2	2
Outside Experts	0	0
Other	0	0
Chairperson	Outside director	Outside director

Supplementary Explanation

The Company ensures the independence, objectivity, and accountability of Board of Directors functions related to matters such as the selection of director candidates and director remuneration, by providing appropriate opportunities for engagement and advice to outside directors. It has established a Nomination and Remuneration Committee as a voluntary advisory body of the Board of Directors to further strengthen corporate governance.

Members of the Nomination and Remuneration Committee are appointed by resolution of the Board of Directors.

The Nomination and Remuneration Committee is composed of three or more members, the majority of whom are independent directors.

The chairperson of the Nomination and Remuneration Committee is selected by resolution of the Nomination and Remuneration Committee from among the committee's members.

As of March 23, 2021, the committee chairperson and members were as follows.

<Chairperson> Yukimasa Ozaki, independent director

<Committee members> Yuji Nishinaga, president and CEO, and Tadao Saito, independent director

Based on advice from the Board of Directors, the Nomination and Remuneration Committee deliberates on the following matters, and reports to the Board of Directors accordingly.

(Important Matters for Deliberation)

- Details of proposals related to appointment and dismissal of directors and auditors to be submitted to the general meetings of shareholders.
- Selection and dismissal of the Company's representative director and directors with executive duties.
- Policies and systems related to the remuneration of the Company's directors and other matters.
- Details of individual remuneration and other matters for the Company's directors.
- Details of proposals related to the remuneration of directors and auditors and other matters to be submitted to the general meeting of shareholders.

The Nomination and Remuneration Committee consists of three members (Representative Director Yuji Nishinaga, Independent Director Yukimasa Ozaki, and Independent Director Tadao Saito) selected by a resolution of the Board of Directors.

The chairman of the Nomination and Remuneration Committee is selected from committee members by a resolution of the committee.

The secretariat functions of the Nomination and Remuneration Committee are performed by the Corporate Planning Dept.

[Kansayaku]

Establishment of <i>Kansayaku</i> Board	Established
Maximum Number of <i>Kansayaku</i> Stipulated in Articles of Incorporation	4
Number of <i>Kansayaku</i>	3

Cooperation among *Kansayaku*, Accounting Auditors and Internal Audit Departments

Auditors receive reports from and regularly exchange information with the Company's external auditor (Ernst & Young ShinNihon LLC) about audit plans, results, and other details, and strive to conduct efficient audits. In addition, the Company has established the Auditing Dept. as an internal audit department, and its auditors aim to coordinate with the department in a flexible manner by receiving regular reports on internal audit plans and audit implementation conditions from the department, and requesting inspections or other examinations as necessary.

Appointment of Outside <i>Kansayaku</i>	Appointed
Number of Outside <i>Kansayaku</i>	2
Number of Independent <i>Kansayaku</i>	2

Outside *Kansayaku*'s Relationship with the Company (1)

Name	Attribute	Relationship with the Company*												
		a	b	c	d	e	f	g	h	i	j	k	l	m
Takayoshi Ono	CPA								△					
Toshikazu Sonoda	Tax Accountant													

* Categories for "Relationship with the Company"

* "○" when the director presently falls or has recently fallen under the category;

"△" when the director fell under the category in the past

* "●" when a close relative of the director presently falls or has recently fallen under the category;

"▲" when a close relative of the director fell under the category in the past

a. Executive of the Company or its subsidiary

b. Non-executive director or accounting advisor of the Company or its subsidiaries

c. Non-executive director or executive of a parent company of the Company

d. *Kansayaku* of a parent company of the Company

e. Executive of a fellow subsidiary company of the Company

f. A party whose major client or supplier is the Company or an executive thereof

g. Major client or supplier of the Company or an executive thereof

h. Consultant, accountant or legal professional who receives a large amount of monetary consideration or other property from the Company besides compensation as a *kansayaku*

- i. Major shareholder of the Company (or an executive of the said major shareholder if the shareholder is a legal entity)
- j. Executive of a client or supplier company of the Company (which does not correspond to any of f, g, or h) (the *kansayaku* himself/herself only)
- k. Executive of a company, between which and the Company outside directors/*kansayaku* are mutually appointed (the *kansayaku* himself/herself only)
- l. Executive of a company or organization that receives a donation from the Company (the *kansayaku* himself/herself only)
- m. Others

Outside *Kansayaku*'s Relationship with the Company (2)

Name	Designation as Independent <i>Kansayaku</i>	Supplementary Explanation of the Relationship	Reasons of Appointment
Takayoshi Ono	○	Prior to joining the Company as an outside auditor, Mr. Ono was an employee of the Company's external auditor, Ernst & Young ShinNihon LLC.	<p>(Reasons for appointment) Mr. Ono possesses specialized expertise and extensive experience in finance and accounting as a certified public accountant. The Company expects Mr. Ono to leverage his expertise and experience to exercise appropriate governance functions for the Board of Directors as an outside auditor from an objective and neutral standpoint that differs from internal officers, and selected him as an outside auditor accordingly.</p> <p>(Reasons for designation as independent officer) Mr. Ono was previously an employee of the Company's external auditor, Ernst & Young ShinNihon LLC, but as a sufficient period of time has passed since his retirement from that company, the Company believes he is not in a position susceptible to influence by the intent of his former employer. Accordingly, the Company believes Mr. Ono is unlikely to have conflicts of interest with general shareholders.</p>
Toshikazu Sonoda	○	—	<p>(Reasons for appointment) Since joining the Company as an outside auditor in March 2011, Mr. Sonoda has exercised appropriate governance functions for the Board of Directors. He has provided opinions from an objective and neutral standpoint independent from the Company's management team based on his many years of experience in the administration field, and his specialized expertise and extensive experience in finance and accounting as a certified public tax accountant.</p> <p>(Reasons for designation as independent officer)</p>

			The Company does not permit conflicts of interest between itself and Mr. Sonoda, and it believes he is unlikely to have conflicts of interest with general shareholders. It therefore regards him as independent, and designates him as an independent officer.
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[Independent Directors/*Kansayaku*]

Number of Independent Directors/ <i>Kansayaku</i>	4
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Matters relating to Independent Directors/*Kansayaku*

The Company has designated two outside directors and two outside auditors, for a total of four independent officers.

[Incentives]

Incentive Policies for Directors	Performance-linked Remuneration
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Supplementary Explanation

In addition to bonuses linked to short-term earnings performance, the Company has adopted a stock-based compensation (Board Benefit Trust [BBT]) system linked to medium- to long-term consolidated earnings performance to remunerate its directors (excluding outside directors).
The stock-based compensation system not only clarifies the correlation between the Company's earnings and its share value and enhances directors' motivation to contribute to medium- to long-term earnings improvement and corporate value expansion, but also ensures directors share the risks of fluctuations in the stock price with shareholders.

Recipients of Stock Options	—
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Supplementary Explanation

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[Director Remuneration]

Disclosure of Individual Directors' Remuneration	No Individual Disclosure
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Supplementary Explanation

With regard to director remuneration and other details, the Company discloses total amounts in its securities reports and business reports. The total remuneration amount for directors in FY2020 was as follows:
Five directors: ¥151 million (of which ¥27 million for two outside directors)
* The Company had five directors as of December 31, 2020.
* The number indicated above includes one director who has retired from office.
* The maximum annual remuneration amount for directors was set to "up to ¥180 million" (does not include employee salary portion for employees serving as director) by a resolution of the 100th General Meeting of Shareholders held on March 29, 2007.

* In addition to the aforementioned remuneration and other amounts, the Company has adopted a stock-based compensation (BBT) system linked to earnings performance to remunerate its directors (excluding outside directors). The remuneration under this system was set separately from the aforementioned maximum remuneration by a resolution of the 110th General Meeting of Shareholders held on March 23, 2017. In FY2020, the amount of expenses recorded under this system was ¥21 million (paid to three directors).

Policy on Determining Remuneration Amounts and Calculation Methods	Established
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Disclosure of Policy on Determining Remuneration Amounts and Calculation Methods

(1) Matters related to policy for determining details of individual directors' remuneration
The Company has established a policy for determining remuneration of individual directors (hereinafter, "Determination Policy.")
The company's director remuneration is aimed at ensuring its ability to secure superior human resources and motivate them to achieve sustainable growth for the Group and enhance corporate value over the medium to long term. To ensure that the remuneration system functioning sufficiently and is linked with shareholder interests, the Group's basic policy is to ensure that remuneration levels reflect those of industry peers, as well as economic and social circumstances.
Specifically, director remuneration comprises i. base remuneration, ii. bonuses as short-term performance-linked remuneration and iii. share remuneration as medium- to long-term performance-linked remuneration.
Outside directors who have an oversight function receive base remuneration only, taking their duties into consideration.
No retirement benefit system is in place for directors.
i. Base remuneration
This type of remuneration is fixed monthly remuneration determined on the basis of positions, responsibilities and other considerations.
ii. Bonuses as short-term performance-linked remuneration
These amounts are determined on the basis of positions, responsibilities and other considerations, as well as consolidated ordinary income. Payments are made each year on the date of the ordinary general meeting of shareholders.
iii. Share remuneration as medium- to long-term performance-linked remuneration
Paid by Oeon shares and an amount of money calculated on the basis of the market price of Oeon shares, these amounts are determined on the basis of positions, responsibilities and other considerations, as well as to reflect consolidated ROE and consolidated ordinary income. Share remuneration is generally paid when an executive steps down from his/her position. Points used as the basis for calculation take into consideration the execution of duties by directors as of the date of the annual ordinary general meeting of shareholders during the period from the date of the ordinary general meeting of shareholders held the previous year to the date of the ordinary general meeting of shareholders for the current year. Points (one point equals one share) are granted on this basis.
The ratio of payment for base remuneration to bonuses to share remuneration is generally set as 4:1:1 to provide motivation to help achieve sustainable growth for the Oeon Group and enhance corporate value over the medium to long term.
The Determination Policy is deliberated and approved by the Nomination and Remuneration Committee and then decided by the Board of Directors, respecting the details of approval by the Nomination and Remuneration Committee.
<Specific Details of Decisions on Remuneration by the Board of Directors and the Nomination and Remuneration Committee>
Deliberations and decisions on officer remuneration for this fiscal year were as follows.

February 25, 2020: The proposed amount of officer remuneration was approved by the Nomination and Remuneration Committee.

March 23, 2020: The Board of Directors resolved to pay officer remuneration based on the proposed amount of officer remuneration approved by the Nomination and Remuneration Committee.

[Supporting System for Outside Directors and *Kansayaku*]

The Company does not provide dedicated assistants to outside directors, but the Corporate Planning Dept. provides support to outside directors as necessary. The Company has established a framework to communicate with management, providing opportunities for the representative director to explain proposals to independent directors ahead of deliberations in board meetings.

The Company has established the Auditing Dept. to support auditors, including outside auditors. It distributes materials and provides explanations through the Corporate Planning Dept. ahead of board and other important meetings. Outside auditors coordinate with the Auditing Dept. and the external auditor, and collect necessary information to conduct audits.

2. Matters on Functions of Business Execution, Auditing, Oversight, Nomination and Remuneration Decisions (Overview of Current Corporate Governance System)

[Corporate Governance Structure of the Company for Group-Wide Management]

The Group has adopted a pure holding company structure that clearly distinguishes between management oversight and execution functions, and established the following meeting bodies.

(Medium-Term Management Strategy Committee)

The Group in principle holds two meetings of the Medium-Term Management Strategy Committee per month with the aim of formulating its future strategic direction to achieve medium-term targets, outlining its ideal vision for the Group, and creating new corporate value. The Medium-Term Management Strategy Committee consists of the president & CEO of the Company, managers of the Corporate Planning Dept. and other separately nominated officers or employees of the Company or its group companies. The committee deliberates on topics such as medium-term management strategies and specific related policies.

(Conference of Group Management)

The Group holds the Conference of Group Management with the aim of building consensus across the group (held twice each year in each division). The Conference of Group Management consists of the president & CEO and directors of the Company, and separately nominated directors, officers, or employees of group companies. The meetings deliberate on group-wide specific measures and topics related to sales, production, and management as applicable to each division.

(CSR and Compliance Committee)

The Group in principle holds two CSR and Compliance Committee meetings per year with the aim of supporting and providing guidance for effective implementation of CSR and compliance by all employees of the Company and its group companies. The CSR and Compliance Committee consists of the president & CEO and directors of the Company, and separately nominated directors, officers, or employees of group companies. The committee deliberates on topics related to internal controls and compliance.

(Nomination and Remuneration Committee)

The Company ensures the independence, objectivity, and accountability of Board of Directors functions related to matters such as the selection of director candidates and director remuneration, by providing appropriate opportunities for engagement and advice to outside directors, and it has established a Nomination and Remuneration Committee as a voluntary advisory body of the Board of Directors to further strengthen corporate governance.

The Nomination and Remuneration Committee consists of three members (representative director and two independent directors) selected by a resolution of the Board of Directors.

[Governance Structure of the Company]

The Company has adopted a “company with an Auditing Group and external auditors” governance structure, and established the following meeting bodies.

(Directors and Board of Directors)

The Company has established the Board of Directors to exercise management oversight functions. The Board of Directors supervises the execution of duties by the representative director and responsible directors. As of

the date of submission of this report, the Board of Directors consisted of five members, including two outside directors. The Company in principle holds one board meeting per month. The Board of Directors makes decisions on matters specified in laws and regulations, matters specified in the Company's articles of incorporation, matters delegated to the Board of Directors by a resolution of the general shareholder meeting, and other important matters related to management. Decision-making for other matters regarding business execution is delegated to the representative director and responsible directors. The representative director and responsible directors report the results of decision-making related to delegated matters and corresponding implementation conditions to the Board of Directors.

(Auditors and Auditing Group)

The Company has appointed auditors and established the Auditing Group to exercise management audit functions. All auditors conduct audits of the execution of duties by the representative director and responsible directors. As of the date of submission of this report, the Board of Directors consisted of three members, including two outside auditors. Auditors attend important meetings such as board meetings and the Conference of Group Management, express their views, and accordingly conduct audits of the execution of duties by the representative director and responsible directors.

(Auditing Dept.)

The Company has established the Auditing Dept. as an internal audit department that is independent from business execution functions. The Auditing Dept. reports information to auditors for every internal audit of group companies, conducts internal audits based on requests of auditors, constantly coordinates with auditors by holding meetings as necessary and through other means, and accordingly plays a role in strengthening the audit functions exercised by auditors.

(External Auditor)

The Company has appointed ERNST & YOUNG SHINNIHON LLC as its external auditor to exercise management audit functions. The Company has used Ernst & Young Shinnihon LLC as its external auditor for 49 consecutive years.

This period indicates the scope of investigation; the actual auditing period may be longer than this period.

Employees who execute audits are rotated appropriately. In principle, they do not contribute to auditing operations for more than seven consecutive fiscal years.

Employees who lead the execution do not contribute to auditing operations more than five consecutive fiscal years.

The external audit in FY12/20 was conducted by certified public accountants Tetsu Shimamura and Masatoshi Komiya, and assisted by 19 certified public accountants and 13 other personnel.

3. Reasons for Adoption of Current Corporate Governance System

[Corporate Governance Structure for Group-Wide Management]

The Group has adopted a pure holding company structure that clearly distinguishes between management oversight and execution functions to ensure transparency and fairness in decision-making processes related to management, and to accordingly support timely and decisive decision-making. The Group's businesses are essentially supervised by individual companies operating under the group umbrella, and the main role of the Company—which is a holding company—is to formulate the broad direction for the Group in the form of a long-term vision, medium-term management plans, management policies, and other strategies, and monitor and supervise whether business execution at group companies is in line with this direction.

In accordance with its Group Company Management Regulations, the Company supervises and supports the management of group companies, and aims to ensure consistency with the broad direction expressed in its long-term vision, medium-term management plans, management policies, and other strategies by engaging in advance deliberations with and receiving reports from group companies on important matters.

[Corporate Governance Structure of the Company]

The Company has adopted a “company with an Auditing Group” governance structure to ensure transparency and fairness in decision-making processes related to management. This structure provides two layers of oversight in the form of oversight over business execution by directors and audits by individual auditors. Two of the Company's five directors are outside directors, and two of its three auditors are outside auditors. Based on their strong expertise and extensive experience in corporate legal affairs, corporate management, finance, accounting, and other fields, the outside directors and outside auditors provide effective advice and recommendations to ensure transparency and fairness of decision-making processes related to management from an objective and neutral standpoint, and exercise appropriate governance functions with regard to

business execution functions. In addition, the Company aims to expand and enhance its governance functions through coordination between the Auditing Dept.—an internal audit department that is independent from business execution functions—and its auditors.

III. Implementation of Measures for Shareholders and Other Stakeholders

1. Measures to Vitalize the General Shareholder Meetings and Smooth Exercise of Voting Rights

	Supplementary Explanations
Early Notification of General Shareholder Meeting	Prior to sending out convocation notices, the Company discloses the information included in the notices on its website (https://www.oenon.jp/), the Tokyo Stock Exchange’s “Tokyo Stock Exchange Listed Company Information Service” website, and the platform for the electronic exercise of voting rights operated by ICJ, Inc. (February 26, 2020)
Scheduling AGMs Avoiding the Peak Day	The Company sets the date for the general meeting of shareholders ahead of peak days (i.e., days on which many companies hold their shareholder meetings).
Allowing Electronic Exercise of Voting Rights	The Company allows the electronic exercise of voting rights through the Internet.
Participation in Electronic Voting Platform	The Company participates in the platform for electronic exercise of voting rights operated by ICJ, Inc.
Providing Convocation Notice in English	The Company prepares English translations of its convocation notices (condensed version of convocation notices and other reference documents) and discloses these on its website (https://www.oenon.jp/).
Other	The Company discloses its convocation notices for general meetings of shareholders on its website (https://www.oenon.jp/). In addition, after general meetings of shareholders, it promptly discloses voting results, notices of resolutions (in Japanese and English), and Oenon Letter (reports) on its website (https://www.oenon.jp/).

2. IR Activities

	Supplementary Explanations
Preparation and Publication of Disclosure Policy	The Company has established a Disclosure Policy and discloses the policy on its website (https://www.oenon.jp/).
Regular Investor Briefings for Individual Investors	The Company holds two briefings for individual investors per year, at which the representative director and president & CEO provides an overview of the Company, explains the characteristics of its main businesses, and reviews results and earnings forecasts using prepared slides, and subsequently also responds to questions.
Regular Investor Briefings for Analysts and Institutional Investors	The Company holds two results briefings per year, after the second quarter and after the end of the fiscal year. At such briefings, the representative director and president & CEO mainly reviews results and earnings forecasts and outlines recent priority initiatives and medium- to long-term management strategies or other plans (depending on the circumstances) using prepared slides, and subsequently also responds to questions.
Regular Investor Briefings for Overseas Investors	—
Posting of IR Materials on Website	The Company discloses (quarterly) financial reports (including English translations), investors guides, the convocation notice for the general meeting of shareholders, notices of resolutions by the general meeting of shareholders,

	securities reports, Oenon Letter (reports), stock and stock price information, and other materials on its website (https://www.oenon.jp/).
Establishment of Department and/or Manager in Charge of IR	Investor relations are handled by the Corporate Communication Dept.
Other	<p>The Company has positioned investor relations activities as an important management task, and all of its directors therefore actively participate in interviews requested by analysts and institutional investors (several dozen requests for interviews received per year).</p> <p>The Company also organizes “Talks with the president & CEO” events geared toward individual shareholders to facilitate a dialogue with shareholders and promote an understanding of group activities.</p> <p>(In 2020, only one online meeting was held, due to COVID-19.)</p> <p>The Company conducts surveys when collecting applications for shareholder benefits, and utilizes the obtained information as a reference for management and investor relations activities.</p>

3. Measures to Ensure Due Respect for Stakeholders

	Supplementary Explanations
Stipulation of Internal Rules for Respecting the Position of Stakeholders	<p>The Group has adopted “a focus on customers” and “a focus on profit” as its universal values, with customers here used in the broad sense of stakeholders, including all shareholders.</p> <p>The Group makes appropriate disclosures in compliance with relevant laws and regulations to gain the trust of its shareholders and other stakeholders and ultimately realize group-wide sustainable growth and improvement in corporate value over the medium to long term.</p> <p>The disclosures includes both financial information, such as financial standing and operating results, and non-financial information, such as business strategies and business issues, risk, and governance.</p> <p>The Company also proactively works to provide information beyond that required by law. The Company recognizes that disclosed information serves as the basis for constructive dialogue with shareholders, and therefore works to ensure that such information is accurate, clear, and useful to recipients.</p>
Implementation of Environmental Activities, CSR Activities etc.	<p>The Company recognizes that dealing with sustainability issues is an important element of risk management. The Group aspires to be an organization that is trusted by society as a good corporate citizen by working to resolve sustainability issues, including social and environmental matters, through business activities based on its universal values and its group corporate philosophy: “From the bounty of nature and with biotechnology as our base, we aim to help people find enjoyment and health through food.”</p>

	<p>The Company has established a CSR and Compliance Committee with the aim of supporting and providing guidance for the implementation of CSR and compliance activities in the Group, and it accordingly strives to realize effective implementation of CSR and compliance across the Group. Some of these activities are presented in the Oenon Letter, which are disclosed on the Company website (https://www.oenon.jp/).</p>
Development of Policies on Information Provision to Stakeholders	<p>The Company has formulated a Disclosure Policy, and accordingly makes timely and appropriate disclosures of information.</p>
Other	<p>The Company recognizes that human resources with diverse perspectives that reflect diverse value systems are essential to achieve group-wide sustainable growth and improvement in corporate value over the medium to long term, and therefore aims to hire officers and employees with a diverse range of attributes, and promotes the development of an organization that leverages the unique characteristics and qualities of its personnel.</p> <p>Specifically, the Company promotes organizational development driven by four perspectives: gender, age, disabilities, and nationality. It is particularly committed to the active participation of women.</p> <p>[Voluntary Action Plan for Promotion of Women to Officer or Managerial Positions]</p> <p>The Group has been working to promote and establish a work-life balance since 2008. It has thus far endeavored to provide a work environment that supports a diverse range of human resources, including women, and promote related awareness by establishing Childcare and Nursing Care Leave Regulations and a reduced working hour program, by introducing a human resources development system, as well as by proactively supporting career development. In addition, it aims to establish new and expand existing programs to secure and retain female employees, and supports career enhancement initiatives such as training programs to promote women to managerial positions.</p> <p>The Company is strengthening initiatives to promote the active participation of women. As of February 2021, the Company's has 10 women in management positions. By 2024, we have set the target of tripling the number of female managers from the 2013 level (five in 2013, target of 15 in 2024).</p>

IV. Matters Related to the Internal Control System

1. Basic Views on Internal Control System and the Progress of System Development

<Basic Policy>

The Company has established the following systems to ensure appropriate business operations in its corporate group consisting of the Company and its subsidiaries in accordance with the Companies Act and the Ordinance for Enforcement of the Companies Act.

[1. Systems to ensure the execution of duties by directors and employees complies with laws, regulations, and the Company's articles of incorporation]

The Company has established a CSR and Compliance Committee consisting of the Company's directors and separately nominated directors, officers, or employees of group companies. The CSR and Compliance Committee formulates

policies and corresponding measures related to matters such as group-wide compliance management and the establishment of a safe and healthy work environment as a food company, and it supports and provides guidance for the effective implementation of compliance and other matters by the Group's directors and employees. In addition, the Company has established the Auditing Dept. as an internal audit department that is independent from business execution functions. The Auditing Dept. coordinates with the CSR and Compliance Committee, conducts audits of compliance conditions across the Group from an objective standpoint, and reports audit results to the chairman of the CSR and Compliance Committee and the Company's auditors. In addition, the Company has established a framework for whistleblowing to eliminate unlawful activities, and promotes internal awareness of the framework through various means, thus providing an environment that facilitates reporting.

[2. Systems to store and manage information regarding the execution of duties by directors]

The Company provides a system for the storage and management of information (including the storage of information on electromagnetic media) regarding the execution of duties by directors. In addition, it provides a system that allows saved and stored information to be browsed at all times by directors and auditors.

[3. Regulations or other systems concerning the management of risk of loss]

In accordance with its Division of Duties Regulations and its Group Company Management Regulations, the Company determines responsible departments for each risk category, manages risk through the responsible departments, and strives to reduce risks and prevent risks from materializing. In addition, it has established a CSR and Compliance Committee, conducts regular and irregular reviews of risk management conditions across the Group, and oversees and manages group-wide business operation and management strategy risks. In the event of an emergency, the chairman of the CSR and Compliance Committee convenes a meeting of the committee, and establishes a system to minimize the expansion of losses.

[4. Systems to ensure efficient execution of duties by directors]

The Company has formulated Board of Directors Regulations, Regulations on Duties, Responsibilities, and Authority, and Division of Duties Regulations, clarified the scope of responsibilities and authority among directors and employees, and provided a system that ensures the duties of directors are exercised appropriately and efficiently. The Company appoints outside directors to promote active board deliberations and strengthen oversight functions.

[5. Systems to ensure appropriate business operations across the Group]

The Company has established a system to share management information among the Company and group companies by holding meetings such as division-specific management meetings and CSR and Compliance Committee meetings. The Company draws up necessary policies such as a group management policies and medium-term management plans in accordance with its Group Company Management Regulations. In addition, it manages and controls group companies, and strives to ensure appropriate operation of group businesses based on such policies. In addition to audits performed by the Company's auditors, the Company also conducts internal audits led by its Auditing Dept. If necessary, it appoints its directors, auditors, or employees as directors or auditors of group companies, thus establishing a system that ensures appropriate business operations across the Group.

[6. If auditors request the assignment of employees to support their duties ("Assistants"), matters concerning such assistants, and matters concerning the securing of independence of such Assistants from directors and the effectiveness of directions issued to such Assistants]

If the Company is requested by auditors to allocate Assistants, it will establish a system to allocate dedicated assistants. Decisions on matters such as personnel transfers, personnel evaluations, and disciplinary action for Assistants will require advance approval from the Company's auditors. In assisting the duties of the Company's auditors, Assistants will only follow the directions and orders of such auditors.

[7. Systems to report to auditors]

The Company has established a system under which its auditors can attend board meetings and other important meetings such as the Conference of Group Management and CSR and Compliance Committee meeting, and express their views accordingly. It has also established a system under which its directors and employees or

the directors, auditors, and employees of group companies immediately notify the Company's auditors of matters designated by law, matters that have a material impact on the Group, facts reported based on the whistleblowing system, and other matters. In addition, the Company has established a system that allows its auditors to request reports from its directors and employees or from the directors, auditors, and employees of group companies as necessary. Furthermore, the company takes the necessary measures to ensure such reports to auditors do not lead to disadvantageous treatment.

[8. Systems to ensure effective implementation of audits by other auditors]

The Company has established a system that ensures effective audits by having its auditors meet regularly and irregularly with its representative director and external auditor, and by having them coordinate with the Auditing Dept. If auditors request advance payments, reimbursements, or other forms of payments for expenses that arise during the execution of their duties, the Company rapidly processes the expenses or financial obligations, except for cases in which the requested funds are deemed unnecessary for the execution of the duties of the relevant auditors.

[9. Systems to prevent damage from antisocial forces]

The Company has tasked the Corporate Planning Dept. with overseeing matters related to antisocial forces in an effort to sever all relations with antisocial forces. It strives to cooperate with external specialized institutions, including attorneys and police, and has established a system under which it takes a firm stance against antisocial forces backed by group-wide organizational measures.

<Status of Enforcement>

In accordance with its Basic Policy on Internal Controls, the Company develops and continually reviews its internal control systems framework. Following a resolution to revise its Basic Policy on Internal Controls approved at the board meeting on May 29, 2015, the Company has worked to establish a new framework.

2. Basic Views on Eliminating Anti-Social Forces

In accordance with item 9. of its Basic Policy on Internal Controls, the Company has tasked the Corporate Planning Dept. with overseeing matters related to antisocial forces in an effort to sever all relations with antisocial forces. It strives to cooperate with external specialized institutions, including attorneys and police, and has established a system under which it takes a firm stance against antisocial forces backed by group-wide organizational measures.

V. Other

1. Adoption of Anti-Takeover Measures

Adoption of Anti-Takeover Measures	Not Adopted
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Supplementary Explanation

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2. Other Matters Concerning to Corporate Governance System

<Overview of timely information disclosure system>

The status of the Company's internal systems related to timely disclosure of corporate information is as follows.

1. Management of information

In accordance with its Group Company Management Regulations, the Company regularly or as deemed appropriate reports on necessary matters, including internal information and—given its characteristics as a holding company— decisions on, or the emergence of, important matters at group companies expected to

have an impact on the management, businesses, financial standing, operating performance, or other aspects of the Group. Its Corporate Planning Dept. supervises the management of information related to important policy decisions and other management information through the Conference of Group Management and day-to-day business activities.

2. Internal check functions

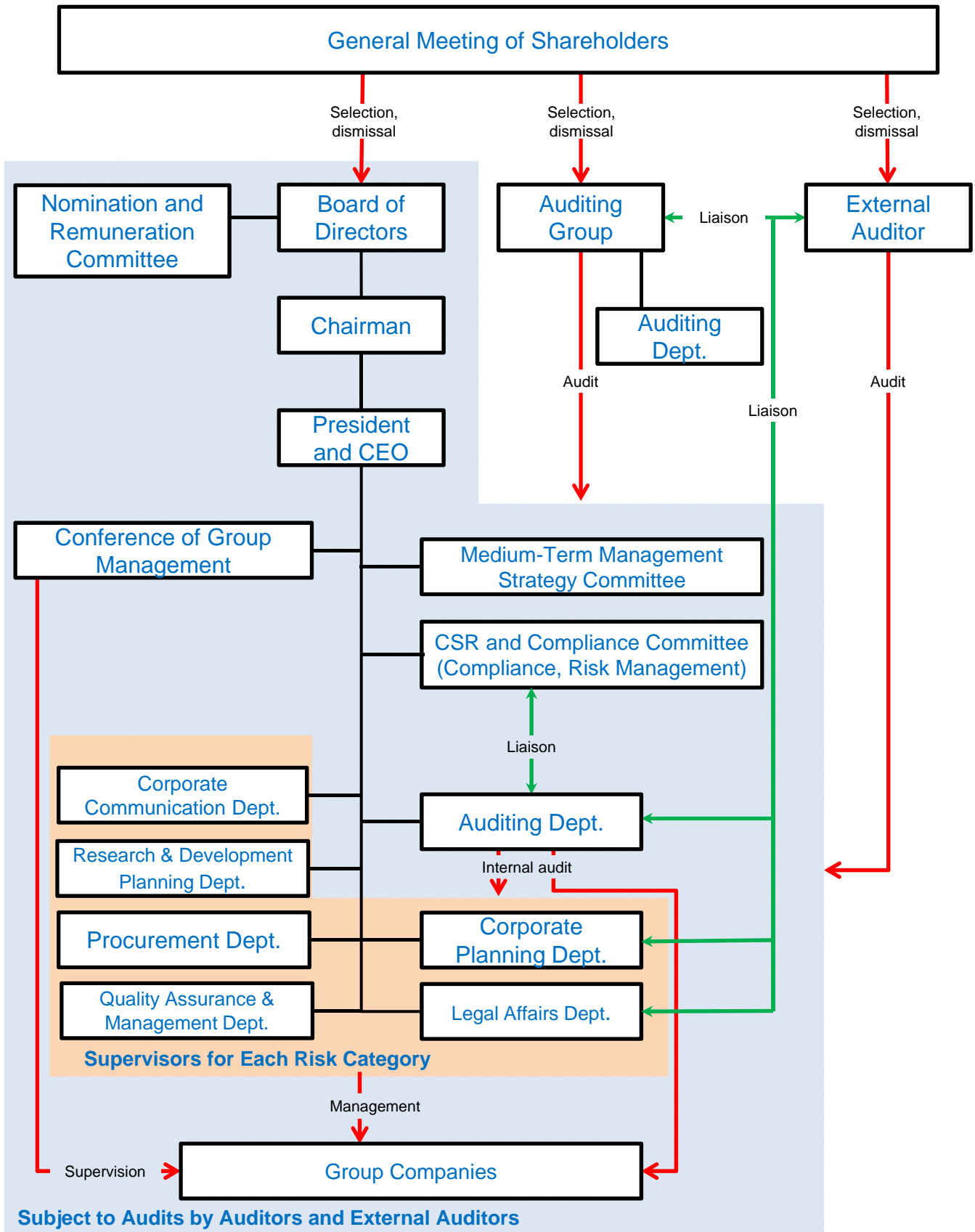
Information aggregated through the aforementioned reports and communication undergoes inspection, checks, or other forms of verification by the Corporate Planning Dept. relevant meeting sessions, and affiliated companies, and is subsequently reported to the officer in charge of information handling (manager of the Corporate Planning Dept.) and the representative director and president & CEO. Matters that require a decision by the Board of Directors or need to be reported at board meetings are presented to the Board of Directors.

Furthermore, as necessary, the Company seeks the advice of outside experts with regard to appropriate checking and management of information.

3. Timely disclosure

For matters resolved or reported at board meetings or important facts that have emerged, the Company promptly discloses matters for which timely disclosure is deemed necessary in accordance with various laws and regulations such as the Financial Instruments and Exchange Act, and with the Rules on Timely Disclosure of Corporate Information by Issuers of Listed Securities established by the Tokyo Stock Exchange. The relevant information is disclosed via TDnet, EDINET, and other press releases, as well as on the Company's website (<https://www.oenon.jp/>).

[Reference Document (1): Corporate Governance Structure]



[Reference Document (2): Internal Structure for the Timely Disclosure of Corporate Information]

