

Corporate Governance

The NH Foods Group aims to enhance the management transparency and efficiency of the entire Group and increase its corporate value by pursuing thorough compliance management and enhanced corporate governance.

* For more information, see the Company website.

WEB <http://www.nipponham.co.jp/eng/ir/policy/governance.html>

BASIC VIEWS ON CORPORATE GOVERNANCE

In order to establish a corporate governance system which NH Foods Group (the “Group”) considers most appropriate and in order to make such system functional so that the Company is able to exercise its social responsibility for the Group and to realize its vision of the Group as the ‘world’s leader in delivering the “Joy of Eating,” the Company hereby presents its basic views on the corporate governance of the Group, and will

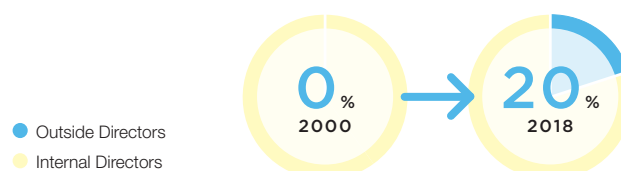
continuously strive to enhance such corporate governance.

The principles of corporate governance of the Group are to increase its management transparency and efficiency, to ensure timely and proper decision-making as well as appropriate business operations, to enable proactive and courageous business judgments and to clarify its responsibilities.

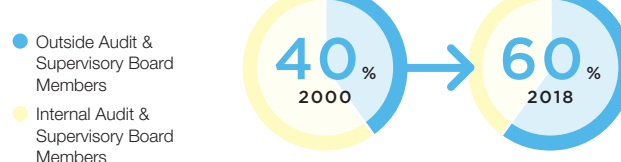
EFFORTS TO STRENGTHEN CORPORATE GOVERNANCE

April 2003	Established Investment & Finance Committee
April 2003	Established Compensation Committee
April 2004	Established Corporate Governance Committee
May 2006	Established Corporate Value Evaluation Committee (Currently, Corporate Value Enhancement Committee)
April 2007	Established Risk Management Committee
April 2008	Established JSOX Committee
April 2009	Renamed JSOX Committee the Internal Control/JSOX Committee
April 2011	Established Executive Appointments Committee
April 2016	Established Board of Independent Officers and Representative Directors and Board of Independent Officers
April 2018	Established CSR Promotion Committee

PROPORTION OF OUTSIDE DIRECTORS



PROPORTION OF OUTSIDE AUDIT & SUPERVISORY BOARD MEMBERS



The Board of Directors of the Company currently comprises eight internal executive directors and two independent outside directors, with the aims of enhancing management transparency, supervising business operation, and strengthening governance.

CORPORATE GOVERNANCE SYSTEM

Directors and Board of Directors

The Company has clarified responsibility and authority for monitoring by the Board of Directors and business implementation by executive officers. We limited the Board of Directors to between three and 12 members to ensure prompt decision-making and minimize the scope of liability of that body, with more than one outside director also being appointed, in principle, to ensure the transparency of the Board of Directors. Of the 10 members of the current Board of Directors, two are

outside directors. The Board consists of nine men and one woman. The term of each director is set at one year to facilitate annual accountability. A meeting of the Board of Directors is held once a month, at which the president and representative director serves as chairman. As the supreme decision-making body, the Board of Directors decides on matters set forth in laws and regulations and the Articles of Incorporation, as well as other important matters.

The Management Strategy Committee holds meetings twice a month and comprises directors (excluding outside directors) and executive officers appointed by the president. It makes decisions on important matters (excluding matters that require the Board of Directors' approval under laws and regulations as well as important management matters set forth in the Rules of

the Board of Directors) and facilitates communication and coordination within the Group.

The matters to be submitted to the Board of Directors and the Management Strategy Committee are discussed in advance at semimonthly meetings of the Investment & Finance Committee and the Corporate Governance Committee.

Audit & Supervisory Board Members and the Audit & Supervisory Board

In collaboration with the Board of Directors, the Audit & Supervisory Board's function is to supervise the Company, being an independent body entrusted by shareholders with the duty of auditing the execution of duties by directors. To ensure proper monitoring of directors and the execution of their duties, in principle, the number of Audit & Supervisory Board Members is between three and five, of whom more than three are outside Audit & Supervisory Board Members. Of the five members of

the current Audit & Supervisory Board, three are outside Audit & Supervisory Board Members. The Board consists of five men.

Audit & Supervisory Board Members consist of one or more persons who have considerable expertise and knowledge of finance and accounting, as well as one or more with legal expertise, such as a lawyer. The Audit & Supervisory Board holds a meeting once a month and makes decisions on important matters concerning auditing.

OPINIONS OF OUTSIDE DIRECTORS AND AUDIT & SUPERVISORY BOARD MEMBERS AND MEETING ATTENDANCE RECORD

Category	Name	Opinions Expressed	Attendance Record at Meetings of the Board of Directors and Audit & Supervisory Board
Outside Directors	Toshiko Katayama	Ms. Katayama, from time to time, expressed opinions on management in compliance with laws and the promotion of the consumer-oriented "Management for No. 1 Quality" from her professional standpoint as an attorney and from her abundant experience and knowledge of consumer affairs. She also served as chairperson of the Compensation Committee, a member of the Executive Appointments Committee, and a member of the Compliance Committee.	Attended 23 of 23 Board of Directors' meetings (Attendance Rate: 100%)
	Iwao Taka	Mr. Taka, from time to time, expressed his opinions on management in general toward the promotion of sound and efficient management, from his professional standpoint as a university professor specializing in corporate ethics and CSR, as well as his broad knowledge of international economics. He also served as chairperson of the Executive Appointments Committee, a member of the Compensation Committee, and a member of the Corporate Value Enhancement Committee.	Attended 21 of 23 Board of Directors' meetings (Attendance Rate: 91.3%)
Outside Audit & Supervisory Board Members	Akira Otsuka	Mr. Otsuka, from time to time, expressed his opinions toward ensuring the legality and appropriateness of Group management from his professional standpoint as an attorney-at-law and abundant experience with fairness and objectivity. He also served as a member of the Compensation Committee and a member of the Corporate Value Enhancement Committee.	Attended 23 of 23 Board of Directors' meetings (Attendance Rate: 100%) Attended 22 of 22 Audit & Supervisory Board meetings (Attendance Rate: 100%)
	Akihiko Shiba	Mr. Shiba, from time to time, expressed his opinions toward ensuring the legality and appropriateness of Group management from his professional standpoint as an attorney-at-law and abundant experience with fairness and objectivity. He also served as an observer of the Compliance Committee.	Attended 23 of 23 Board of Directors' meetings (Attendance Rate: 100%) Attended 22 of 22 Audit & Supervisory Board meetings (Attendance Rate: 100%)
	Atsushi Iwasaki	Mr. Iwasaki, from time to time, expressed his opinions on financial accounting as well as management in general from his professional standpoint as a certified public accountant and his abundant experience.	Attended 21 of 23 Board of Directors' meetings (Attendance Rate: 91.3%) Attended 20 of 22 Audit & Supervisory Board meetings (Attendance Rate: 90.9%)

EVALUATION OF EFFECTIVENESS OF THE BOARD OF DIRECTORS

To ensure the evaluation of the effectiveness of directors' decision-making, the Board of Directors conducts self-assessments at each fiscal year-end on matters such as the progress of management issues, the composition of the Board of Directors and its operating method, and the status of deliberations, with the aim of enhancing the Board's effectiveness.

Method and Process of Evaluating Effectiveness

We have distributed the "Questionnaire on the Effectiveness of the Board of Directors," which is reviewed by the Board of Independent Officers, to all the directors and Audit & Supervisory Board Members, a body independent from executive management of the Company. The Board of Directors has used the questionnaire's results to analyze and evaluate its effectiveness.

OUTLINE OF THE QUESTIONNAIRE SURVEY

Answering manner:	Evaluation by points, free answers
Answering method:	Anonymous responses
Officers subject to questionnaire:	All directors and Audit & Supervisory Board Members (14 individuals)

Initiatives for Fiscal 2017

Issues discovered by fiscal 2016 evaluation of Board of Directors

- ① Provide information on agenda sooner
- ② Have deeper discussions on medium- to long-term management policies and strategies
- ③ Suitability of executive appointment and compensation system, and successor planning for representative director

Initiatives to resolve issues

- ① Provide advance documents sooner and provide better advance briefings to outside directors and Audit & Supervisory Board Members
- ② Have deeper discussion of medium- to long-term management policies and strategies through discussion of Medium-Term Management Plan 2020
- ③ Continually deliberate on successor planning through discussion of ideal qualities in a corporate manager

As a result, our evaluation of the effectiveness for fiscal 2017 assessed that we had made improvements to issues of ① and ②. With regard to issue ③, we defined the following five conditions as ideal qualities in a corporate manager to continually improve corporate value: sincerity, dedication, consideration, challenge, and empathy. Accordingly, we are aware of the need to further improve the effectiveness of these definitions in fiscal 2018.

Initiatives for Fiscal 2018

In fiscal 2018, we will carry out the following initiatives to strengthen systems supporting the Board of Directors which received a particularly low assessment, and further increase its effectiveness.

- (A) In order to enhance discussions by the Board of Directors of the Company, we will continually offer opportunities to understand the roles and responsibilities required of directors and Audit & Supervisory Board Members when they are newly appointed and after that, and provide training and

information to be able to fully and actively make statements at the Board of Directors meetings.

- (B) In order to systematically develop future management resources with the five conditions described above, we will carry out a company-wide cross-functional program to select, educate, and transfer personnel after clearly defining the assessment and development indicators.

* The results of the evaluation are published in the "NH Foods Group Fundamental Policy on Corporate Governance" on the website of NH Foods Ltd.

OPTIONAL COMMITTEES

To enhance the objectivity and transparency of decisions on management, the Company has established the following optional committees as advisory bodies to the Board of Directors.

	Objectives	Times convened in FY2017
Compliance Committee	To accomplish the Group's goal of becoming the most trustworthy corporate group in Japan, the committee comprehensively reviews Groupwide compliance and makes proposals to the Board of Directors and Management Strategy Committee.	6 (100% attendance)
Executive Appointments Committee	Aims to enhance the transparency and objectivity of decisions regarding appointments of directors and Audit & Supervisory Board Members and improve supervision of the Board of Directors.	7 (100% attendance)
Compensation Committee	Enhances the transparency and objectivity of decisions on compensation for corporate officers (including executive officers) and improves supervision of the Board of Directors.	2 (90% attendance)
Board of Independent Officers and Representative Directors	To improve the Group's corporate value and provide a venue for proposing reformation of corporate culture, the board facilitates free and open discussions among Independent Officers and Representative Directors.	2 (94.4% attendance)
Board of Independent Officers	Exchanges information and shares knowledge from an independent and objective perspective.	2 (100% attendance)
Corporate Value Enhancement Committee	To receive recommendations, made from the standpoint of a disinterested party, to the Company's Board of Directors on the Company's desired antitakeover measures as well as measures for increasing the Group's corporate value, from the viewpoint of ensuring and enhancing the Group's corporate value and the common interests of its shareholders.	4 (90% attendance)
CSR Promotion Committee	To discuss policies and themes relating to CSR for the Group as a whole and confirm the status of measures relating to CSR.	(Established the fiscal year ending March 31, 2019)

COMPOSITION OF OPTIONAL COMMITTEES (As of April 1, 2018)

● Committee Chairperson ● Committee Member *Independent Officers

Position	Name	Executive Appointments Committee	Compensation Committee	Board of Independent Officers and Representative Directors	Board of Independent Officers	Compliance Committee	Corporate Value Enhancement Committee	CSR Promotion Committee
President and Representative Director	Yoshihide Hata		●	●		●	Observer	●
Vice President and Representative Director	Kazunori Shinohara	●	●	●		●	Observer	●
Vice President and Representative Director	Katsumi Inoue			●				●
Representative Director	Koji Kawamura			●				●
Director	Hiroji Okoso							●
Director	Tetsuhiro Kito							●
Director	Hajime Takamatsu	●				●		●
Director (Outside)	Toshiko Katayama*	●	●	●	●	●		●
Director (Outside)	Iwao Taka*	●	●	●	●		●	●
Audit & Supervisory Board Member (Outside)	Akira Otsuka*		●	●	●		●	
Audit & Supervisory Board Member (Outside)	Akihiko Shiba*	●		●	●	Observer		
Audit & Supervisory Board Member (Outside)	Atsushi Iwasaki*			●	●			

Notes: 1. From the perspective of eliminating any arbitrariness, President and Representative Director Yoshihide Hata and Vice President and Representative Director Kazunori Shinohara will not attend meetings of the Corporate Value Enhancement Committee that are held in the event of a large purchase action (a purchase of the shares of the Company for the purpose of holding or resulting in holding 20% or more of the voting rights of the Company).

2. The Compliance Committee comprises the Compliance Department manager, external experts, and union representatives, in addition to the above members.

3. The Corporate Value Enhancement Committee comprises three external experts independent from the Company, in addition to the above members.

COMPENSATION OF DIRECTORS AND AUDIT & SUPERVISORY BOARD MEMBERS

We maintain a very transparent, just, and rational compensation system that is designed to attract talented executives who can optimize corporate value in performing their duties as directors and Audit & Supervisory Board Members.

We ensure that the compensation of directors and Audit & Supervisory Board Members is indeed transparent, just, and rational by having the Compensation Committee, whose outside director acts as chairperson, deliberate on these matters, with the final decision made by the Board of Directors.

The compensation of each director comprises a basic salary, based on his or her position, and stock acquisition-based compensation. No retirement gratuity is paid.

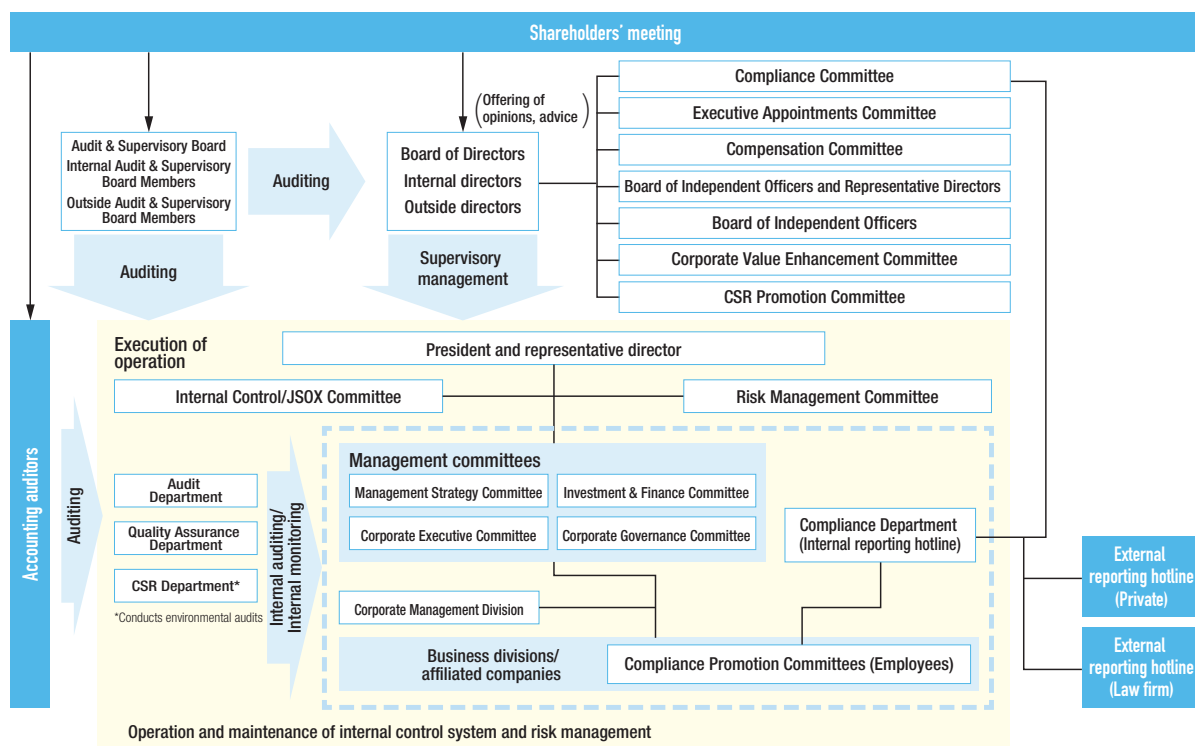
The compensation of each outside director is limited to basic compensation, as determined by his or her position. No retirement gratuity or stock acquisition-based compensation is paid.

The compensation of each Audit & Supervisory Board Member is limited to just basic compensation, taking into consideration his or her position. No retirement gratuity or stock acquisition-based compensation is paid.

TOTAL COMPENSATION FOR DIRECTORS AND AUDIT & SUPERVISORY BOARD MEMBERS, TOTAL FOR ALL TYPES OF COMPENSATION, AND NUMBER OF DIRECTORS AND AUDIT & SUPERVISORY BOARD MEMBERS

	Total for All Types of Compensation (Millions of yen)	Total Compensation (Millions of yen)			Number of Directors and Audit & Supervisory Board Members
		Basic Compensation	Performance-based Compensation	Stock Acquisition-based Compensation	
Directors (excluding outside directors)	358	242	57	59	8
Audit & Supervisory Board Members (excluding outside Audit & Supervisory Board Members)	48	48	—	—	2
Outside directors and Audit & Supervisory Board Members	60	60	—	—	5

Note: The basic compensation of directors (excluding outside directors) includes performance- and stock acquisition-based compensation.



AUDITING SYSTEM

Internal Audits and Audits by Audit & Supervisory Board Members

Internal audits (assigned by 20 auditing staff in the Audit Department) are carried out jointly by Audit & Supervisory Board Members and accounting auditors. Such audits are conducted at plants, business offices and other facilities, as well as at both domestic and overseas subsidiaries to assess their accounts and operations. The results of internal audits are reported at the Board of Directors, and are carefully considered to ensure both thorough compliance and improvement of business conduct.

To assess the effectiveness of internal controls, accounting auditors hold discussions with the Audit Department to obtain an understanding of the status of internal audits. They also exchange information concerning audit results to increase the efficiency of audits.

With regard to audits by Audit & Supervisory Board Members (five appointed members), these members attend meetings of the Board of Directors and Management Strategy Committee, as well as other relevant meetings to confirm proper business operation by directors. Audit & Supervisory Board Members also monitor the effectiveness of internal controls. To implement highly effective internal controls, they seek detailed information regarding matters they judge to be important in the performance of their duties (including matters concerning accounting auditors' audit plans, their judgments on accounting treatment and presentation, and audit results, among others), and set up opportunities for discussions with accounting auditors, on a timely basis, to determine the presence of actual or potential problems that the Audit & Supervisory Board has identified while performing its duties.

ACCOUNTING AUDITS

Accounting Audits

The Company has concluded an auditing contract with Deloitte Touche Tohmatsu LLC, to carry out audits in accordance with the Companies Act of Japan and the Financial Instruments and Exchange Act. In addition, the department in charge of accounting holds discussions with accounting auditors, as necessary, with the aim of improving the transparency and correctness of accounting procedures.

Names of CPAs who performed audits	Name of independent auditor
Wakyu Shinmen	Deloitte Touche Tohmatsu LLC
Koichi Sekiguchi	Deloitte Touche Tohmatsu LLC
Shunsuke Matsumoto	Deloitte Touche Tohmatsu LLC

Notes: 1. Assistants who helped with accounting audits included 29 CPAs, 18 CPA-certified individuals and 28 other individuals.
2. As the number of consecutive years that audits have been performed does not exceed seven years, this information is not stated.