

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.

Note: For more information, please see the Company website.

WEB NH Foods corporate governance
<https://www.nipponham.co.jp/eng/ir/policy/governance.html>

Basic views on corporate governance

In order to establish a corporate governance system which the NH Foods Group considers most appropriate and in order to make such a system functional so that the Company is able to exercise social responsibility for the Group and to realize the vision of the Group as the World Leader in Delivering the “Joy of Eating,” the Company 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 enhance 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 responsibility.

Efforts to strengthen corporate governance

ACHIEVEMENTS IN THE REINFORCEMENT OF CORPORATE GOVERNANCE

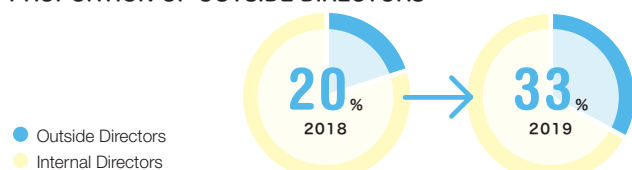
(Year)	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
Medium-Term Management Plan	New Medium-Term Management Plan Part 1 Restructuring of our corporate culture and promoting management reform			New Medium-Term Management Plan Part 2 Corporate value improvement by continuous reform and challenge			New Medium-Term Management Plan Part 3 Solidifying domestic operations and becoming a global enterprise			New Medium-Term Management Plan Part 4 Improve the profitability of domestic operations and reinforce the foundation of overseas operations			New Medium-Term Management Plan Part 5 Creating a stable business model through reform			Medium-Term Management Plan 2020 Building systems that pave the way to the future	
Number of Directors*	11	10	11	10	10	12	10	12	12	10	10	10	10	10	10	10	9
Of whom, Outside Directors	2	2	2	2	2	2	1	2	2	2	2	2	2	2	2	2	3
Number of Audit & Supervisory Board Members*	5	5	5	5	5	5	5	5	5	5	5	5	5	5	5	5	5
Of whom, Outside Audit & Supervisory Board Members	4	4	4	3	3	3	3	3	3	3	3	3	3	3	3	3	3
Committees	<p>2002 Established Corporate Ethics Committee (until 2004)</p> <p>2006 Established Corporate Value Evaluation Committee (Antitakeover measures are introduced) 2015 Renamed Corporate Value Enhancement Committee (Note)</p> <p>2003 Established Compliance Committee</p> <p>2003 Established Compensation System Committee 2011 Renamed Compensation Committee</p> <p>2011 Established Executive Appointments Committee</p> <p>Established Board of Independent Officers and Representative Directors, and Board of Independent Officers 2016</p> <p>Established CSR Promotion Committee 2018</p> <p>2003 Established Crisis Management Committee 2007 Renamed Risk Management Committee</p> <p>2008 Established JSOX Committee / 2009 Renamed Internal Control/JSOX Committee</p>																
Management Committees	<p>2003 Established Management Strategy Committee, Investment and Finance Committee, and Corporate Executive Committee</p> <p>2004 Established Corporate Governance Committee</p>																
NI (Nipponham Group Identity)	<p>2002 Revised Nipponham Group Code of Conduct 2010 Revised Nipponham Group Action Guidelines</p> <p>2005 Established the Group Brand 2014 Changed the Group Brand and the Corporate Brand</p>																

(1986 Established Nippon Ham Co., Ltd. Corporate Philosophies, Management Principles, and Action Guidelines)

* Number after the Ordinary General Meeting of Shareholders

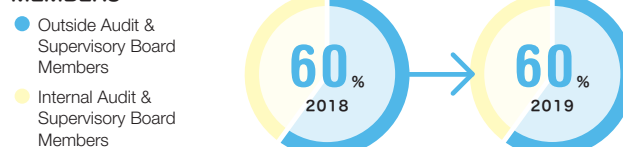
(Note) Although the antitakeover measures were abolished at the conclusion of the Company's Ordinary General Meeting of Shareholders held in June 2018, the Corporate Value Enhancement Committee continues its activities as a place for improving the Group's corporate value through the exchange of opinions among the President and Representative Director, the other Directors, Audit & Supervisory Board Members, and outside experts.

PROPORTION OF OUTSIDE DIRECTORS



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

PROPORTION OF OUTSIDE AUDIT & SUPERVISORY BOARD MEMBERS



Corporate governance system

Directors and the Board of Directors

The Company clarifies responsibilities and authority in the management supervisory function by directors and the business execution function by executive officers. The Company sets the number of directors of at least three but no more than 12, taking timely and appropriate decision making and the scope of the Board of the Directors' responsibilities into consideration and in order to ensure the transparency of the Board of Directors. Also, in general, the Company appoints multiple outside

directors. Currently, there are nine directors, which include three outside directors and they are eight males and one female. In addition, the director's term of office is one year in order to clarify management responsibility for each fiscal year. The Board of Directors is held monthly wherein the president and representative director serves as the chairperson, and makes decisions on the matters set forth in the laws, regulations, and the Articles of Incorporation, as well as other important matters.

Audit & Supervisory Board Members and the Audit & Supervisory Board

The Audit & Supervisory Board takes part in the supervisory function of the Company in cooperation with the Board of Directors, and, as an independent organization entrusted by the shareholders, audits the execution of duties by directors. The Company sets the number of audit & supervisory board members of at least three but no more than five, in order to fully perform the supervisory function toward the Board of Directors. Also, in general, the Company appoints three or more outside audit & supervisory board members.

Currently, there are five audit & supervisory board members, which include three outside audit & supervisory board members and all of them are men. The Audit & Supervisory Board should include individuals who have appropriate expertise in finance, accounting, and legal affairs, and the Company must appoint at least one audit & supervisory board member who has abundant knowledge in finance and accounting. The Audit & Supervisory Board is held monthly, and makes decisions on important matters concerning auditing.

OPINIONS OF OUTSIDE DIRECTORS AND AUDIT & SUPERVISORY BOARD MEMBERS AND THEIR MEETING ATTENDANCE RECORD (From April 1, 2018 to March 31, 2019)

Category	Name	Opinions Expressed	Meeting Attendance Record
Outside Directors	Iwao Taka	Mr. Taka expressed his opinions on overall management in a timely manner to promote 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, chairperson of the Compensation Committee, a member of the Corporate Value Enhancement Committee, and a member of the CSR Promotion Committee.	Attended 16 of 19 Board of Directors' meetings (Attendance rate: 84.2%)
	Yasuko Kono	Ms. Kono, from time to time, expressed her opinions on the promotion of the consumer-oriented "Management for No. 1 Quality" based on her abundant experience and knowledge of consumer affairs. She also served as a member of the Executive Appointments Committee, the Compensation Committee, and the CSR Promotion Committee.	Attended 13 of 13 Board of Directors' meetings (Attendance rate: 100%)
Outside Audit & Supervisory Board Members	Akira Otsuka	Mr. Otsuka expressed his opinions in a timely manner to ensure 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, a member of the Corporate Value Enhancement Committee, and an observer of the CSR Promotion Committee.	Attended 19 of 19 Board of Directors' meetings (Attendance rate: 100%) Attended 27 of 27 Audit & Supervisory Board meetings (Attendance rate: 100%)
	Akihiko Shiba	Mr. Shiba expressed his opinions in a timely manner to ensure 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 19 of 19 Board of Directors' meetings (Attendance rate: 100%) Attended 26 of 27 Audit & Supervisory Board meetings (Attendance rate: 96.3%)
	Atsushi Iwasaki	Mr. Iwasaki 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 in a timely manner.	Attended 18 of 19 Board of Directors' meetings (Attendance rate: 94.7%) Attended 25 of 27 Audit & Supervisory Board meetings (Attendance rate: 92.6%)

(Note) Regarding the number of times Ms. Yasuko Kono attended, only the meetings of the Board of Directors held after her appointment on June 26, 2018 are counted.

Evaluation of effectiveness of the Board of Directors

The Company has conducted analysis and evaluation of the effectiveness of the Board of Directors in accordance with the NH Foods Group Fundamental Policy on Corporate Governance since fiscal 2015, for the purpose of identifying issues on the system and operation of the Board of Directors of the Company and leading to the efforts to improve the effectiveness of the Board of Directors.

For three years up until fiscal 2017, we conducted the evaluation by self-evaluations through questionnaires, but in fiscal 2018, in order to further increase the objectivity and delve deeper into concerning issues, we conducted the evaluation by way of external evaluation, through interviews in addition to the questionnaires.

Method and Process of Evaluation of Effectiveness

In fiscal 2018, the evaluation was conducted by way of external evaluation through interviews and questionnaires for all directors and audit & supervisory board members, for the purpose of evaluating the activities of the Board of Directors during fiscal 2018 as well as evaluating the progress of improvement of the issues identified through the evaluation in fiscal 2017. Also, in an

attempt to ensure obtaining their candid opinions and conducting objective analysis, answers to the questionnaires were directly returned to a third-party evaluation organization, not via the Company's secretariat. Further, in order to delve deeper into concerning issues which were indicated in the questionnaires, all directors and audit & supervisory board members were interviewed.

Initiatives to Resolve the Issues of Fiscal 2018

Based on the results of the evaluation on the effectiveness of the Board of Directors in fiscal 2018, two initiatives were determined and carried out to enhance effectiveness as follows:

- (i) Implementation of Training Sessions and Information Distribution
We implemented reinforcements of early distribution of briefing materials, prior explanation directed to outside officers, provisions of information regarding the Company's businesses for newly appointed outside officers, and continuous training sessions for corporate officers to acquire the required knowledge.

- (ii) Implementation of "Selection, Education, and Transfer Programs" for Next-Generation Executives
As training programs for next-generation executives, based on the five requirements of human resources character required for executives, we conducted an analysis on behavioral characteristics by way of a 360-degree evaluation and individual interviews for executive officers.

In the evaluation for fiscal 2019, while steady progress was confirmed for both of the above initiatives, it was confirmed that (i) further reinforcement of training sessions provided for newly appointed corporate officers when they take office and (ii) continuance of programs for next-generation executives are necessary.

Initiatives for Fiscal 2019

The Company's Board of Directors has confirmed that, in addition to continuous consideration for expanding discussions on management strategies from a companywide perspective, the following two initiatives will be strengthened for further enhancement of its effectiveness.

- (i) We will clarify the priority order of matters on which the Board of Directors should focus on in its discussions, such as medium- to long-term strategy and long-term visions, and set a schedule for them.

- (ii) We will reinforce training sessions for newly appointed corporate officers when they take office and also reinforce training sessions for corporate officers, including providing support for participation in outside training sessions.

Optional committees

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

	Objectives	Times Convened in FY2018
Compliance Committee	Comprehensively review Groupwide compliance and make proposals to the Board of Directors and Management Strategy Committee to accomplish the Group's goal of becoming the most trustworthy corporate group in Japan	6 (97.6% attendance)
Executive Appointments Committee	To improve the supervisory function of the Board of Directors by way of enhancing the transparency and objectivity of decisions on candidates for the Representative Directors/Directors/Audit & Supervisory Board Members as well as discussion on dismissal and/or removal of the President and Representative Director and other management (Executive Directors and the Executive Officers).	7 (97.1% attendance)
Compensation Committee	Enhance the transparency and objectivity of decisions on compensation for corporate officers (including executive officers) and improve supervisory function of the Board of Directors	3 (93.3% attendance)
Board of Independent Officers and Representative Directors	Improve the Group's corporate value and provide a venue for proposing reformation of corporate culture by free and open discussions among independent officers and representative directors	2 (95.0% attendance)
Board of Independent Officers	To exchange information and to share understandings from an independent and objective perspective.	2 (91.7% attendance)
Corporate Value Enhancement Committee	To improve the Group's corporate value through exchanging opinions among the President and Representative Director, the other Directors, and Audit & Supervisory Board Members as well as outside experts.	4 (87.5% attendance)
CSR Promotion Committee	To report and advise the Board of Directors by considering initiatives toward CSR in a comprehensive manner from the aspects of the environment, society, and governance, in order for the Group to contribute to society as a corporate citizen.	4 (97.7% attendance)

COMPOSITION OF OPTIONAL COMMITTEES (As of June 25, 2019)

● Committee Chairperson ● Committee Member *Independent Officer

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		●	●		●	●	●
Vice President and Representative Director	Katsumi Inoue			●			●	●
Director	Tetsuhiro Kito							●
Director	Hajime Takamatsu	●	●			●	●	●
Director	Nobuhisa Ikawa							●
Director	Sadanori Miyagai					●		●
Director (Outside)	Yasuko Kono*	●	●	●	●	●		●
Director (Outside)	Atsushi Iwasaki*	●	●	●	●			●
Director (Outside)	Hideo Arase*	●	●	●	●		●	●
Audit & Supervisory Board Member (Outside)	Akihiko Shiba*	●		●	●			
Audit & Supervisory Board Member (Outside)	Masayuki Kitaguchi*			●	●	Observer		
Audit & Supervisory Board Member (Outside)	Tokushi Yamasaki*			●	●		●	●

Notes: 1. The Compliance Committee comprises the Compliance Department manager, external experts, and union representatives, in addition to the above members.
2. 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

The Company maintains a highly transparent, fair, and rational compensation system that is designed to attract talented executives who can maximize the Company's corporate value by performing their duties.

It ensures that directors' and audit & supervisory board members' compensations are transparent, fair, and rational by

having the Compensation Committee, chaired by an outside director, deliberate on these matters, with the final decision made by the Board of Directors. Furthermore, the adequacy of its compensation standards based on his/her position is verified every year in the light of a result of the compensation investigation in which Japanese leading companies take part.

SUMMARY OF COMPENSATION

	Type of compensation	Details
Directors	Basic compensation Performance-based compensation	The basic compensation and the performance-based compensation make up 80% and 20%, respectively. The performance-based compensation is set in the range of 0%-40% according to the annual business performance (net sales, business profit (Note), ROE, and ROIC) and the individually established goal attainment level of management issues.
	Stock acquisition-based compensation	The stock acquisition-based compensation intended to reflect medium- to long-term business performance is a monthly fixed amount. Each Director acquires shares for such fixed amount (through the officers' stock ownership plan) and shall not transfer such shares while he/she remains in office and for one year after his/her retirement from office.
Audit & supervisory board members	Basic compensation only	

(Note) For the purpose of clarifying income derived from business activities, the Group has decided to use business profit instead of the previous operating income. Business profit is calculated by deducting cost of goods sold and selling, general and administrative expenses from net sales, and making adjustments of foreign exchange gains and losses determined by the Group, adjustments in accordance with International Financial Reporting Standards ("IFRS"), and adjustments of non-recurring items.

(Note) The maximum amounts of compensation of Directors and Audit & Supervisory Board Members are ¥42 million per month for Directors (as resolved at the Ordinary General Meeting of Shareholders held on June 27, 1996) and ¥8 million per month for Audit & Supervisory Board Members (as resolved at the Ordinary General Meeting of Shareholders held on June 26, 1998), respectively.

Business performance evaluation standards

The three evaluation items are (1) companywide business performance, (2) business performance per department (business division, department), and (3) management issues, where the achievement evaluation is independent for each item. As to the index for business performance evaluation, under the aim to enhance the capital effectiveness, ROE has been adopted as the companywide business performance from fiscal 2012. Further, under the aim to enhance the capital effectiveness of the invested capital, ROIC has been adopted as business performance per department from fiscal 2015.

The goals and results of companywide business performance for fiscal 2018 are as follows.

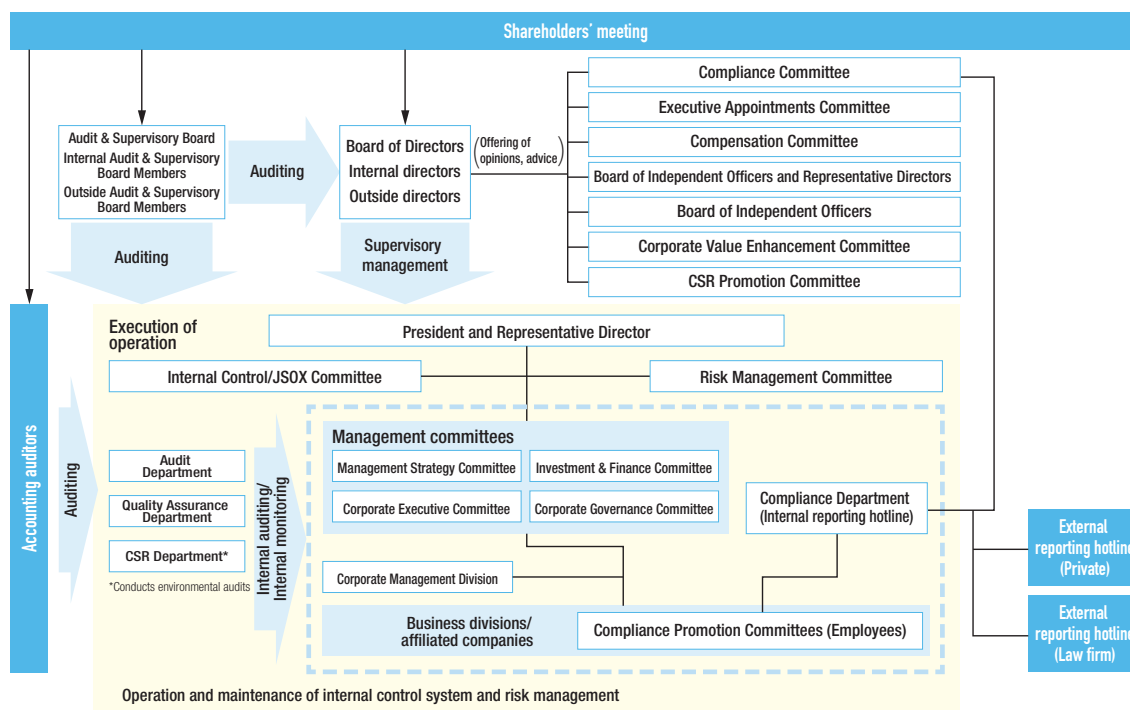
(Millions of Yen)

Item	Goals	Results
Consolidated net sales	1,310,000	1,234,180
Consolidated operating income	50,000	32,265
ROE	7.5%	4.8%

COMPENSATION AMOUNTS/NUMBER OF CORPORATE OFFICERS WHO RECEIVED COMPENSATION

	Total Amount (Millions of yen)	Compensation by Type (Millions of yen)			Number of Corporate Officers Who Received Compensation
		Basic Compensation	Performance-Based Compensation	Stock Acquisition-Based Compensation	
Directors (excluding outside directors)	328	236	35	56	8
Audit & supervisory board members (excluding outside audit & supervisory board members)	38	38	-	-	2
Outside directors and audit & supervisory board members	60	60	-	-	6

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 21 auditing staff in the Audit Department) are carried out with 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 evaluate their accounts and business operations. The results of internal audits are reported to the Board of Directors, and are carefully considered to ensure both thorough compliance and improvement of business operations.

Accounting auditors hold discussions with the Audit Department and obtain the status of internal audits to evaluate the effectiveness of internal controls. 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 check business execution by directors. Audit & supervisory board members also monitor the effectiveness of internal controls. To enhance the effectiveness of the internal controls, they seek detailed information regarding matters they judge to be important in the performance of their duties such as matters concerning accounting auditors' audit plans, their judgments on accounting treatment and presentation, and audit results, 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 Auditing Firm
Wakyu Shinmen	Deloitte Touche Tohmatsu LLC
Kenichi Takai	Deloitte Touche Tohmatsu LLC
Shunsuke Matsumoto	Deloitte Touche Tohmatsu LLC

Notes: 1. Assistants who helped with accounting audits included 22 CPAs, 16 CPA-certified individuals, and 35 other individuals.

2. As the number of consecutive years that audits have been performed does not exceed seven years, this information is not stated.