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NH Foods Ltd.

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<http://www.nipponham.co.jp/eng/index.html>

The corporate governance of NH Foods Ltd. (the “Company”) is described below.

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

### **1. Basic Views**

#### **Basic Views on Corporate Governance**

1. In order to establish a corporate governance system which Nipponham Group (the “Group”) considers most appropriate and in order to make such 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 hereby presents its basic views on the corporate governance of the Group and will continuously strive to enhance such corporate governance.

2. 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.

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

(Supplementary Principle 4-1-3) (Plan for Successors, including Chief Executive Officer, etc.)

With respect to the succession plan for the Chief Executive Officer (CEO), etc., during the New Medium-Term Management Plan Part 5, the Company will set out a profile, including character, skills, and experience, etc., that the Company values for the positions of CEO, etc., and establish a plan for the development of his/her successor. When establishing such development plan, the Company will ensure its effectiveness by organically associating such plan with various training currently provided for the Management, managers and the candidates therefor.

(Principle 4-6) (Oversight and Operation of Business)

As a company with an Audit & Supervisory Board (*kansayaku* board), the Audit & Supervisory Board Members (*kansayaku*) and the Audit & Supervisory Board (*kansayaku* board) oversee execution of the duties of the Board of Directors and the Management. Further, in order to ensure the transparency of the Board of Directors, the Company appoints multiple Independent Directors. Currently, multiple Independent Directors and Audit & Supervisory Board Members (two (2) full-time Audit & Supervisory Board Members and three (3) Outside Audit & Supervisory Board Members) oversee the Board of Directors, while maintaining a certain distance from the business operations. The Company has not appointed any Inside Directors who do not carry out business operations, though the Board of Directors continuously examines the numbers of positions that non-Executive Directors should hold on the Board of Directors.

In the Corporate Governance Report disclosed on November 20, 2015, (Supplementary Principle 4-11-3) “Outline for the analysis and evaluation of the effectiveness of the Board of Directors” was disclosed as not yet having been conducted. However, the foregoing analysis and evaluation have now been conducted and the results thereof are stated in the [Disclosure Based on the Principles of the Corporate Governance Code] part, and therefore, the (Supplementary Principle 4-11-3) section is deleted from this Report disclosed on June 29, 2016.

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

The Company has established a corporate governance system which the Company considers most appropriate and continuously strives to enhance its corporate governance system in order to realize a vision of the Group as the “world’s leading company at providing the joy of eating”. Further, the Company has enacted and announced the “Nipponham Group Fundamental Policy on Corporate Governance” setting forth its basic views on and framework of corporate governance of the Company.

“Nipponham Group Fundamental Policy on Corporate Governance”

(Japanese) [http://www.nipponham.co.jp/ir/policy/pdf/20160629\\_01.pdf](http://www.nipponham.co.jp/ir/policy/pdf/20160629_01.pdf)

(English) [http://www.nipponham.co.jp/eng/ir/policy/pdf/20160629\\_01.pdf](http://www.nipponham.co.jp/eng/ir/policy/pdf/20160629_01.pdf)

In addition, please see the following status of the Company’s response to the 73 items of the General Principles, Principles and Supplementary Principles of “Japan’s Corporate Governance Code”.

Table for Implementation Status of the Corporate Governance Code

(Japanese) [http://www.nipponham.co.jp/ir/policy/pdf/20160629\\_02.pdf](http://www.nipponham.co.jp/ir/policy/pdf/20160629_02.pdf)

(English) [http://www.nipponham.co.jp/eng/ir/policy/pdf/20160629\\_02.pdf](http://www.nipponham.co.jp/eng/ir/policy/pdf/20160629_02.pdf)

The contents of the matters required to be disclosed by the “Corporate Governance Code” are as follows.

(Principles 1-4) Fundamental Policy on Cross-Shareholdings and Guidelines for Securing Appropriate Measures to Exercise Voting Rights

For the purposes of maintaining and expanding our business relationships and stabilizing funding, we acquire and maintain shares of our business partners, etc. primarily upon their request to hold such shares.

We review all issues of our equity investments once a year in consideration of stock price fluctuation risk and credit risk, etc. of the issuing companies. We continue to hold only those shares that we determine to be essential for sustainable growth of the Group, such as for reinforcement of alliances, in order to maintain business transactions and expand our business. On the other hand, if we determine that the necessity of holding certain shares has become low, we dispose of such shares accordingly in consideration of the stock price and market trends.

When exercising the voting rights of cross-shareholding, we deliberate on proposals offered by the companies and respect such proposals so long as they do not disregard the interests of shareholders. However, if any misconduct (including misconduct by any member of the management) or any antisocial behavior occurs at such companies, we exercise our voting rights so that the companies' corporate governance is improved.

#### (Principles 1-7) Framework in Connection with Engaging in Transactions between Related Parties

- 1) When we conduct competitive transactions or conflicting interest transactions, as stipulated by laws, with the Corporate Officers, we conduct such transactions only upon approval of the Board of Directors and report the result to the Board of Directors.
- 2) We inspect whether there have been any transactions between us and the Directors, Executive Officers or their family members, and the details of such transactions, if any, once a year. In addition, we also inspect such transactions, as necessary, during audits by the Audit & Supervisory Board Members and audits by the Accounting Auditor and during internal audits.

#### (Principles 3-1) Appropriate Disclosure and Securing Transparency

- 1) Company Objectives (Management Principles, etc.) and Business Strategies and Business Plans

- (1) Principles and Management Vision

The Company's principles and management vision are disclosed in the following URLs:

<http://www.nipponham.co.jp/eng/group/vision/>

<http://www.nipponham.co.jp/eng/group/vision/ci.html>

<http://www.nipponham.co.jp/eng/group/vision/brand.html>

- (2) Mid-term Business Plans

The Company's mid-term business plans are disclosed in the following URLs:

[http://www.nipponham.co.jp/eng/ir/library/briefing\\_session/pdf/2015/20150513.pdf](http://www.nipponham.co.jp/eng/ir/library/briefing_session/pdf/2015/20150513.pdf)

[http://www.nipponham.co.jp/ir/library/financial/pdf/2015/20150511\\_02.pdf](http://www.nipponham.co.jp/ir/library/financial/pdf/2015/20150511_02.pdf)

- 2) Basic Views and Fundamental Policy on Corporate Governance

- (1) Basic Views on Corporate Governance

The Company's basic views on corporate governance are as stated in "I. Basic Views on Corporate Governance, Capital Structure, Corporate Profile and Other Basic Information", "1. Basic Views" of this Report.

(2) Fundamental Policy on Corporate Governance

The Company's fundamental policy on corporate governance is disclosed in the following URLs:

[http://www.nipponham.co.jp/ir/policy/pdf/20160629\\_01.pdf](http://www.nipponham.co.jp/ir/policy/pdf/20160629_01.pdf) (in Japanese)

[http://www.nipponham.co.jp/eng/ir/policy/pdf/20160629\\_01.pdf](http://www.nipponham.co.jp/eng/ir/policy/pdf/20160629_01.pdf) (in English)

3) Policies and Procedures for Board of Directors Determining Compensation of Senior Management and Directors

Please see Attachment 2 “Policy of Determination of the Compensation, etc., and the Method of Calculation” attached to the Fundamental Policy on Corporate Governance.

4) Policies and Procedures for Board of Directors Appointing Senior Management and Nominating Candidates for Directors and Audit & Supervisory Board Members

(1) Policies for Nominating Candidates for Directors

The Board of Directors nominates candidates for Directors of the Company while taking into consideration a good balance among the appointed Directors with diverse knowledge, experience and skills in order to exercise its roles and responsibilities required as the Board of Directors and to maintain the diversity of the Board of Directors as a whole.

(2) Policies for Nominating Candidates for Audit & Supervisory Board Members

The Board of Directors nominates candidates for Audit & Supervisory Board Members while taking into consideration a good balance among the appointed Audit & Supervisory Board Members with diverse knowledge, experience and skills.

(3) Policies for Appointing Executive Officers

The Board of Directors appoints an Executive Officer from among candidates who are knowledgeable about the business, etc., of the Group while taking into consideration various aspects such as skills, experience and performance.

(4) Procedures for Nomination and Appointment

(i) Directors

The Executive Appointments Committee prepares an original draft of candidates and proposes it to the President and Representative Director. The President and Representative Director proposes a draft of candidates back to the Executive Appointments Committee, taking such proposal into consideration, and the Executive Appointments Committee submits the deliberated result to the Board of Directors. The Board of Directors determines candidates for the Directors to be proposed at the general meeting of shareholders while respecting the submission of the Executive Appointments Committee.

(ii) Audit & Supervisory Board Members

The Executive Appointments Committee prepares an original draft of candidates and proposes it to the President and Representative Director. The President and Representative Director proposes a draft of candidates back to the Executive Appointments Committee, taking such proposal into consideration, and the Executive Appointments Committee submits to the Board of Directors the deliberated result to which the Audit & Supervisory Board has consented. The Board of Directors

determines candidates for the Audit & Supervisory Board Members to be proposed at the general meeting of shareholders while respecting the submission of the Executive Appointments Committee.

The details of the appointment policy of candidates for the Audit & Supervisory Board Members, the procedures for determining proposals on appointment of the Audit & Supervisory Board Members, the necessity of appointing a substitute for any Audit & Supervisory Board Member, etc. are determined in advance upon prior consultation between the Audit & Supervisory Board and the Board of Directors.

(iii) Executive Officers

The President and Representative Director appoints candidates based on various aspects, such as skills, experience and performance, and those who are knowledgeable about our business, etc., and explains the reasons for nomination to the Board of Directors, and the Board of Directors makes the decision on the appointment.

5) Explanation for Each Appointment and Nomination

(1) Reason for Nominating Candidates for Outside Directors/Outside Audit & Supervisory Board Members

Please see “Outside Directors’ Relationship with the Company (2)” and “Outside Audit & Supervisory Board Members’ Relationship with the Company (2)” respectively stated in “II. Business Management Organization and Other Corporate Governance Systems regarding Decision-making, Execution of Business, and Oversight in Management of the Corporate Governance Report”, “1. Organizational Composition and Operation”.

(2) Reason for Nominating Candidates for Inside Directors and Inside Audit & Supervisory Board Members

Please see the professional history of each individual as shown on pages 5 to 17 and page 23 of the Convening Notice of the Ordinary General Meeting of Shareholders and on pages 41 to 45 of the Securities Report for the 71<sup>st</sup> Term, which are published on our website at the following URLs:

[http://www.nipponham.co.jp/eng/ir/events/generalmeeting/pdf/notice\\_160606\\_01.pdf](http://www.nipponham.co.jp/eng/ir/events/generalmeeting/pdf/notice_160606_01.pdf)

[http://www.nipponham.co.jp/ir/library/report/pdf/y\\_2016.07.pdf](http://www.nipponham.co.jp/ir/library/report/pdf/y_2016.07.pdf)

(Supplementary Principle 4-1-1) Outline for the Scope of Delegating to the Management

The Board of Directors makes decisions on matters that require approval of the Board of Directors under the laws and regulations as well as important managerial matters set forth in the rules of the Board of Directors and delegates its decision-making powers on other matters relating to business operations to the Representative Directors, the General Managers of the relevant divisions and the Chairpersons of the relevant operational bodies.

Please see Appendix 1: Overview of the Matters to be Resolved by the Board of Directors in the Fundamental Policy on Corporate Governance, for the outline of the matters to be resolved by the Board of Directors.

(Principle 4-9) Criteria for the Independence of Independent Outside Directors

Please see the “Criteria for the Independence of Outside Officers” set forth in Attachment 1: of the Fundamental Policy on Corporate Governance.

(Supplementary Principle 4-11-1) Views on Diversity, Size, etc., of the Board of Directors as a Whole

The number of members of the Board of Directors may be up to twelve members, taking timely and appropriate decision-making and the scope of the Board of the Directors’ responsibilities into consideration. In addition, the Board of Directors nominates candidates for Directors of the Company while taking into consideration a good balance among the appointed Directors with knowledge, experience and skills in order to exercise its roles and responsibilities required as the Board of Directors and to maintain the diversity of the Board of Directors as a whole. For the details thereof, please see 2. Board of Directors, (2) Size/Members of the Board of Directors of the Fundamental Policy on Corporate Governance.

(Supplementary Principle 4-11-2) Status of Concurrent Positions Held by Directors and/or Audit Supervisory Board Members

Please see the professional history of each individual as shown on pages 5 to 17 and page 23 of the Convening Notice of the Ordinary General Meeting of Shareholders and on pages 41 to 45 of the Securities Report for the 71<sup>st</sup> Term, which are published on our website at the following URLs:

[http://www.nipponham.co.jp/eng/ir/events/generalmeeting/pdf/notice\\_160606\\_01.pdf](http://www.nipponham.co.jp/eng/ir/events/generalmeeting/pdf/notice_160606_01.pdf)

[http://www.nipponham.co.jp/ir/library/report/pdf/y\\_2016.07.pdf](http://www.nipponham.co.jp/ir/library/report/pdf/y_2016.07.pdf)

(Supplementary Principle 4-11-3) Evaluation of Effectiveness of the Board of Directors

The Board of Directors conducted analysis and evaluation on the effectiveness of the Board of Directors in accordance with the Fundamental Policy on Corporate Governance.

For the details thereof, please see Appendix 2 of the Fundamental Policy on Corporate Governance.

(Supplementary Principle 4-14-2) Policy on Training for Directors/Audit & Supervisory Board Members

We conduct training for the Directors/Audit & Supervisory Board Members for the purpose of acquiring accounting, legal and other knowledge particular to our business (including laws and regulations relevant to our business and material risks) so that they are able to take on their role and perform their duties required as Directors/Audit & Supervisory Board Members at the time of assuming their office or after the assumption of office, as necessary.

We also continuously improve environments in which the Outside Directors and Outside Audit & Supervisory Board Members are able to effectively take on their role and perform their duties, such as continuously providing necessary information regarding our business/finance/organization, etc. as well as giving them opportunities to observe our major sites.

Moreover, we encourage all Directors and Audit & Supervisory Board Members to improve themselves as necessary for taking on their role and performing their duties while in office. We also provide/arrange training opportunities suitable for each Director/Audit & Supervisory Board Member and bear such training expenses.

(Principle 5-1) Policy on Constructive Dialogue with Shareholders

We promote dialogue with the shareholders, investors and proxy advisors with the aim of constructive dialogue that contributes to our sustainable corporate growth and improvement of corporate value in the mid-to-long term.

- (1) The General Manager of the Corporate Management Division generally organizes such constructive dialogue with the shareholders.
- (2) The General Affairs Department is responsible for individual investors, and the Public & Investor Relations Department is responsible for institutional investors, etc. We promote smooth and efficient dialogue through activities, tailored for the purpose of dialogue, such as having the Representative Director, Directors or Executive Officers meet with the shareholders, etc.
- (3) In order to support the constructive dialogue with the shareholders, the Executive Officers in charge of the Public & Investor Relations Department, the Corporate Planning Department, the General Affairs Department, the Accounting & Finance Department and the Legal Affairs Department share relevant information and take measures while organically cooperating with each other and striving to receive regular updates on the shareholder ownership structure.
- (4) We pay visits to Japanese and foreign institutional investors, host quarterly financial result briefing sessions for institutional investors, briefings for individual investors and continuously participate in IR fairs. In addition, we actively disclose information on our website.
- (5) The Corporate Officers, etc., who have engaged in the dialogue, etc., report to the Board of Directors the interests, views and concerns, etc. of the shareholders that have been obtained through such dialogue, etc., and the Directors and the Audit & Supervisory Board Members share such information.
- (6) We manage the company information in accordance with the Company Information Management Policy and prevent divulgence of any insider information.

**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 Master Trust Bank of Japan, Ltd. (Trust account)	22,093,000	10.83
Japan Trustee Service Bank, Ltd. (Trust account)	15,908,000	7.80
The Hyakujushi Bank, Ltd.	7,537,253	3.69

Meiji Yasuda Life Insurance Company	7,354,576	3.61
The Norinchukin Bank	5,926,838	2.91
Nippon Life Insurance Company	5,570,075	2.73
The Bank of Tokyo-Mitsubishi UFJ, Ltd.	5,494,834	2.69
Sumitomo Mitsui Banking Corporation	4,650,219	2.28
Sompo Japan Nipponkoa Insurance Inc.	3,493,000	1.71
Trust & Custody Services Bank, Ltd. (Securities investment trust account)	3,226,854	1.58

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

### Supplementary Explanation

1. The information is reported as of March 31, 2016.

2. In the Report of Possession of Large Volume made available for public inspection dated July 21, 2015, Mitsubishi UFJ Financial Group, Inc. (the submitting parties being The Bank of Tokyo-Mitsubishi UFJ, Ltd. and three (3) other joint holders) reported as the shareholder, but this has not been taken into account in the above "Status of Major Shareholders," as the number of shares substantially held by the joint holders other than the shares held by The Bank of Tokyo-Mitsubishi UFJ, Ltd. has not been able to be confirmed as of the end of the fiscal year.

[Personal name or company name/number of shares held/shareholding percentage]

The Bank of Tokyo-Mitsubishi UFJ, Ltd. and three (3) other companies/14,812 thousand shares/7.26%

3. In the Report of Possession of Large Volume made available for public inspection dated March 22, 2016, Nomura Securities Co., Ltd. and two (2) joint holders thereof are reported as the shareholders, but this has not been taken into account in the above "Status of Major Shareholders," as the number of shares substantially held as of the end of the fiscal year has not been able to be confirmed by the Company.

[Personal name or company name/number of shares held/shareholding percentage]

Nomura Securities Co., Ltd. and two (2) other companies/14,803 thousand shares/7.25%

### 3. Corporate Attributes

Listed Stock Market and Market Section	Tokyo Stock Exchange First Section
Fiscal Year-End	March
Type of Business	Foods
Number of Employees (consolidated) as of the End of the Previous Fiscal Year	1,000 employees or more
Sales (consolidated) as of the End of the Previous Fiscal Year	1 trillion yen or more



Number of Consolidated Subsidiaries as of the End of the Previous Fiscal Year	From 50 to less than 100
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**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 a 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 Audit & Supervisory Board
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**[Directors]**

Maximum Number of Directors Stipulated in Articles of Incorporation	12
Term of Office Stipulated in Articles of Incorporation	1 year
Chairperson of the Board	President
Number of Directors	10
Appointment of Outside Directors	Appointed
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	
Toshiko Katayama	Lawyer												
Iwao Taka	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
Toshiko Katayama	✓	Ms. Katayama is an Independent Officer who has no risk of having conflicts of interests with ordinary shareholders whose designation is made compulsory by the Tokyo Stock Exchange, Inc.	The Company considers Ms. Katayama is suitable as an Outside Director because she has outstanding experience and knowledge about consumer issues, having dealt with them for many years as a lawyer. The Company mainly manufactures and sells foods, so the Company recognizes that engaging in consumer-oriented management is vital to the Company's business development, and believes that it will contribute to interests of shareholders.
Iwao Taka	✓	Mr. Taka is an Independent Officer who has no risk of having conflicts of interests with ordinary shareholders whose designation is made compulsory by the Tokyo Stock Exchange, Inc.	The Company considers Mr. Taka is suitable as an Outside Director because he has researched about corporate ethics and corporate social responsibility for many years, and has broad perspectives about international economics. Mr. Taka had been a chairman of the Nipponham Group Corporate Ethics Committee from 2002 to 2004 thereafter he has been a member of the Corporate Evaluation Committee (currently Corporate Value Enhancement Committee) helping to

			set up the compliance management and enhance corporate value of the Group. The Company mainly manufactures and sells foods, so the Company recognizes that engaging in consumer-oriented management is vital to the Company's business development, and believes that it will contribute to interests of shareholders.
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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	Executive Appointments Committee	Compensation Committee
All Committee Members	3	5
Full-time Members	0	0
Inside Directors	1	2
Outside Directors	2	2
Outside Experts	0	0
Others	0	1
Chairperson	Outside Director	Outside Director

Supplementary Explanation

The Executive Appointments Committee is established for the purpose of enhancing the transparency and objectivity of decisions on candidates for the Directors/Audit & Supervisory Board Members and improving the supervisory function of the Board of Directors.

The Compensation Committee is established for the purpose of enhancing the transparency and objectivity of decisions on the compensation for the Corporate Officers (including the Executive Officers) and improving the supervisory function of the Board of Directors.

The one person indicated in the "Others" section is an Independent Audit & Supervisory Board Member.

**[Audit & Supervisory Board Members (*kansayaku*)]**

Establishment of Audit & Supervisory Board	Established
Maximum Number of Audit & Supervisory	5

Board Members Stipulated in Articles of Incorporation	
Number of Audit & Supervisory Board Members	5

## Cooperation among Audit & Supervisory Board Members, Accounting Auditor and Internal Audit Departments

### 1. Cooperation between Audit & Supervisory Board Members and Accounting Auditor

- (1) The Audit & Supervisory Board determines the audit schedule so that there will be sufficient time for audits and confirms the same with the Accounting Auditor.
- (2) The Audit & Supervisory Board has meetings with the Accounting Auditor on a regular basis.
- (3) The Audit & Supervisory Board establishes a system for handling occasions when the Accounting Auditor discovers fraudulence and requests appropriate countermeasures to be taken or indicates defects/problems.
- (4) The Audit & Supervisory Board and the Accounting Auditor discuss the audit policy/audit plans at the beginning of each fiscal year and report to each other the audit performance status /the audit results during and at the end of the fiscal year for the purpose of sharing information. The Audit & Supervisory Board Members attend audits conducted by the Accounting Auditor whenever necessary and verify the appropriateness of the audit method, etc.
- (5) The Audit & Supervisory Board determines that the dismissal or non-reappointment of an Accounting Auditor should be made a proposal at a general shareholders' meeting in accordance with the "Policy for Determination on Dismissal or Non-reappointment of Accounting Auditor" established by the Audit & Supervisory Board.

The specific methods for making such determination at the Audit & Supervisory Board are stipulated in the "performance guidelines"; each Audit & Supervisory Board Member examines the eligibility or ineligibility of an Accounting Auditor by using the "Check Sheet for Accounting Auditor" regarding the four (4) items of "Briefing on Audit Policy/Audit Plan at the Beginning of Each Fiscal Year", "Briefing on Methods for Specific Auditing during the Term and at the End of Each Fiscal Year, and the Relevance of the Results Thereof", "Exercise of Consent Rights for Audit Remuneration", and "Relationship between Accounting Auditor and Other Departments including Accounting & Finance Department, Auditing Department, etc.," and thereby the Audit & Supervisory Board makes such determination through consultation after the end of each fiscal year.

- (6) The Audit & Supervisory Board examines the independence of the Accounting Auditor and employees engaged in audits under the independence standards provided by the Japanese Institute of Certified Public Accountants. Their expertise is examined based on their past audit experience among other things.

### 2. Cooperation between Audit & Supervisory Board Members and Internal Audit Departments

- (1) The Audit & Supervisory Board Members maintain a close relationship with the internal audit divisions, etc. (including departments which have authority over the monitoring function within the internal control system) and conduct organizational and efficient audits.
- (2) The Audit & Supervisory Board Members and the internal audit departments discuss the audit policy (such as the policy on priority points)/the audit plan at the beginning of each fiscal year, attend audits whenever necessary during the fiscal year, and discuss the appropriateness, etc. of findings indicated in the audit results.
- (3) The Audit & Supervisory Board Members receive reports on the status of the establishment/operation of the internal control system from the internal audit departments, etc. and any other departments, which the Audit & Supervisory Board Member deems necessary, on a regular basis and as necessary.

Appointment of Outside Audit & Supervisory Board Members	Appointed
Number of Outside Audit & Supervisory Board Members	3
Number of Independent Audit & Supervisory Board Members	3

#### Outside Audit & Supervisory Board Members' Relationship with the Company (1)

Name	Attribute	Relationship with the Company*												
		a	b	c	d	E	f	g	h	i	j	k	l	M
Akira Otsuka	Lawyer													
Akihiko Shiba	Lawyer													
Atsushi Iwasaki	CPA													

\* 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 Audit & Supervisory Board Members' Relationship with the Company (2)

Name	Designation as Independent Audit & Supervisory Board Member	Supplementary Explanation of the Relationship	Reasons of Appointment
Akira Otsuka	✓	Mr. Otsuka is an Independent Officer who has no risk of having conflicts of interests with ordinary shareholders whose designation is made compulsory by the Tokyo Stock Exchange, Inc.	The Company considers that Mr. Otsuka will contribute to the sound business development of the Group as an Outside Audit & Supervisory Board Member because he has a deep knowledge in a wide range of fields from his long career as a lawyer. The Company recognizes that responding to societal demands and engaging in compliance-oriented management is a foundation which is vital to business development of the Group, thereby contributing to interests of shareholders.
Akihiko Shiba	✓	Mr. Shiba is an Independent Officer who has no risk of having conflicts of interests with ordinary shareholders whose designation is made compulsory by the Tokyo Stock Exchange, Inc.	The Company decided Mr. Shiba is suitable as an Outside Audit & Supervisory Board Member because he has professional perspectives and experiences, etc. as a lawyer who primarily specializes in compliance in organizational operations and risk management. The Company recognizes that responding to societal demands and engaging in compliance-oriented management is a foundation which is vital to business development of the Group, thereby contributing to interests of shareholders.
Atsushi Iwasaki	✓	Mr. Iwasaki is an Independent Officer who has no risk of having conflicts of interests with ordinary shareholders whose designation is made compulsory by the Tokyo Stock Exchange, Inc.	The Company decided Mr. Iwasaki is suitable as an Outside Audit & Supervisory Board Member because he is qualified as a public accountant and he has extensive knowledge about finance and accounting. The Company believes that Mr. Iwasaki's timely advice on management from financial and accounting perspectives will contribute to the sound business

			development of the Group, thereby contributing to interests of shareholders.
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**[Independent Directors/ Audit & Supervisory Board Members]**

Number of Independent Directors/ Audit & Supervisory Board Members	5
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**Matters relating to Independent Directors/ Audit & Supervisory Board Members**

All the Outside Directors and Audit & Supervisory Board Members are qualified as Independent Officers, and the Company has notified Tokyo Stock Exchange, Inc. that all of the Outside Officers are Independent Officers.

<p>"Criteria for the Independence of Outside Officers"</p> <p>If any Outside Officer or any candidate for Outside Officer is judged to satisfy all the requirements in the following items, the Company shall determine that such any Outside Officer or any candidate for Outside Officer is independent of the Company:</p> <ol style="list-style-type: none"> <li>1. The Outside Officer or candidate for Outside Officer is not, or has not been, a Director (excluding an Outside Director; the same applies hereinafter), Audit &amp; Supervisory Board Member (excluding an Outside Audit &amp; Supervisory Board Member; the same applies hereinafter), accounting advisor, Executive Officer, Corporate Officer, manager or other important employee (Note 1) (hereinafter referred to as a "Director") of the Company or any of its subsidiaries or affiliates ("NH Group");</li> <li>2. The Outside Officer or candidate for Outside Officer is not a relative of any Director within the third degree of kinship;</li> <li>3. The Outside Officer or candidate for Outside Officer is not a leading shareholder (Note 2) of the Company or a Director thereof or a director of any company having NH Group as its leading shareholder;</li> <li>4. The Outside Officer or candidate for Outside Officer is not a director of any principal client (Note 3) of NH Group;</li> <li>5. The Outside Officer or candidate for Outside Officer is not a recipient of a donation of 10 million yen or more from NH Group for the fiscal year under review (if the recipient of the donation is a corporate body, partnership or other entity, any individual who belongs, or have belonged for the most recent five years, to such entity);</li> <li>6. The Outside Officer or candidate for Outside Officer is not an attorney, certified public accountant or</li> </ol>
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any of various providers of consulting and other professional services who receives remuneration of 10 million yen or more, other than a Director's or Audit & Supervisory Board Member's remuneration, from NH Group for the fiscal year under review (if the provider of the service is a corporate body, partnership or other entity, any individual who belongs, or have belonged for the most recent five years, to such entity); and

7. No "relationship of interlocking outside officers" (Note 4) exists between the company to which the Outside Officer or candidate for Outside Officer belongs as a director and NH Group.

- (Notes) 1. "Important employee" means an employee assigned to the post of a general manager or a higher post.
2. "Leading shareholder" means any person holding, directly or indirectly, 10% or more of the total voting rights.
3. "Principal client" means a company whose amount of money paid or received in its trading with NH Group is 2% or more of net sales of NH Group or the client on a consolidated basis.
4. "Relationship of interlocking outside officers" means a receipt of the dispatching of any Outside Officer from the company that any director of the Group is currently serving as an outside officer.

**[Incentives]**

Incentive Policies for Directors	Performance-linked Compensation
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Supplementary Explanation

The standard pay is comprised of basic compensation and performance-based compensation. The basic compensation and performance-based compensation make up 80% and 20%, respectively, of the standard pay. The performance-based compensation is set in the range of 0-40%, according to the annual business performance and individually established goal attainment level.

Recipients of Stock Options	
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Supplementary Explanation

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**[Director Compensation]**



Disclosure of Individual Directors' Compensation	No Individual Disclosure
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Supplementary Explanation

The Company discloses the total amount of compensation for the Directors other than Outside Directors, the total amount of compensation for Audit & Supervisory Board Members other than Outside Audit & Supervisory Board Members and the total amount of compensation for Outside Officers (Outside Directors and Outside Audit & Supervisory Board Members).

Policy on Determining Compensation , etc. and Method of Calculation	Established
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Disclosure of Policy on Determining Compensation Amounts and Calculation Methods

Policy of Determination of the Compensation, etc., and the Method of Calculation

Basic Policy on Director and Audit & Supervisory Board Member

NH Foods Ltd. maintains 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 Member.

NH Foods Ltd. ensures that directors' and Audit & Supervisory Board Members' compensations are indeed transparent, just, and rational by having the Compensation Committee, where Outside Director acts as Chairperson, deliberate on these matters, with the final decision made by the Board of Directors.

Summary of Compensation of the Directors:

1. Compensation of each Director shall be a standard pay determined based on his/her position, plus stock acquisition-based compensation. No retirement gratuity shall be paid.
  - (1) The standard pay shall comprise a basic compensation and performance-based compensation. The basic compensation and the performance-based compensation make up 80% and 20%, respectively, of the standard pay. The performance-based compensation is set in the range of 0-40% according to the annual business performance and individually established goal attainment level.
  - (2) The stock acquisition-based compensation intended to reflect medium and long term business performance is a monthly fixed amount. Each Director will acquire shares of the Company for such fixed amount (through the officers' stock ownership plan). Such shares shall be not transferred while he/she remains in office and for one year after his/her retirement from office.
2. Compensation of each Outside Director shall be a basic compensation only in consideration of his/her role. No retirement gratuity or stock acquisition-based compensation shall be paid.

Summary of Compensation of the Audit & Supervisory Board Members:

Compensation of each Audit & Supervisory Board Member shall be a basic compensation only in consideration of his/her role. No retirement gratuity or stock acquisition-based compensation shall be paid.

**[Supporting System for the Outside Directors (Outside Audit & Supervisory Board Members)]**

- Although there are no staff members who engage in their duties solely for the Outside Directors, the Corporate Planning Department, which is the secretariat of the Board of Directors, provides support to the Outside Directors. As for the Outside Audit & Supervisory Board Members, there are two (2) persons who are in charge of engaging in their duties solely for all of the auditors and these persons provide support to the Outside Audit & Supervisory Board Members.
- The Company distributes materials for the Board of Directors' meetings to each Director and each Audit & Supervisory Board Member so that the Board of Directors is able to make decisions after information necessary for discussions is fully shared in advance of the date on which the Board of Directors meeting is held, and the secretariat of the Board of Directors provides each Director and each Audit & Supervisory Board Member with explanation as necessary.

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

**(1) Corporate Governance System**

In accordance with the foregoing "I. Basic Views on Corporate Governance, Capital Structure, Corporate Profile and Other Basic Information" "1. Basic Views", the Company establishes the following system.

The Company clarifies responsibilities and authority in the "management supervisory function" by the Directors and the "business execution function" by the Executive Officers. The system for supervision of the management has been also constructed by the Audit & Supervisory Board and its Members. The Audit & Supervisory Board takes part of 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 the Directors.

The number of members of the Board of Directors may be up to twelve members, taking timely and appropriate decision-making and the scope of the Board of the Directors' responsibilities into consideration.

In order to ensure the transparency of the Board of Directors the Company appoints multiple Outside

Directors. Out of ten (10) Directors, two (2) of them are Outside Directors; the Directors are comprised of nine (9) males and one (1) female. The Directors' terms of office is one (1) year in order to clarify management responsibility for each year.

The number of Audit & Supervisory Board Members is five (5), in order to fully perform the supervisory function toward the Board of Directors and, in essence, three (3) or more Outside Audit & Supervisory Board Members are appointed. Out of five (5) Audit & Supervisory Board Members, three (3) of them are Outside Audit & Supervisory Board Members; the Audit & Supervisory Board Members are comprised of five (5) males.

The Audit & Supervisory Board includes the Audit & Supervisory Board Members who have appropriate expertise and knowledge in finance/accounting and/or legal specialists such as lawyers, etc.

The roles and responsibilities, size/members, operation and activities for securing effectiveness of each organization are as set forth in Section 2: Organization in the Fundamental Policy on Corporate Governance.

[http://www.nipponham.co.jp/eng/ir/policy/pdf/20160629\\_01.pdf](http://www.nipponham.co.jp/eng/ir/policy/pdf/20160629_01.pdf)

## **(2) Specific Policies in the Case Where Processes Toward Improvement of Business Execution and Enhanced Supervisory Function Have Been Introduced**

- The Board of Directors is held once each month wherein the Representative Director/President serves as the Chairperson, and the Board of Directors makes decisions on the matters set forth in the laws, regulations and the Articles of Incorporation, as well as other important matters.
- The Audit & Supervisory Board is held once a month and is comprised of the Audit & Supervisory Board Members (including the Outside Audit & Supervisory Board Members), and the Audit & Supervisory Board makes decisions on important matters concerning auditing.
- The Management Strategy Committee is held twice a month and is comprised of the Directors (excluding the Outside Directors) and the Executive Officers designated by the Representative Director/President. The Management Strategy Committee makes decisions on important matters excluding matters that require approval of the Board of Directors under the laws and regulations as well as important managerial 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 the Investment & Finance Committee and/or the Corporate Governance Committee to be held twice a month, respectively.

- The Company develops and operates its internal control system, establishes a risk management system, and ensures the appropriateness of its business through internal audits conducted by the Audit Department, quality audits conducted by the Quality Assurance Department, environment audits conducted by the Corporate Social Responsibility Department and monitoring by the Compliance Department.

- The Company establishes the following Committees.

(Compliance Committee)

This committee comprehensively discusses the compliance for the Group as a whole, and submits recommendations to the Board of Directors.

(Executive Appointments Committee)

With the purpose of enhancing the transparency and objectivity of decisions on candidates for the Directors/Audit & Supervisory Board Members and improving the supervisory function of the Board of Directors, the majority of the members of this committee are Independent Officers (Chairperson shall be an Outside Director). The meetings are held at least twice a year.

(Compensation Committee)

With the purpose of enhancing the transparency and objectivity of decisions on the compensation for the Corporate Officers (including the Executive Officers) and improving the supervisory function of the Board of Directors, the majority of the members of this committee are Independent Officers (Chairperson shall be an Outside Director). The meetings are held at least twice a year.

(Board of Independent Officers and Representative Directors)

With the purpose of improving the Group's corporate value and providing a venue for proposing reformation of corporate culture through free and open discussions among the Independent Officers and the Representative Director, this board is composed of all the Independent Officers and the Representative Director. The meeting is held at least once a year.

(Board of Independent Officers)

With the purpose of exchanging information and sharing understandings from an independent and objective perspective, this board is composed of all the Independent Officers. The meeting is held at least once a year.

(Internal Control/JSOX Committee)

By conducting the evaluation of the internal control of the Group as a whole and the evaluation of the internal control relating to the business processes, this committee evaluates the internal control,

summarizes the results thereof, and reports such results to the Board of Directors and the management as basic materials for the management's evaluation.

(Risk Management Committee)

The Company establishes this committee with the purpose of discussing the issues and countermeasures relating to risk management of the Group (prevention of occurrence of any risks and emergency countermeasures against management crises) and contributing to the management of the Group.

(Compliance Committee)

With the aim of becoming a faithful and highly transparent company group, and with the purpose of causing each individual employee of the Group to be more thoroughly informed of compliance, the Company establishes this committee with the purpose of planning and implementing carefully crafted policies suitable to the actual conditions of business and business types.

### **(3) Status of activities taken toward strengthening of functions of the Audit & Supervisory Board Members**

It is provided in [2. Audit & Supervisory Board Members (*kansayaku*)] in “Business Management Organization and Other Corporate Governance Systems regarding Decision-making, Execution of Business, and Oversight in Management.”

### **(4) Summary of details of a liability limitation agreement**

The Company has entered into agreement with its Outside Directors and Outside Audit & Supervisory Board Members to the effect that the liability for damage set forth in Article 423.1 of the Companies Act shall be limited in accordance with Article 427, Paragraph 1 of the Companies Act and the provisions under the Articles of Incorporation. The limitation of liability for damage under such agreement shall be the minimum liability amount set forth in Article 425, Paragraph 1 of the Companies Act. It should be noted that that such limitation of liability is allowed only when such Outside Director or Outside Audit & Supervisory Board Member are without knowledge and are not grossly negligent in performing their duties in relation to the execution of his/her duty which became a cause for such liability.

## **3. Reasons for Adoption of Current Corporate Governance System**

In accordance with the basic views on corporate governance as stated in “I. Basic Views on Corporate Governance, Capital Structure, Corporate Profile and Other Basic Information”, “1. Basic Views” of this Report, the Company chooses the framework of a “company with an Audit & Supervisory Board” as an organizational structure under the Companies Act, wherein the Board of Directors makes important management decisions and oversees business operations, and the Audit & Supervisory Board Member and the Audit & Supervisory Board, which is independent from the Board of Directors, mainly audit the

Directors' execution of duties.

As stated above, the Company has clarified the responsibility and authority of the Directors' "management supervisory function" and the Executive Officers' "business execution function." In addition, the Company considers that fair and efficient corporate management can be conducted by appropriately combining the following: discussing and deliberating after clarifying the decision-making authority of the Board of Directors, the Management Strategy Committee, the Investment & Finance Committee, the Corporate Governance Committee, etc.; establishing functions to make recommendations to the Board of Directors by five (5) Committees; and conducting the Audit & Supervisory Board Members' audits, internal audits, quality audits, environmental audits and the Compliance Department's monitoring.

The Company establishes, at the Board of Directors, two (2) Outside Directors as well as Audit & Supervisory Board Members (two (2) full-time Audit & Supervisory Board Members and three (3) Outside Audit & Supervisory Board Members) in order to secure the supervision of the Board of Directors from a standpoint where there is a certain distance from the business operations.

#### Roles and Functions of Outside Directors

The Board of Directors shall include several Outside Directors who satisfy the following criteria, in order to ensure the transparency of the Board of Directors and to complement the knowledge, experience and skills of the Board of Directors as a whole:

- i) Expertise or extensive experience in any of the following areas: business management, compliance, risk management, crisis management, finance and accounting, internal control, macro-economic policy (finance, industry, etc.), organizational/cultural reform, global management, etc.;
- ii) Proper skills to overview and comprehend the Group's management as a whole, to understand essential tasks and risks, and to conduct interviews with, express opinions to, and convince the Board of Directors and the management (meaning the Executive Directors and the Executive Officers) in a timely and appropriately manner.

### III. Implementation of Measures for Shareholders and Other Stakeholders

#### 1. Measures to Vitalize the General Meeting of Shareholders and Smooth Exercise of Voting Rights

	Supplementary Explanations
Early Notification of General Meeting of Shareholders Meeting	A notice of general meeting of shareholders is dispatched three (3) weeks prior to such general shareholders meeting.
Scheduling AGMs Avoiding the Peak Day	The general meetings of shareholders are scheduled for days other than the peak days on which numerous companies hold their general meetings of shareholders.
Providing Convening Notice in English	The convening notice is posted on the Company's website.

Others	<ul style="list-style-type: none"> <li>• A notice of general meeting of shareholders is disclosed to the Tokyo Stock Exchange and is also posted on the Company’s website, prior to dispatching the same to the shareholders. Other information for the shareholders, including reports on the general meetings of shareholders, is also posted on the Company’s website.</li> <li>• The Company holds “Shareholder Forum” as a venue for the shareholders and the Management of the Company to better understand each other.</li> </ul>
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## 2. IR Activities

	Supplementary Explanations	Whether There Has Been Explanation Offered by the Representative Him/Herself
Preparation and Publication of Disclosure Policy	The Disclosure Policy is provided for and published in the “Nipponham Group Fundamental Policy on Corporate Governance”.	
Regular Briefing Sessions for Individual Investors	They were held three times during the period between April 1, 2015 and March 31, 2016.	Yes
Regular Briefing Sessions for Analysts and Institutional Investors	They are held four (4) times annually. The President attends two (2) of such briefing sessions.	Yes
Regular Briefing Sessions for Overseas Investors	They are held several times annually.	Yes
Posting of IR Materials on Website	<ul style="list-style-type: none"> <li>• Briefing materials for analysts and institutional investors are posted on the website on the date of announcement of the financial results.</li> <li>• Summary of financial results used at briefing sessions for analysts and institutional investors are posted on the website on the date of briefing sessions.</li> <li>• Minutes of briefing sessions for analysts and institutional investors are posted on the website within one (1) week after the briefing sessions.</li> </ul>	
Establishment of Department and/or Manager in Charge of IR	The Public & Investor Relations Department is in charge of IR.	

### 3. Measures to Ensure Due Respect for Stakeholders

	Supplementary Explanations
(a) Stipulation of Internal Rules for Respecting the Position of Stakeholders	The responsibilities for stakeholders are provided in the Corporate Philosophies, the Management Principles, the Group's Action Standards and the Group's Fundamental Policy on Corporate Governance.
(b) Implementation of Environmental Activities, CSR Activities etc.	Certified to ISO14001 (21 certified locations), preparation of social and environment reports, conducting of factory tours targeting general visitors, management of the website "Allergy Net" and provision of information on food allergies, hosting of children's baseball and soccer classes, involvement in national park protection support activities through "Minna no mori" activities and among other activities
(c) Foundation of policies, etc. related to provision of information to stakeholders	Described in Sections 4 and 5 of "Nipponham Group Fundamental Policy on Corporate Governance"
(d) Other	<p>Since female consumers have material influence on the decision to purchase the Group's products, it is important to offer products and services that take into account women's values and perspectives. Therefore, since the fiscal year 2005, the Company has been advancing efforts to support the success of women in the workplace, aiming to provide women with opportunities to be part of the Board of Directors and business execution and to create a workplace where both men and women can play an active role in business activities.</p> <p>In the New Medium-Term Management Plan Part 5 (April 2015-March 2018), regarding the "procurement and cultivation of human resources," one of the management strategies includes "cultivation plan for managers and young leaders of the next generation," and support for success of women is clearly specified as a target thereof.</p> <p>In order for women to continue to work, play an active role and form a leading demographic with strong presence, the Group promotes specific measures with a goal of achieving "202012 (By 2020, the percentage of women in supervisory and managerial positions is to be 12%)."</p> <p>[Efforts for promotion of women to executive and managerial positions]</p> <ul style="list-style-type: none"> <li>• Business college for women (reforming awareness, supporting women to form their careers, helping women to improve their management skills, creating opportunities for women to communicate with top-level executives through the mentor system)</li> <li>• Establishing and implementing a plan at each group company to support the success of women in the workplace</li> </ul> <p>[Efforts for reforming awareness of all executives and employees]</p> <ul style="list-style-type: none"> <li>• Seminars on diversity have been held in Tokyo and Osaka annually since 2004</li> </ul> <p>[Creating a mechanism for allowing women to continue working]</p> <ul style="list-style-type: none"> <li>• Efforts have been made to acquire the next-generation support</li> </ul>



	certification logo “ <i>Kurumin</i> ” (the action plan to support the development of the next generation) at each group company.		
		End of the fiscal year ending in March 2004	End of the fiscal year ending in March 2016
	Percentage of women in managerial positions in the Group [( ):non-consolidated]	0.5% (0.3%)	2.3% (3.5%)
	Percentage of female employees in the Group [( ):non-consolidated]	12.9% (9.7%)	18.0% (16.3%)

#### IV. Matters Related to the Internal Control System

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

1. Systems to secure the execution by the Directors of their duties complies with laws and regulations and the Articles of Incorporation

- 1) The Company establishes the Group’s Action Standards in order to strictly implement its Action Guidelines so as to bring the Corporate Philosophies to fruition under the Corporate Philosophies and Business Principles. The Corporate Officers and employees of the Group comply with it.
- 2) The Corporate Officers of the Group take initiative in complying with laws and regulations and the internal rules, etc., including the Articles of Incorporation and the Group’s Action Standards, and ensure that all employees are fully aware of these rules.
- 3) The Company establishes the Compliance Committee in order to examine policies and measures concerning the compliance of the Group as a whole in a comprehensive manner. The Compliance Department of the Company reviews the Group’s Action Standards regularly and as necessary, and ensures that all Corporate Officers and employees of the Group are fully aware thereof.
- 4) The Corporate Officer appointed by the Representative Director/President will preside over the Compliance Committee, and the Company convenes meetings of the Compliance Committee, which periodically reports to the Board of Directors on progress on ensuring awareness of compliance and specific problems, issues, etc.
- 5) The Company secures a direct way for employees to report conducts at the Nipponhan Group that pose a question as to compliance of laws and regulations and establish and operate internal and external hotlines in relation to compliance issues.

2. Systems concerning storage and management of information pertaining to the execution of duties by the Directors

- 1) The Directors, pursuant to the document management rules, properly store and manage the following documents (including electronic records; the same applies hereinafter) concerning the execution of their respective duties and other important information:
  - (1) Minutes of general meetings of shareholders and their related materials;
  - (2) Minutes of the Board of Directors' meetings and their related materials;
  - (3) Records of proceedings of other important meetings hosted by the Directors or their instructions, and their related materials;
  - (4) Documents pertaining to decision making by the Directors and their attached documents; and
  - (5) Other important documents for execution of duties by the Directors.
- 2) The Representative Director/ President is responsible for monitoring and supervising the storage and management of information set forth in 1) above. The Representative Director/President performs such that pertain to preparation of minutes as required by the Companies Act of Japan.
- 3) The documents set forth in 1) above are kept on file for at least 10 years and are made available for inspection as necessary.

3. Rules and other systems concerning management of exposure to risk of loss

- 1) The Company enacts risk management rules, establish a Risk Management Committee in order to examine policies and measures concerning risk management of the Group as a whole in a comprehensive manner and establish a section that oversees risk management of the Group as a whole and that defines the risk management system.
- 2) The section overseeing risk management cooperates with the Compliance Department and other relevant sections to establish a preventive system adopted for non-emergency events and a system for emergency events to facilitate prompt and appropriate information communication and urgent tasks that correspond to risks expected under the risk management rules.

- 3) The Risk Management Section identifies important risks to the Group and periodically holds meetings of the Risk Management Committee to share, respond to and confirm risk information for the purpose of managing the said risks through the reasonable and most appropriate method, from the perspective of the Group as a whole.
- 4) The Audit Department cooperates with the Compliance Department, the risk management section and other relevant sections of the business division to audit the state of day-to-day risk management of the Group.

#### 4. Systems to secure efficient execution of the Directors' duties

- 1) To enhance the transparency and appropriateness of decision-making by the Board of Directors, the Board of Directors includes two or more Outside Directors, in principle.
- 2) The Board of Directors, based on the assignment of duties of the management bodies, Representative Directors, Executive Directors and Executive Officers, etc. determined by the Board of Directors, cause the Representative Directors, Executive Directors, and Executive Officers to execute business.
- 3) With regard to items of business in respect of which the decision making authorization is delegated to the Representative Directors, Executive Directors, and Executive Officers, such items are determined by such bodies or in accordance with procedures as stipulated in the Rules on Business Authorization. The Rules on Business Authorization may be revised from time to time when the relevant laws or regulations are amended or abolished, or as necessary, to enhance the efficiency of the execution of their duties.

#### 5. Systems to secure the employees' execution of their duties to comply with laws and regulations and the Articles of Incorporation

- 1) To ensure that the execution of duties by the Company's employees comply with laws and regulations and the Articles of Incorporation, the Company establishes a system to strictly implement its Corporate Philosophies, Management Principles, Action Guidelines and Action Standards. The Company also cause the Representative Directors, Executive Directors, and Executive Officers to train and educate the employees of the Group concerning compliance.
- 2) In the event of any employee of the Group finds any material violation of the law or regulation or any other material fact concerning compliance in any company within the Group, he/she

reports the same to the Company's Compliance Department pursuant to the internal rules, etc., including the Group's Action Standards. The Corporate Officer in charge of compliance directs and supervises investigations of such reported fact, and the said Department confirms all the facts revealed through the investigation, cooperate with the relevant sections from the perspective of their expertise, formulate and implement corrective measures and recurrence prevention measures.

- 3) With regard to important information, the Company discloses the content thereof and its status of handling and results thereof to the Corporate Officers and employees of the Group and ensures that all Corporate Officers and employees are fully aware thereof.
- 4) The Representative Director/President directly manages the Audit Department. The Audit Department, in accordance with the instruction of the Representative Director/President, conducts audits on the state of execution of business. In addition, the Quality Assurance Department conducts quality audits and the Corporate Social Responsibility Department conducts environmental audits.

6. Systems to secure the appropriateness of business activities of the corporate group comprised of the Company and its subsidiaries

- 1) The Group Action Standards serve as action standards for the Corporate Officers and employees of the Group to act in compliance with laws and regulations, the Articles of Incorporation and social norms.
- 2) In order to ensure strict compliance with 1) above, the Compliance Department supervises compliance efforts on a cross-sectional manner and provides training, etc. for the Corporate Officers and employees of the Group.
- 3) The Representative Directors, Executive Directors, and Executive Officers of the Group define internal control through means such as establishment of the Primary Business Administration Rules, in order to ensure appropriate execution of business at each business division.
- 4) The Audit Department audits the subsidiaries on a regular basis and cooperate with business divisions that oversees the business of each company within the Group. The results of such audits are reported to the Representative Director/President
- 5) While respecting the autonomy and independence of the management of the subsidiaries, in

order to contribute to the proper and effective operation of the group management, the Company establishes the Affiliate Companies Management Rules. When the subsidiaries make decision on important managerial matters, the Company establishes a system in which prior approval, prior adjustment and reporting are made to us in accordance with the Affiliate Companies Management Rules.

- 6) As for transactions between the Company and its subsidiaries (including transactions between subsidiaries), in accordance with the Affiliate Companies Management Rules, the Company ensures that such transactions are not significantly advantageous or disadvantageous compared to transactions with a third party and establishes a system in which transparency of transactions is ensured such as confirmation with experts as necessary.
- 7) With regard to the risk management conducted by the subsidiaries as a corporate group, the Company grasps the status thereof and establishes a system in which the Company provides instructions for improvement.
- 8) The Company establishes compliance point of contact and a system to allow all employees of the Group to directly report an incident within and outside the Group, and the Company establishes the Group's Whistleblower Protection Rules and ensures that the Corporate Officers and employees of the Group are fully aware of these rules. The Company does not dismiss or unfavorably treat any person who has been a whistleblower.
- 9) For cases of any violation of laws, regulations and/or internal rules, etc. or if any threat thereof occurs or is revealed in the Company or its subsidiaries, the Company establishes a system in which the foregoing is reported to the Company's Compliance Department.
- 10) The Group, as a member of society, has no relationship, including business relationship, with any anti-social force that threatens the social order or safety and uncompromisingly deal with any undue claims. The Group's Action Standards stipulate how to deal with anti-social forces in the Action Standards, and the Company ensures that how to deal with anti-social forces are made fully aware throughout the Group. The General Affairs Department of the Company collects and manages information on undue claims, thereby reducing risks concerning anti-social forces.
- 11) The Group establishes a system to ensure the reliability of financial reporting and establishes relevant rules as well as a system under which responsible sections and the audit section are able to periodically evaluate the operations of the system to find and solve problems, if any. In addition, the Group provides training and raise awareness of compliance with accounting

standards and related laws and regulations, thereby reinforcing internal control over financial reporting.

- 12) As for foreign subsidiaries, the Company causes such subsidiaries to establish and operate appropriate internal control in accordance with this policy to a reasonable extent. The Company causes such subsidiaries to apply respective internal control procedures/systems and accounting processing/reporting methods established by the Company to the extent permitted by the laws, etc. of each relevant country.

7. Matters concerning the employees assisting the Audit & Supervisory Board Members to execute their duties, matters concerning the independence of such employees from the Board of Directors, matters concerning ensuring the effectiveness of instructions toward such employees

- 1) The Company assigns staff for the Audit & Supervisory Board Members as employees assisting the Audit & Supervisory Board Members in the execution of their duties.
- 2) The number of staff for the Audit & Supervisory Board Members is determined upon consultation with the Audit & Supervisory Board.
- 3) The staff for the Audit & Supervisory Board Members dedicates all of their work time for the Audit & Supervisory Board and assists its auditing activities exclusively pursuant to instructions of the Audit & Supervisory Board.
- 4) The Company obtains prior approval from the Audit & Supervisory Board upon nomination, personnel change, evaluation and disciplinary punishment of the staff for the Audit & Supervisory Board Members and establishes a system in which the independence from the Board of Directors is ensured.

8. System for reporting by the Directors and employees of the Company and its subsidiaries to the Audit & Supervisory Board Members and other systems for reporting to the Audit & Supervisory Board Members, system for ensuring that any person making such report will not be subject to unfavorable treatment due to the fact of making such report

- 1) The Audit & Supervisory Board Members attend the Board of Directors' meetings and the representative(s) of the Audit & Supervisory Board attend meetings of the Management Strategy Committee and Corporate Executive Committee.
- 2) The Directors report the following matters to the Audit & Supervisory Board:
  - (1) Matters resolved at meetings of the Management Strategy Committee;
  - (2) Matters that may inflict material damage to the Group;
  - (3) Matters important to business conditions each month;

- (4) Important matters concerning the status of internal audits and risk management;
- (5) Material violations of laws or regulations or the Articles of Incorporation;
- (6) Matters in violation of the Group's Action Standards; and
- (7) Status of whistleblowing made to the compliance point of contact and the details thereof.

- 3) If the Audit & Supervisory Board Members determine necessary, the Audit & Supervisory Board Members may request the Directors, Executive Officers and employees, or any of the Company's subsidiaries' Directors, Audit & Supervisory Board Members, Executive Officers and employees to report to the Audit & Supervisory Board Members at any time.
- 4) The Company ensures that any person who makes a report to the Audit & Supervisory Board Members will not be subject to dismissal or suffer any other unfavorable treatment due to the fact of making such report.

9. Other systems to assure effective audits by the Audit & Supervisory Board Members

- 1) In principle, the majority of the Audit & Supervisory Board Members are Outside Audit & Supervisory Board Members in order to secure transparency externally.
- 2) The Company provides opportunities for the Audit & Supervisory Board to have individual hearings with the Representative Directors, the Executive Directors, the Executive Officers and important employees, and the Audit & Supervisory Board regularly hold meetings to exchange opinions with the Representative Directors and the audit firm, respectively.
- 3) The Audit & Supervisory Board Members may assign matters necessary for auditing activities to the staff of the Audit Department. The Audit Department, upon consultation with the Audit & Supervisory Board, conducts internal audits of the matters requested by the Audit & Supervisory Board Members and reports the results thereof to the Audit & Supervisory Board.
- 4) When conducting audits, the Audit & Supervisory Board may, as necessary and at the expense of the Company, retain legal and accounting experts.

**2. Basic Views and Implementation Status of Eliminating Anti-Social Forces**

The Group, as a member of society, has no relationship, including business relationship, with any anti-social force that threatens the social order or safety and uncompromisingly deal with any undue

claims. The Group's Action Standards stipulate how to deal with anti-social forces in the Action Standards, and the Company ensures that how to deal with anti-social forces are made fully aware throughout the Group. The General Affairs Department of the Company collects and manages information on undue claims, thereby reducing risks concerning anti-social forces.

## V. Others

### 1. Adoption of Anti-Takeover Measures

Adoption of Anti-Takeover Measures	Adopted
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#### Supplementary Explanation

1. Fundamental policy on party who controls determination of the Company's financial and business policies:

The shares of the Company may be transferred freely, in principle, and they are traded freely and actively by many investors on the stock market. Hence, free trading of the shares of the Company determines who will control the determination of its financial and business policies. Therefore, in the event that the Company is offered a proposal of a large purchase of shares of the Company which is sufficient to control the determination of its financial and business policies, the Company believes that the decision on whether to vote for or against such proposal must, in the end, depend on the free will of the shareholders.

On the other hand, the Company desires to contribute to society through the stable supply of safe and trusted products to its customers and clients and the materialization of a rich eating life for its customers. The Company believes that any party who controls the determination of its financial and business policies must maintain trustful relationships with various stakeholders and also maintain and enhance the corporate value and common interests of the shareholders of the Company. Therefore, the Company believes that any party who engages in an inappropriately large purchase action or any similar action that may prejudice the corporate value and common interests of the shareholders of the Company is not appropriate to be a party who controls the determination of its financial and business policies.

2. Specific details concerning efforts to prevent the Company's financial and business policies from being controlled by an inappropriate party in light of the Fundamental Policy

The Company has adopted a prior-warning type rights plan (the "Plan") with approval from the shareholders at the 70th General Meeting of Shareholders held on June 25, 2015. The effective term of the Plan is until the general meeting of shareholders to be held in June 2018.



In the case where a large-scale purchase offer is made toward shares of the Company, the Board of Directors considers that it is important for the Board of Directors to secure sufficient information on the large purchase action and to provide shareholders with information in a timely and appropriate manner to enable us to determine whether such large purchase action will contribute to maximizing the corporate value of the Company and the common interests of shareholders as well as to enable shareholders to evaluate such large purchase action. The purpose of the Plan is to secure the collection of information and a review period for large purchase actions, negotiation with large-scale purchasers and opportunities to present alternative proposals as the Board of Directors.

The Plan is intended to cover large purchase actions of shares of the Company that subject shares representing 20% of voting rights or more. If such action is recognized, the Board of Directors will request the large-scale purchasers to provide information, and, at the same time, upon consideration of such information, etc., the Board of Directors will evaluate such purchase action, carefully form and publicly announce the opinions of the Board of Directors and present alternative proposals as necessary.

The countermeasures under the Plan are determined by the Board of Directors after the Corporate Value Enhancement Committee, consisting of the outside committee members who are independent from the Company, evaluates such purchase action and makes a recommendation to the Board of Directors on whether or not to exercise countermeasures. In light of the content, form and method of the large purchase action, the Company allocates shares without contribution with a partial acquisition clause as an exercise of countermeasures only when the corporate value of the Company and the common interests of shareholders are likely to be damaged if no countermeasures are otherwise exercised.

With regard to the exercise of countermeasures, if the Corporate Value Enhancement Committee makes a recommendation that it is necessary to confirm the intention of the shareholders, the Board of Directors determines whether or not to exercise countermeasures after convening a general meeting of shareholders in which the intention of the shareholders is confirmed.

## **2. Other Matters Concerning the Corporate Governance System**

The Company strives to make timely and appropriate disclosure of important corporate information by way of the procedures specified below, in accordance with the Corporate Information Management Rules, which are the Company's internal rules established to protect and secure trust from investors under the philosophy that management of the "occurrence of facts" is the "essence of information management." In fact, twelve (12) items are defined as the "Extraordinary Events" in the Corporate Information Management Rules (please see "Note" below), and in the case of occurrence of any such event at the Company and its Group companies, all of the information is collected (through the

Compliance Department which is the contact office for collection of information) and presented to the Representative Director/President who is the general manager in charge of information management. A system has been established which enables timely and appropriate disclosure at all times. The “determined facts” and “account settlement information” are reported to the Representative Director/President and disclosed in a timely and appropriate manner without delay after approval of the Board of Directors.

(Note) An Extraordinary Event means:

- (1) Damage due to natural disaster;
- (2) Damage due to industrial accident (an accident which causes a worker to be absent from his/her work for four (4) days or more or causes loss or injury to a worker’s body) or damage due to a commuting accident;
- (3) Damage due to accident;
- (4) Work-related damage;
- (5) Likelihood of lawsuit;
- (6) On-site inspection, order, recommendation, disposition, etc. by supervisory authorities or government offices;
- (7) Financial difficulty of any business partner;
- (8) Uncollectable or delayed receivables;
- (9) Suspension of transactions with any business partner;
- (10) Undue claims from an organization or individual that appears to be an anti-social force;
- (11) In addition to the above, any matter likely to infringe upon laws, regulations, etc.; or
- (12) In addition to the above, any matter requested by local residents or matter likely to cause trouble in terms of social norms.

Procedures for timely and appropriate disclosure of important corporate information

- (1) An “Extraordinary Event” occurs at workplace;
- (2) The “manager in charge of information management” at the department where such Extraordinary Event has occurred prepares a “report on significant matters” and promptly report to the Corporate Officer in charge and the Compliance Department;
- (3) The Corporate Officer in charge and the Compliance Department promptly confirm the facts;
- (4) The Compliance Department confirms the details of the “Extraordinary Event” and promptly requests the “manager in charge of information management” to confirm whether it is necessary to disclose information thereon;
- (5) If the “person in charge of handling information” has received a request, he or she, as necessary, seeks opinions from outside experts (such as the stock exchange, attorneys, the Kanto Local Finance Bureau, certified public accountants and financial institutions with which the Company has transactions) and informs the Compliance Department on whether it is necessary to disclose

relevant information;

- (6) If the Compliance Department is informed that it is necessary to disclose relevant information, it reports such “important facts” to the Board of Directors or the Management Strategy Committee;
- (7) The “general manager in charge of information management” (i.e., the Representative Director/President) instructs the “person in charge of handling information” to disclose the “important facts”; and
- (8) The Company discloses the information to the stock exchange (if it is necessary to submit an Extraordinary Report under the Financial Instruments and Exchange Act at the same time, such Extraordinary Report is submitted to the Kanto Local Finance Bureau).

