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NH Foods Ltd.

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President and

Representative Director

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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 NH Foods 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]

(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 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.

### **[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 “NH Foods Group Fundamental Policy on Corporate Governance” setting forth its basic views on and framework of corporate governance of the Company.

“NH Foods Group Fundamental Policy on Corporate Governance”

(Japanese) [https://www.nipponham.co.jp/ir/policy/pdf/20181214\\_01.pdf](https://www.nipponham.co.jp/ir/policy/pdf/20181214_01.pdf)

(English) [https://www.nipponham.co.jp/eng/ir/policy/pdf/201801214\\_01.pdf](https://www.nipponham.co.jp/eng/ir/policy/pdf/201801214_01.pdf)

In addition, please see the following status of the Company’s response to the 78 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) [https://www.nipponham.co.jp/ir/policy/pdf/20181214\\_02.pdf](https://www.nipponham.co.jp/ir/policy/pdf/20181214_02.pdf)

(English) [https://www.nipponham.co.jp/eng/ir/policy/pdf/20181214\\_02.pdf](https://www.nipponham.co.jp/eng/ir/policy/pdf/20181214_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 the benefit of holding shares, 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 implement disposal of such shares accordingly in consideration of the stock price and market trends.

Under this policy, in the previous consolidated fiscal year, there was one acquisition in a capital and business alliance, but five (5) cases of disposal were implemented.

The total market value of cross-shareholdings of the Company as of the end of the second quarter of the fiscal year ending March 31, 2019 is 29 billion yen and we recognize that the proportion of the cross-shareholdings is not high because of it is approximately only 3.9 percent of the consolidated total asset of the Company, but we will continue to periodically review all issues of our equity investments and proceed to reduce cross-shareholdings.

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 major shareholders, the Directors or Executive Officers and 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 2-6) Demonstrating the Function as the Asset Owner of the Company Pension

We manage a reserve fund of the corporate pension through NH Foods Pension Fund and establishes board of representatives, executive board and pension fund management committee within such pension fund. The pension fund management committee meetings held quarterly are attended by representatives of our financial department as well as an external consultant who possesses professional knowledge on management of reserve funds. At the meetings, the basic policy of the management, selection of invested products, and monitoring of the management status are carried out.

In addition, the management of the reserve fund of this pension fund is outsourced to one or more domestic or foreign management institutions, and the selection of each investment product and exercise of voting rights are all entrusted to each management institution so that there is no conflict of interests between the beneficiary of the corporate pension and each company.

(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:

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

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

<https://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:

<https://www.nipponham.co.jp/ir/policy/plan.html>

[https://www.nipponham.co.jp/eng/ir/library/briefing\\_session/pdf/2015/20150513.pdf](https://www.nipponham.co.jp/eng/ir/library/briefing_session/pdf/2015/20150513.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 as stated in "I. Basic Views on Corporate Governance, Capital Structure, Corporate Profile and Other Basic Information", "1. Basic Views" of this Report.

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/Removing Senior Management and Nominating Candidates for Directors and Audit & Supervisory Board Members

(1) Policies, Procedures, etc. for Nomination and Appointment

Candidates for the Directors, Audit & Supervisory Board Members, and Executive Officers must meet the requirements for executives who would contribute to realizing the corporate philosophies (Integrity, Devotion, Deliberation, Endeavor and Empathy) and should have appropriate extensive experience, deep insight, and high degree of expertise.

(i) President and Representative Director

With respect to the appointment of the President and Representative Director, the Executive Appointments Committee evaluates and discusses an individual with suitable performance, qualification and personal magnetism as the representative of the Group, and puts together a candidates recommendation proposal and submits a recommendation to the Board of Directors. The Board of Directors appoints the President and Representative Director after the deliberation, having regard to the recommendation of the Executive Appointments Committee.

(ii) Directors

The Board of Directors of the Company nominates candidates for Directors while taking into consideration of a good balance among the appointed Directors with diverse knowledge, experience and skills regardless of gender, nationality, ethnicity, sexual orientation etc., in order to fulfill their roles and discharge their responsibilities required as the Board of Directors and to maintain the diversity of the Board of Directors as a whole.

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.

(iii) Audit & Supervisory Board Members

The Board of Directors nominates candidates for Audit & Supervisory Board Members aiming at a good balanced appointment of an Audit & Supervisory Board Member with diverse knowledge, experience and skills.

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.

(iv) Executive Officers

The President and Representative Director selects candidates of Executive Officers based on various aspects, such as skills, experience and performance, and those who are knowledgeable about our business, etc. The Board of Directors makes an appointment after discussing the reasons for selection.

(2) Procedure of Dismissal/Removal etc.

(i) President and Representative Director

If the President and Representative Director engages in any fraud or serious violations of laws, regulations or compliance, etc., in its performance of its duties, the President and Representative Director is dismissed by resolution of the Board of Directors having regard to the discussion in the Executive Appointments Committee.

(ii) Executive Directors and Executive Officers

If the Executive Directors and Executive Officers engage in any fraud or serious violations of laws, regulations or compliance, etc., in their performances of their duties, the Executive Directors are dismissed and the Executive Officers are removed by resolution of the Board of Directors having regard to the discussion in the Executive Appointments Committee.

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 18 of the Convening Notice of the 73<sup>rd</sup> Ordinary General Meeting of Shareholders and on pages 43 to 47 of the Securities Report for the 73<sup>rd</sup> Term, which are published on our website at the following URLs:

[https://www.nipponham.co.jp/eng/ir/events/generalmeeting/pdf/notice\\_180604\\_01.pdf](https://www.nipponham.co.jp/eng/ir/events/generalmeeting/pdf/notice_180604_01.pdf)

[https://www.nipponham.co.jp/ir/library/report/pdf/y\\_2018.07.pdf](https://www.nipponham.co.jp/ir/library/report/pdf/y_2018.07.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: The Matters to be Resolved by the Board of Directors in the Fundamental Policy on Corporate Governance, for 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 “Section 2 Organization, 2. President and Representative Director, Directors, Board of Directors, (4) 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 20 to 21 of the Convening Notice of the 73<sup>rd</sup> Ordinary General Meeting of Shareholders and on pages 43 to 47 of the Securities Report for the 73<sup>rd</sup> Term, which are published on our website at the following URLs:

[https://www.nipponham.co.jp/eng/ir/events/generalmeeting/pdf/notice\\_180604\\_01.pdf](https://www.nipponham.co.jp/eng/ir/events/generalmeeting/pdf/notice_180604_01.pdf)

[https://www.nipponham.co.jp/ir/library/report/pdf/y\\_2018.07.pdf](https://www.nipponham.co.jp/ir/library/report/pdf/y_2018.07.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 Corporate Communication 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 Corporation Communication 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 divulgation of any insider information.

## 2. Capital Structure

|                            |             |
|----------------------------|-------------|
| Foreign Shareholding Ratio | 20% or more |
|----------------------------|-------------|

### [Status of Major Shareholders]

| Name / Company Name   | Number of Shares Owned | Percentage (%) |
|---|------------------------|----------------|
| The Master Trust Bank of Japan, Ltd. (Trust account)                      | 25,458,000             | 11.84          |
| Japan Trustee Service Bank, Ltd. (Trust account)                          | 15,205,000             | 7.07           |
| The Hyakujushi Bank, Ltd.   | 7,537,253              | 3.51           |
| Meiji Yasuda Life Insurance Company                                       | 7,354,576              | 3.42           |
| The Norinchukin Bank  | 5,926,838              | 2.76           |
| Nippon Life Insurance Company   | 5,570,075              | 2.59           |
| The Bank of Tokyo-Mitsubishi UFJ, Ltd.                                    | 5,494,834              | 2.56           |
| Sumitomo Mitsui Banking Corporation                                       | 4,650,219              | 2.16           |
| STATE STREET BANK WEST CLIENT-TREATY 505234                               | 4,632,303              | 2.15           |
| Trust & Custody Services Bank, Ltd. (Securities investment trust account) | 3,323,000              | 1.55           |

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

### Supplementary Explanation

1. The information is reported as of March 31, 2018.
2. “MUFG Bank, Ltd.” changed its business name to “MUFG Bank, Ltd.” As of April 1, 2018
3. The Company, as of April 1, 2018, carried out the share consolidation making every two (2) ordinary



shares into one (1) ordinary share and the number of share constituting one share unit of the Company was changed from one thousand (1,000) shares to one hundred (100) shares.

4. In the Report of Possession of Large Volume (Change Report) made available for public inspection dated October 19, 2017, Nomura Securities Co., Ltd. and two (2) other joint holders are reported as the shareholders as of October 13, 2017, 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 has not been able to be confirmed by the Company as of March 31, 2018.

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

Nomura Securities Co., Ltd. and two (2) other companies/13,370 thousand shares/6.19%

5. In the Report of Possession of Large Volume made available for public inspection dated January 5, 2018, Mitsubishi UFJ Financial Group, Inc. (filed by MUFG Bank, Ltd. and three (3) other joint holders thereof) is reported as the shareholder as of December 25, 2017. While 5,494 thousand shares held by MUFG Bank, Ltd. is described in in the above “Status of Major Shareholders”, the shareholdings by the other three (3) shares have not been taken into account in the above “Status of Major Shareholders,” as the number of shares substantially held as of March 31, 2018 has not been able to be confirmed by the Company.

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

MUFG Bank, Ltd. and three (3) other companies/17,848 thousand shares/8.34%

### 3. Corporate Attributes

|   |                                       |
|---|---------------------------------------|
| Listed Stock Market and Market Section  | Tokyo Stock Exchange<br>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              |

### 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

|   |
|---|
| - |
|---|

## 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 |
|-------------------|--|

#### [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 |  |
| Yasuko Kouno | Otherwise |                                |   |   |   |   |   |   |   |   |   |   |  |
| 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

- Executive of the Company or its subsidiaries
- Non-executive director or executive of a parent company of the Company
- Executive of a fellow subsidiary company of the Company
- A party whose major client or supplier is the Company or an executive thereof
- Major client or supplier of the listed company or an executive thereof
- 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*
- Major shareholder of the Company (or an executive of the said major shareholder if the shareholder is a legal entity)
- 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   |
|--------------|-------------------------------------|--|--|
| 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 NH Foods 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. |
| Yasuko Kouno | ✓                                   | Ms. Kouno 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. Kouno is suitable as an Outside Director because she has outstanding experience and knowledge about consumer issues. 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.   |

|   |             |
|---|-------------|
| Voluntary Establishment of Committee(s) Corresponding to Nomination Committee or Remuneration Committee | Established |
|---|-------------|

Committee's Name, Composition, and Attributes of Chairperson

|                       | Committee Corresponding to<br>Nomination Committee | Committee Corresponding to<br>Remuneration Committee |
|-----------------------|--|--|
| Committee's Name      | Executive Appointments<br>Committee                | Compensation Committee                               |
| All Committee Members | 5  | 5  |
| Full-time Members     | 0  | 0  |
| Inside Directors      | 2  | 2  |
| Outside Directors     | 2  | 2  |
| Outside Experts       | 0  | 0  |
| Others                | 1  | 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 one person indicated in the "Others" section is an Independent Audit & Supervisory Board Member.

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 Board Members Stipulated in Articles of Incorporation | 5           |
| Number of Audit & Supervisory Board Members   | 4           |

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 has meetings with the Accounting Auditor on a regular basis.
- (2) The Audit & Supervisory Board confirms the audit schedule of the Accounting Auditor so that there will be sufficient time for audits by the Accounting Auditor.

- (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 "Implementation 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 receive periodical reports for the appropriateness, etc. of findings indicated in the audit results and discuss about them.
- (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 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.  |

**[Independent Directors/ Audit & Supervisory Board Members]**

Number of Independent Directors/ Audit & Supervisory Board Members

5

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.

"Criteria for the Independence of Outside Officers"

If any Outside Officer or any candidate for Outside Officer is judged not to satisfy any of 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:

1. The Outside Officer or candidate for Outside Officer is , or has been, a Director (excluding an Outside Director), Executive Officer, Corporate Officer, or employee (hereinafter referred to as an "Executive") of the Company or any of its subsidiaries or equity method affiliates (the " NH Foods Group"), currently or in the past;
2. The Outside Officer or candidate for Outside Officer has been a leading shareholder (Note 1) or an Executive of the Company, or an Executive of any company which the NH Foods Group is its leading shareholder, currently or in the past 5 years;
3. The Outside Officer or candidate for Outside Officer has been a person or entity which principal trade partner (Note 2) has been the NH Foods Group or an Executive thereof, or a principal trade partner of the NH Group or an Executive thereof, currently or in the past 5 years;
4. The Outside Officer or candidate for Outside Officer is a recipient of a donation of 10 million yen or more from the NH Foods Group for the current fiscal year (if the recipient of the donation is a corporate body, partnership or other entity, any individual who belongs to such entity), currently or in the past 5 years;
5. The Outside Officer or candidate for Outside Officer is an attorney, certified public accountant or any of various providers of consulting and other professional services who receives remuneration of 10 million yen or more, other than as the officer's remuneration, from the NH Foods Group for the current fiscal year (if the provider of the service is a corporate body, partnership or other entity, any individual who belongs to such entity), currently or in the past 5 years;
6. (1) In determining the independence of an Outside Director, the Outside Officer or candidate for Outside Officer is a spouse or a relative within the third degree of kinship of any important individual



(Note 3) corresponding to any of 1 through 5 above,

(2) In determining the independence of an Outside Audit & Supervisory Board Member, the Outside Officer or candidate for Outside Officer is any important individual (Note 3) corresponding to any of 1 through 5 above, or a spouse or a relative within the third degree of kinship of a Director (including Outside Director) or accounting advisor of NH Foods Group, currently or in the past; and

7. The Outside Officer or candidate for Outside Officer is an Executive of a company with a relationship of interlocking outside officers" (Note 4).

(Notes)

1. "Leading shareholder" means any person holding, directly or indirectly, 10% or more of the total voting rights.
2. "Principal trade partner" means a entity or person whose amount of money paid or received in its trading with the Group is 2% or more of net sales of the NH Foods Group or the client on a consolidated basis.
3. "Important individual" means Executive Director, Executive Officer, Corporate Officer or employee assigned to the post of a general manager or a higher post for 1 through 4 above, and includes public accountants belonging to each auditing firm and lawyers belonging to each law firm for 5 above.
4. "Relationship of interlocking outside officers" means to accept the dispatching of any Executive as the Outside Officer from a company that any Executive of NH Foods Group is currently serving as an outside officer.

### **[Incentives]**

|                                  |                                 |
|----------------------------------|---------------------------------|
| Incentive Policies for Directors | Performance-linked Compensation |
|----------------------------------|---------------------------------|

### **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 (net sales, operating income, ROE and ROIC) and attainment level of individually established goal (management issues, etc.).

|                             |  |
|-----------------------------|--|
| Recipients of Stock Options |  |
|-----------------------------|--|

|                           |
|---------------------------|
| Supplementary Explanation |
|---------------------------|

|   |
|---|
| - |
|---|

**[Director Compensation]**

|  |                          |
|--|--------------------------|
| Disclosure of Individual Directors' Compensation | No Individual Disclosure |
|--|--------------------------|

|                           |
|---------------------------|
| 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 |
|---|-------------|

|  |
|--|
| Disclosure of Policy on Determining Compensation Amounts and Calculation Methods |
|--|

|  |
|--|
| <p>Policy of Determination of the Compensation, etc., and the Method of Calculation</p> <p><u>Basic Policy on Director and Audit &amp; Supervisory Board Member</u></p> <p>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 &amp; Supervisory Board Member.</p> <p>NH Foods Ltd. ensures that directors' and Audit &amp; 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.</p> <p><u>Summary of Compensation of the Directors:</u></p> <p>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.</p> <p>(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</p> |
|--|

annual business performance (net sales, operating income, ROE and ROIC) and attainment level of individually established goal (management issues, etc.).

(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 23 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 three (3) 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.

**[Details of Advisors, etc. Who Are Former President and Representative Directors, etc.]**

Name: -

Position: -

Duty/Role: -

Work Arrangement/Conditions: -

Retire Date from the Position: -

Term: -

**[Total Number of Advisors, etc. Who Are Former President and Representative Directors, etc.]**

Nil.

**[Other Matters]**

Whist the Company has its rule for advisors for former representative directors, currently there is no such advisor appointed. The Company's advisors will advise for the Company's business and be consulted with important matters, and our relevant internal rule provides that advisor's appointment by the Board of Directors, term(1 year), duty/role and compensation, etc.

## **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 is not less than three (3) and be up to twelve (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 the Company appoints multiple Outside Directors. Currently, out of ten (10) Directors, two (2) of them are Outside Directors; the Directors are comprised of nine (9) males and one (1) female. In addition, 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 not less than three (3) and up to 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. Currently, out of four (4) Audit & Supervisory Board Members, three (3) of them are Outside Audit & Supervisory Board Members; the Audit & Supervisory Board Members are comprised of four (4) males.

The Audit & Supervisory Board includes the Audit & Supervisory Board Members who have appropriate expertise and knowledge in finance, accounting or/ legal and in particular appoints one or more specialist

with sufficient knowledge in finance or accounting.

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.

[https://www.nipponham.co.jp/ir/policy/pdf/20180626\\_01.pdf](https://www.nipponham.co.jp/ir/policy/pdf/20180626_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 President and Representative Director 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 President and Representative Director. 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 as necessary, 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. The committees marked as \* below have advisory function to the Board of Directors.

(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 President and Representative Director/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 promoting 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.

(Corporate Value Enhancement Committee\*)

With the purpose of advising the Board of Directors from a position of uninterested party, for improving the Group's corporate value, from a viewpoint of ensuring and enhancing the corporate value of the Group and joint interests of the shareholders, this committee is held at least four (4) times in a year.

(CSR Promotion Committee\*)

In order for the Group to contribute to the society as a corporate citizen, this committee was newly established in April 2018, with the purpose of considering initiatives toward CSR in a comprehensive manner from the aspects of environment, society and governance, and reporting and advising to the Board of Directors. This committee is composed of appointees by the President and Representative Director among Directors and Executive Officers, and the meetings are to be held at least once a quarter

of a year.

(Internal Control/JSOX Committee)

This committee conducts the evaluation of the effectiveness of internal control of the Group as a whole and the evaluation of the effectiveness of internal control relating to the business processes, and 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: discussion and deliberation by the Board of Directors, the Management Strategy Committee, the Investment & Finance Committee, the Corporate Governance Committee, etc. with their clarified decision-making authorities; recommendations to the Board of Directors by seven (7) Committees (referring to the committees marked as \* among the committees as stated in “II. Business Management Organization and Other Corporate Governance Systems regarding Decision-making, Execution of Business, and Oversight in Management”, “2. Matters on Functions of Business Execution, Auditing, Oversight, Nomination and Compensation Decisions (Overview of Current Corporate Governance System”, “(2) Specific Policies in the Case Where Processes Toward Improvement of Business Execution and Enhanced Supervisory Function Have Been Introduced”, of this Report.); and audits by the Audit & Supervisory Board Members, internal audits, quality audits, environmental audits and the Compliance Department’s monitoring.

The Company has, at the Board of Directors, one or more members of Outside Directors and 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 composition of the Board of Directors includes several Outside Directors who satisfy the following criteria, in order to ensure the transparency of the management:

- 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> |

#### 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 "NH Foods Group Fundamental Policy on Corporate Governance".   |  |
| Regular Briefing Sessions for Individual Investors                 | They were held seven (7) times during the period between April 1, 2017 and March 31, 2018.  | Yes  |
| Regular Briefing Sessions for Analysts and Institutional Investors | They are held four (4) times annually. The President and Representative Director attends two (2) of such briefing sessions.   | Yes  |
| Regular Briefing Sessions for Overseas Investors                   | They are held several times annually. (Carrying out overseas roadshows and participation in conferences where overseas investors also participated, etc.)                                       | 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> </ul> |  |

|  |   |  |
|--|---|--|
|  | <ul style="list-style-type: none"> <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 Office 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 “NH Foods Group Global Action Standards” and the “NH Foods Group Fundamental Policy on Corporate Governance”.   |
| (b) Implementation of Environmental Activities, CSR Activities etc.                  | Certified to ISO14001 (The number of certified offices: 28 certified domestic and overseas locations), preparation of CSR Communication Reports, conducting of factory tours targeting general visitors and engaging in food education activities, office visit arrangements for students and providing “visiting lectures” for schools to which employees are sent, management of the website “Food 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 “ <i>Minna no mori</i> ” activities , activities to restore coral reefs and other activities.  |
| (c) Foundation of policies, etc. related to provision of information to stakeholders | Described in Sections 4 and 5 of “NH Foods 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 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> |

|   |  |   |
|---|--|---|
|   | [Efforts for promotion of women to executive and managerial positions]   |   |
|   | <ul style="list-style-type: none"> <li>Establishing and implementing a plan at each group company to support the success of women in the workplace</li> </ul>  |   |
|   | [Efforts for reforming awareness of all executives and employees]  |   |
|   | <ul style="list-style-type: none"> <li>Seminars on diversity have been held in Tokyo and Osaka annually since 2004</li> </ul>  |   |
|   | [Creating a mechanism for allowing women to continue working]  |   |
|   | <ul style="list-style-type: none"> <li>Efforts have been made to acquire the next-generation support certification logo “<i>Kurumin</i>” (the action plan to support the development of the next generation) at each group company.</li> </ul> |   |
|   | End of the fiscal year ending in March 2004  | End of the fiscal year ending in March 2018 |
| Percentage of women in managerial positions in the Group<br>[(:non-consolidated)] | 0.5% (0.3%)  | 2.3% (3.4%)                                 |
| Percentage of female employees in the Group<br>[(:non-consolidated)]              | 12.9% (9.7%)   | 19.5% (19.7%)                               |

#### 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 “NH Foods Group Global 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 “NH Foods Group Global 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 “NH Foods Group Global 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 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) In addition to enacting risk management rules and establishing a Risk Management Committee in order to examine policies and measures concerning risk management of the Group as a whole in a comprehensive manner, the Company regards the Compliance Department as the department which manages overall risks of the Group and defines the risk management system.
- 2) The Compliance Department cooperates with 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 Compliance Department 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 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 Group's employees complies 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 "NH Foods Group Global 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) "NH Foods Group Global 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 points of contact and sets up the system by which all the employees in the Group can directly report to in-house consultation points of contact and external consultation points of contact. In addition, the Company establishes the “NH Foods Group Whistleblowing Rules” and ensures that all Corporate Officers and employees of the Group are fully aware thereof. Further, the Company does not dismiss or unfavorably treat any person who has made such reports.
- 9) In accordance with “NH Foods Group Whistleblowing Rules”, the Company establishes a consultation point of contact to which reports are to be made regarding the Corporate Officers in order to promote a report in respect of violation of laws or frauds, etc by the Corporate Officers in the Group.
- 10) 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.

- 11) 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 Company provides the way how to deal with anti-social forces in the "NH Foods Group Global 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.
- 12) 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.
- 13) 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 procedures, systems and accounting processing/reporting methods for internal control 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 "NH Foods Group Global 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.
- 5) The Audit & Supervisor Board investigates facts in respect of reports regarding violation of laws or frauds, etc. by the Corporate Officers. Audit & Supervisory Board may instruct that an investigation team be established addition members from relevant departments as necessary and it investigate the facts.
- 6) The Corporate Officers and employees of the Group must cooperate with the Audit & Supervisory Board or its investigation team if they are requested to cooperate with the investigation.
- 7) The Audit & Supervisor Board must report to the Board of Directors, etc. if fraud, etc. was revealed as a result of the investigation. The Company must promptly make corrective actions and recurrence prevention measures, if fraud, etc. was revealed as a result of the investigation.

## **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 Company provides the way how to deal with anti-social forces in the “NH Foods Group Global 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 has collected and managed information on undue claims, thereby reducing risks concerning anti-social forces.

## V. Others

### 1. Adoption of Anti-Takeover Measures

|                                    |             |
|------------------------------------|-------------|
| Adoption of Anti-Takeover Measures | Not adopted |
|------------------------------------|-------------|

#### Supplementary Explanation

The Company introduced a rule, with a resolution of a shareholders' meeting, that required a shareholder who attempted to purchase shares in the Company resulting in twenty percent (20%) or more of the total number of outstanding shares, to provide information to confirm whether such purchase is consistent with the Company's corporate value and thus the common interest of the shareholders. However, the rule was abolished at the expiry of its effective term when the ordinary general meeting of shareholders held in June 2018 was concluded.

### 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, ten (10) 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 and sudden accidents;
- (2) Damage due to industrial accident or damage due to a commuting accident (an accident which causes a worker's death or loss of a part of a worker's body);
- (3) Damage relating to human resources or labors;
- (4) Work-related damage;
- (5) Likelihood of lawsuit;
- (6) On-site inspection, order, recommendation, disposition, etc. by supervisory authorities or government offices;
- (7) Material facts occurred to any business partner;

- (8) Abnormality of products;
- (9) Insider tradings; or
- (10) In addition to the above, any matter which may violate laws, etc. or may cause trouble in light of social standards.

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; and also promptly report to the Quality Assurance Department if material issues relating to abnormality of products occurred;
- (3) The Corporate Officer in charge, the Compliance Department and the Quality Assurance 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” 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).

