

(Translation)

Nipponham Group

Fundamental Policy on Corporate Governance

Enacted on November 11, 2015

Section 1 General Rules

1. Basic Views on Corporate Governance

- (a) In order to establish a corporate governance system which Nipponham Group (the “Group”) considers most appropriate and in order to make such system functional so that NH Foods Ltd. (“we”, “us”, “our” or the “Company”) is able to exercise social responsibility of the Group and realize a vision of the Group as the “World Leader in Delivering the "Joy of Eating"”, we present our basic views on corporate governance of the Group and continuously strive to enhance it.
- (b) 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.

2. The NI and the Group Brand Pledges

Concurrently with presenting the systematic structure that the Group should take on, we also present the NI (Nipponham Group Identity), which represents the identity and uniqueness of the Group. Also, in order to realize the corporate philosophies and the vision of the Group, we set the “Group Brand Pledges” as a promise of the entire Group toward all stakeholders with whom the Group has relationships through our brand.

NI (Nipponham Group Identity)

Corporate Philosophies

1. Under the basic theme of “Joy of Eating”, our company creates a culture that marks an epoch and contributes to society.
2. Our company is a place where employees can feel truly happy and fulfilled.

Management Principles

1. Act with noble ideals and the determination to achieve them.
2. Learn from others, teach others, and be willing to be taught by others.
3. Create the times by meeting the needs of the times.
4. Expand relationships through quality and service, and take responsibility for all people with whom we have relationships.
5. Strive for a highly functional organization.

Action guidelines

The Nipponham Group endeavors to make a contribution to society through food. We take pride in our position as members of the Nipponham Group, and are aware of all that membership entails.

We will:

1. Always maintain a customer-oriented perspective and act accordingly.
2. Show our gratitude for society's trust in us by acting with integrity.
3. Strive to anticipate the changing times and overcome challenges proactively and with courage.
4. Set ourselves challenging goals, and work to achieve them with enthusiasm and ingenuity.
5. Endeavor to develop selves, enhance each other, and join forces to conduct the business of the company.

The Group Brand Pledges

We aspire to share the pleasures of good eating and the joys of health with people around the world.

We pledge to impart the "Joy of Eating" with the greatest of care, through products that reflect our appreciation of the bounty of nature and our uncompromising commitment to quality, and to remain at the forefront in our exploration of food's contribution to a happy and healthy life.

Section 2 Organization

1. Organizational Structure

We choose to be a company with an Audit & Supervisory Board (*kansayaku* board) as an organizational structure under the Companies Act. The Board of Directors makes important management decisions and oversees business operations. The Audit & Supervisory Board Member (*kansayaku*) and the Audit & Supervisory Board (*kansayaku* board), which is independent from the Board of Directors, mainly audit the Directors' execution of duties.

We also establish optional committees as necessary in order to supplement the functions of the Board of Directors in an effort to deliver the management of the Company with higher transparency. Further, we establish the following four (4) optional committees, which consist only of Independent Officers (which refer to outside directors and/or outside Audit & Supervisory Board Members (outside *kansayaku*), who are qualified under the "Criteria for the Independence of Outside Officers" set forth in Attachment 1; this definition applies from hereafter) or whose majority consist of the Independent Officers. The purpose of establishing each optional committee and the members of the optional committees are set forth in "5. Optional Committees" of this section.

- a) Executive Appointments Committee
- b) Compensation Committee
- c) Board of Independent Officers and Representative Directors

- d) Board of Independent Officers

2. Board of Directors

(1) Roles and Responsibilities of the Board of Directors

With the aim to realize the philosophies advocated in the NI and the Group Brand Pledges and in consideration of its fiduciary duties/accountability to our shareholders, the Board of Directors perform its duties to contribute to our sustainable growth and improvement of our corporate value in a mid-to-long term.

- (a) The Board of Directors presents how the Group can provide values that are unique to various stakeholders, sets out important corporate strategies including mid-to-long term business plan, oversees business operations, establishes an internal control system and a risk management system, which support timely and appropriate value judgments in order to assist appropriate risk-taking.

[Disclosure based on Principle 5.2 of “Japan’s Corporate Governance Code” (the “Corporate Governance Code”)]

Please see our website for Part 5 of the new mid-term management plan.

http://www.nipponham.co.jp/eng/ir/library/briefing_session/pdf/2015/20150513.pdf

http://www.nipponham.co.jp/ir/library/financial/pdf/2015/20150511_02.pdf

- (b) 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.

[Disclosure based on the Supplementary Principle 4.1.1 of the Corporate Governance Code]

Please see Appendix 1 for the outline of the matters to be resolved by the Board of Directors.

- (c) The Board of Directors examines progress of a mid-term management plan, analyze the entire mid-term management plan during the last year of the term and provide explanations to our shareholders. Analytical results are reflected in the next mid-term management plan and are utilized for our sustainable corporate growth.

(2) Size/Members of the Board of Directors

- (a) 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.
 - (b) The Board of Directors nominates candidates for Directors of the Company while taking into consideration of a good balance among the appointed Directors with diverse knowledge, experience and skills in order to exercise its roles and responsibilities required as the Board of Directors and to maintain the diversity of the Board of Directors as a whole.
 - (c) The Board of Directors is obligated to understand the rights and positions of stakeholders, recognize the importance of each stakeholder of the Group and reflect them to the Group's corporate strategies. In particular, because the Group strives to provide "Joy of Eating", which we define as the pleasure of good food and joy of health, to people around the world, values of people are most important to the Group. Therefore, the Board of Directors is consisted of the Directors who are able to reflect consumers' perspective to the Board of Directors' decision-making.
 - (d) The members of the Board of Directors include a number of Outside Directors who have the following qualifications to ensure the transparency of the Board of Directors and to complement knowledge, experience and skills of the Board of Directors as a whole:
 - (i) Have 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) Have proper skills to overview and comprehend the Group's management as a whole, to understand essential tasks and risks, and to hear opinions from, express opinions to and convince the Board of Directors and the Management (which refers to the Executive Directors and the Executive Officers; this definition applies from hereafter) timely and appropriately; and
 - (iii) Be independent from our management in light of the "Criteria for the Independence of Outside Officers" provided in Attachment 1.
 - (e) The multiple Outside Directors and Audit & Supervisory Board Members (two full-time Audit & Supervisory Board Members and three Outside Audit & Supervisory Board Members) oversee and supervise the Board of Directors from a standpoint where there is a certain distance from the business operations. The Board of Directors continuously examines the appropriate proportion of the non-Executive Directors within the Board of Directors.
- (3) Operation of and Securing Effectiveness of the Board of Directors

(a) Chairperson of the Board of Directors

The Chairperson of the Board of Directors holds the Board of Directors' meetings so that the Directors are able to discuss openly and constructively and affords the Directors and the Audit & Supervisory Board Members (including the Outside Officers) opportunities to express their opinions in the course of decision-making at the Board of Directors' meetings.

(b) Operation of the Board of Directors

(i) We prescribe the schedule of the Board of Directors' meetings and expected proposals in advance and hold the Board of Directors' meetings on a regular and consistent basis.

(ii) We designate the Corporate Planning Department as the secretariat of the Board of Directors, distribute materials for the Board of Directors' meetings to each Director and each Audit & Supervisory Board Member generally in a prescribed manner by a prescribed date in advance and establish a system where the Board of Directors is able to make decisions after information necessary for discussions is fully shared.

(iii) Respecting the Optional Committees' Opinions

The Board of Directors fully understands the significance of the Optional Committees and utilize them actively. Any advice or recommendation from the Optional Committees is reported to the Board of Directors, and the Board of Directors respects such advice or recommendation when making its decisions.

(iv) Meeting Minutes

The Board of Directors prepares and maintains minutes that contain overviews and outcomes of the meetings.

(c) Evaluation of Effectiveness

In order to ensure the effectiveness of the Board of Directors' decision-making, at the end of every fiscal year, the Board of Directors conducts self-assessments on matters such as progress on the Group's business challenges, size/proportion (balance)/manner of operation/proposals standards of the Board of Directors, effectiveness of discussions by the Board of Directors, contents of the materials distributed to the Board of Directors, information-sharing among the Directors and operation of the Board of Directors and shall disclose the outline of such assessments as well as improvement points.

In the event that there is any matter pertaining to the effectiveness of the Board of Directors' decision-making, which the Board of Independent Officers comes to realize, the Board of Independent Officers reports it to the Board of Directors.

<p>[Disclosure based on the Supplementary Principle 4.11.3 of the Corporate Governance Code] The Board of Directors conducted analysis and evaluation of the effectiveness of the Board of Directors. Please see Appendix 2 for the outline of the results thereof.</p>

(d) **Internal Control / Risk Management System**

The Board of Directors establishes not only the Compliance Committee but also the Internal Control/JSOX Committee and the Risk Management Committee, which are under the control of the President and Representative Director as part of the system of internal control and risk management of the Group. The Board of Directors appoints Chairpersons of these Committees from the managements and puts the Chairpersons in charge of the operation of the Committees.

Each Committee shall plan and implement countermeasures for the Group's challenges. In the event that each Committee comes to realize significant challenges, such Committee shall report it to the Board of Directors.

3. Audit & Supervisory Board

(1) **Roles/Responsibilities of the Audit & Supervisory Board Members**

The Audit & Supervisory Board Members are responsible for encouraging the Company and the Group, in cooperation with the Board of Directors, to pay careful attention to interests of various stakeholders, to cooperate with such stakeholders, to realize sound and sustainable growth as well as improvement of corporate value in a mid-to-long term and to establish a well-functioning corporate governance system which meets the social expectation by taking part of the supervisory function of the Company in cooperation with the Board of Directors and by auditing execution of the Directors' duties as an independent body entrusted by shareholders.

(2) **Members of Audit & Supervisory Board**

The Audit & Supervisory Board is composed, members with diverse knowledge, experience and skills in consideration of a good balance among the Audit & Supervisory Board Members.

- (a) The Audit & Supervisory Board appoints full-time Audit & Supervisory Board Members.
- (b) The Audit & Supervisory Board includes the Audit & Supervisory Board Members who have appropriate expertise and knowledge in finance/accounting and/or legal specialists such as lawyers, etc.
- (c) The majority of Audit & Supervisory Board Members consists of the Outside Audit & Supervisory Board Members qualifying under the "Criteria for the Independence of Outside Officers" set forth in Attachment 1 in order to further enhance the independence and neutrality of the audit system.

- (3) Operation of and Securing Effectiveness of the Audit & Supervisory Board
- (a) Chairperson of the Audit & Supervisory Board
- (i) The Audit & Supervisory Board appoints its Chairperson from the” Audit & Supervisory Board Members by its resolution.
 - (ii) The Chairperson of the Audit & Supervisory Board executes the duties entrusted by the Audit & Supervisory Board, provided, however, that the Chairperson does not impede enforcement of rights by each Audit & Supervisory Board Member.
- (b) Operation of the Audit & Supervisory Board
- (i) Based on the rules of the Audit & Supervisory Board and the audit guidelines set forth in advance, the Audit & Supervisory Board conducts audits in accordance with its audit policy prescribed every fiscal year and an annual plan established in advance.
 - (ii) The Audit & Supervisory Board establishes a structure to ensure the effectiveness of audit by each Audit & Supervisory Board Member.
 - (iii) The Audit & Supervisory Board secures cooperation of the Outside Directors to enhance their skills of collecting information.
 - (iv) The Audit & Supervisory Board verifies the status of audits conducted by each Audit & Supervisory Board Member by holding the Audit & Supervisory Board’ meetings on a monthly basis and audit debriefing meetings as necessary, shares collected information and secures the effectiveness of audits.
 - (v) In order to perform the responsibilities of the Audit & Supervisory Board Members, the Audit & Supervisory Board ensures transparent/fair decision-making, establishes environments in which the Company is able to make timely and decisive decisions, seeks necessary information from the Directors or our employees without limiting its scope of function too narrowly, and expresses its opinions positively and proactively.
 - (vi) Meeting Minutes
- (4) Cooperation with the Accounting Auditor and the Internal Audit Departments, etc.
- (a) Cooperation with the Accounting Auditor
- (i) The Audit & Supervisory Board determines the audit schedule so that there will be sufficient time for audits and confirm with the Accounting Auditor.
 - (ii) The Audit & Supervisory Board has meetings with the Accounting Auditor on a regular basis.
 - (iii) 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.
 - (iv) 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.

- (v) The Audit & Supervisory Board determines that the dismissal or non-reappointment of an Accounting Auditor should be made a proposal at a general shareholders' meeting in accordance with the "Policy for Determination on Dismissal or Non-reappointment of Accounting Auditor" established by the Audit & Supervisory Board.

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

- (vi) 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.

(b) Cooperation with the Internal Audit Departments, etc.

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

departments, etc. and any other departments, which the Audit & Supervisory Board Member deems necessary, on a regular basis and as necessary.

4. Role/Responsibility of the Accounting Auditor

- (a) The Accounting Auditor, as a professional responsible for protecting the credibility of our disclosed information, who is entrusted by shareholders and investors, holds its independence and performs its duties.
- (b) We disclose sufficient information and cooperate so that the Accounting Auditor is able to perform its duties and conduct audits appropriately and efficiently.

5. Optional Committees

(1) Executive Appointments Committee

- (a) Purpose: To enhance the transparency and objectivity of decisions on candidates for the Directors/Audit & Supervisory Board Members and to improve the supervisory function of the Board of Directors.
- (b) Members: The members shall be appointed by the Board of Directors and the majority of the members is composed of the Independent Officers. The meetings are held at least twice a year.

The Chairperson shall be an Outside Director.

(2) Compensation Committee

- (a) Purpose: To enhance the transparency and objectivity of decisions on the compensation for the Corporate Officers (including the Executive Officers) and improve the supervisory function of the Board of Directors.
- (b) Members: The members shall be appointed by the Board of Directors and the majority of the members is composed of the Independent Officers.

The meetings are held at least twice a year.

(3) The Chairperson shall be an Outside Director. Board of Independent Officers and Representative Directors

- (a) Purpose: To improve the Group's corporate value and to provide a venue for proposing reformation of corporate culture through free and open discussions among the Independent Officers and the Representative Directors.
- (b) Members: It is composed of all the Independent Officers and the Representative Directors. The meeting is held at least once a year.

(4) Board of Independent Officers

- (a) Purpose: To exchange information and to share understandings from an independent and objective perspective.

- (b) Members: It is composed of all the Independent Officers. The meeting is held at least once a year.

6. Directors/Audit & Supervisory Board Members etc.

(1) Procedure of Nomination

(a) Directors

The Executive Appointments Committee prepares an original draft of candidates and proposes it to the President . The President 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.

(b) Audit & Supervisory Board Members

The Executive Appointments Committee prepares an original draft of candidates and proposes it to the President . The President 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 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.

(c) Executive Officers

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

[Disclosure based on Principle 3-1 (v) of the Corporate Governance Code]

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

Please see “Outside Directors’ Relationship with the Company (2)” and “Outside

Kansayaku's Relationship with the Company (2)" in "1. Organizational Composition and Operation" of "II. Business Management Organization and Other Corporate Governance Systems regarding Decision-making, Execution of Business, and Oversight in Management" of the Corporate Governance Report.

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

Please see the professional history of each individual as shown on pages 10 to 23 of the Convening Notice of the Ordinary General Meeting of Shareholders and on pages 44 to 48 of the Securities Report for the 72nd Term, which are published on our website at the following URLs:

http://www.nipponham.co.jp/eng/ir/events/generalmeeting/pdf/notice_170606_01.pdf

http://www.nipponham.co.jp/ir/library/report/pdf/y_2017.07.pdf

(2) Term of Office

(a) Directors

The term of office of a Director shall be until the end of the ordinary general meeting of shareholders held in relation to the latest fiscal year ending within one year from his/her appointment, as provided in the Articles of Incorporation. The maximum term of office of an Outside Director is limited to ten years from the perspective of securing independence.

(b) Audit & Supervisory Board Members

The term of office of an Audit & Supervisory Board Member shall be until the end of the ordinary general meeting of shareholders held in relation to the latest fiscal year ending within four years from his/her appointment, as provided in the Articles of Incorporation (the term of office of an Audit & Supervisory Board Member appointed as a substitute for an Audit & Supervisory Board Member, who retires before the expiration of his/her term of office, shall be until the expiration of the term of office of the retired Audit & Supervisory Board Member. The term of office of an Audit & Supervisory Board Member, who had been appointed as a Substitute Audit & Supervisory Board Member under Article 29 Paragraph 2 of the Articles of Incorporation and assumes office as Audit & Supervisory Board Member, shall not exceed the end of the ordinary general meeting of shareholders held in relation to the latest fiscal year ending within four years from his/her appointment as Substitute Audit & Supervisory Board Member.). The maximum term of office for an Outside Audit & Supervisory Board Member shall be twelve years from the perspective of securing independence.

(3) Independence/Concurrent Position Policy

(a) Standards on Independence of Outside Officers

We enact Attachment 1. “Criteria for the Independence of Outside Officers” for the purpose of clarifying standards for certifying our Outside Directors and Outside Audit & Supervisory Board Members as Independent Officers.

(b) Policy on Holding Concurrent Positions

If any Director/Audit & Supervisory Board Member holds concurrent positions as officers, etc. for companies other than the Company, we limit the scope of holding such concurrent positions to a reasonable extent to secure time necessary to exercise his/her role and responsibility required and to be able to conduct his/her duty of care of a prudent manager and duty of loyalty, as our Director/Audit & Supervisory Board Member. Also, we disclose information regarding important concurrent positions held on an annual basis.

[Disclosure based on Supplementary Principle 4-11 (ii) of the Corporate Governance Code]

Please see the professional history of each individual as shown on pages 10 to 23 of the Convening Notice of the Ordinary General Meeting of Shareholders and on pages 44 to 48 of the Securities Report for the 72nd Term, which are published on our website at the following URLs:

http://www.nipponham.co.jp/eng/ir/events/generalmeeting/pdf/notice_170606_01.pdf

http://www.nipponham.co.jp/ir/library/report/pdf/y_2017.07.pdf

(4) Determination of Compensation

(a) Compensation System of Directors/Audit & Supervisory Board Members/Company Officers

It is provided in Attachment 2. “Policy of Determination of the Compensation, etc., and the Method of Calculation”.

(b) Securing the Transparency and Objectivity of Determination of Compensation of the Directors/Corporate Officers

The Compensation Committee conducts performance evaluations in light of annual plans prescribed by the Executive Directors and the Executive Officers for each fiscal year and deliberates officer compensation plan for the next fiscal year and submit it to the Board of Directors. The Board of Directors determines the officer compensation of the next fiscal year while respecting the submission of the Compensation Committee.

(c) Determination of Compensation of the Audit & Supervisory Board Members

An amount of compensation of each Audit & Supervisory Board Member is determined upon consultation among the Audit & Supervisory Board Members taking into consideration factors such as difference between full-time/part-time, proportion of audit

works shared among the Audit & Supervisory Board Members, details and level of compensation, etc. of the Directors. Also, if an Audit & Supervisory Board Member comes to have an opinion on the compensation, etc. of the Audit & Supervisory Board Members, such Audit & Supervisory Board Member expresses his/her opinion at the Board of Directors' meetings and the general meetings of shareholders, as necessary.

(5) 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 knowledge particular to our business (including laws and regulations relevant to our business and material risk) 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.

Also, we 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 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.

(6) Support System / Commission to Outside Advisers

Each Director and each Audit & Supervisory Board Member may, if he/she considers necessary to perform his/her duties, acquire advice from outside professionals such as lawyers and certified public accountants at our expense.

Section 3 Securing the Rights / Equality of Shareholders, Dialogue with Shareholders

1. Relationship with Shareholders, etc.

(1) General Meetings of Shareholders

- (a) Because the general meetings of shareholders provide opportunities to have constructive dialogue with our shareholders, we take necessary measures based on our understanding that it is necessary to ensure sufficient time for allowing the shareholders to exercise their rights and to secure environments in which the shareholders are able to exercise their rights properly.

- i) We hold the general meetings of shareholders at a place easily accessible on a day other than those days on which many other shareholders meetings are held.
 - ii) In order to give shareholders sufficient time to consider proposals, we send convening notice at least three weeks before the general meetings of shareholders, promptly disclose information included in the convening notice on TDnet or our website before sending the convening notice.
- (b) We disclose information which we deem necessary for the shareholders to exercise their rights at the general meetings of shareholders even if such disclosure is not required by law. In addition, we adopt explanations that are easy to understand, including use of charts.
 - (c) We continue to improve contents of convening notice, reference documents and business reports. Also, we post business reports, brief statements of accounts, timely-disclosure information, materials on financial result briefing sessions and their meeting minutes and other information on our website.
 - (d) We facilitate in such a way that the general meetings of shareholders provide a venue for proactive discussions, have the Chairperson accept questions proactively while presiding over the general meetings of shareholders and incorporate views of the shareholders into the operation of the general meetings of shareholders by conducting questionnaires after the general meetings of shareholders.
 - (e) We commission an external agency to analyze how the shareholders have voted on a proposal made by the Company and its result and share the analysis with the Board of Directors. In addition, when a considerable number of votes have been cast against a proposal of the Company at the general meeting of shareholders, the Board of Directors will analyze the reason and have dialogue with the shareholders directly or indirectly in an appropriate manner.
 - (f) If institutional investors, etc., who hold shares under the name of trust banks, etc., request to exercise their voting rights on their own, we will consult and correspond.

(2) Securing the Rights of Shareholders

We recognize that the shareholders must be treated equally according to the number of shares that they hold. We take appropriate measures to fully secure the shareholder rights and secure environments necessary for the shareholders to exercise their rights.

- (a) We establish procedures for and appoint a department in charge of the exercise of shareholder rights in the Share Handling Rules. We also disclose information necessary for shareholders to exercise their rights on our website, provide information and establish a system so that the shareholders are able to exercise their rights appropriately without delay.
- (b) In consideration of the ratio of foreign investors, we create our website in English and

disclose English translations of convening notices, disclosure items and voting results, etc. on our website, etc.

(3) 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 a mid-to-long term.

- (a) The General Manager of the Corporate Management Division generally organizes the constructive dialogue with the shareholders.
- (b) The General Affairs Department is responsible for individual investors, and the Public & Investor Relations Department is responsible for institutional investors, etc. We promote smooth and efficient dialogue through activities, tailored for the purpose of dialogue, such as having the Representative Directors, Directors or Executive Officers meet with the shareholders, etc.
- (c) In order to support the constructive dialogue with the shareholders, the Executive Officers in charge of the Public & Investor Relations Department, the Corporate Planning Department, the General Affairs Department, the Accounting & Finance Department and the Legal Affairs Department share relevant information and take measures while organically cooperating with each other and striving to receive regular updates on the shareholder ownership structure.
- (d) 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.
- (e) The Corporate Officers, etc., who have engaged in the dialogue, etc., report to the Board of Directors 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.
- (f) We manage the company information in accordance with the Company Information Management Policy and prevent divulgence of any insider information.

(4) Fundamental Policy on Capital Strategies

Because we recognize that capital strategies have significant effects on interests of the shareholders, we stipulate the following fundamental policy with respect to the capital strategies:

- (a) We set our objective to increase returns on equity (“ROE”) in order to increase shareholder values. To increase the ROE, we use return on invested capital (“ROIC”) by each business division as one of the management indicators. While we promote our

growth strategies and business strategies, we pursue the ROIC and conduct our business in consideration of weighted average cost of capital (“WACC”);

- (b) We set targets for optimal capital structure (“D/E Ratio”) in order to improve the capital efficiency;
- (c) The shareholder return is provided in accordance with Appendix 3 (Policy on Determination of the Distribution of Retained Earnings, etc.); and
- (d) When executing capital strategies that could result in change of control or in significant dilution, we have the Board of Directors fully examine necessity and reasonableness of the capital strategies from the perspective of fulfilling fiduciary duties to the shareholders as well as the perspectives of promoting our growth strategies and business strategies and improving corporate value in a mid-to-long term, and provide sufficient explanations to the investors, including provision of sufficient information in the disclosure materials.

(5) Fundamental Policy on Cross-Shareholdings

(a) Fundamental Policy

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

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

(b) Policy on Exercise of Voting Rights

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 interest of shareholders. However, if a misconduct (including misconduct by any member of the management) or an antisocial behavior occurs at such companies, we exercise our voting rights so that the companies’ corporate governance is improved.

(6) Fundamental Policy on Corporate Control

(a) Fundamental Policy on Corporate Control

We set forth Appendix 3 (Content of the Fundamental Policy on Corporate Control).

(b) Policy on Dealing with Large-Scale Purchase Offers Under the Fundamental Policy on Corporate Control

We set forth the “Defense Plan Against a Large Purchase Action of Shares of NH Foods Ltd. (Takeover Defense Plan)” (the “Plan”) in accordance with Appendix 3 (Details of the Fundamental Policy on Corporate Control) with the consent of the shareholders at the general meeting of shareholders.

http://www.nipponham.co.jp/eng/pdf/20150511_03.pdf

- (c) The Plan is adopted only to the extent necessary to prevent damages to our corporate value with the aim to promote the sustainable corporate growth and improve the corporate value in a mid-to-long term. The Board of Directors takes the following measures to appropriately meet its fiduciary duties and accountability to the shareholders which the Board of Directors owes as well as to ensure the objectivity and reasonableness of adopting the Plan:
- (i) We eliminate arbitrary judgments of the Board of Directors regarding an issue of whether or not to take countermeasures to large purchase actions that pertain to our shares by establishing the Corporate Value Enhancement Committee that consists of members independent from us; and
 - (ii) The Corporate Value Enhancement Committee examines the necessity and reasonableness of the Plan at least once a year.
- (7) Fundamental Policy on Transactions between Related Parties
- (a) When we conduct competitive transactions or conflicting interest transactions 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.
 - (b) We inspect whether there have been any transactions between us and the Directors, Executive Officers or their family members, and the details of such transactions, if any, once a year. In addition, we also inspect such transactions, as necessary, during audits by the Audit & Supervisory Board Members and audits by the Accounting Auditor and during internal audits.

Section 4 Cooperation with Stakeholders

With the Corporate Philosophies serving as the foundation of management, Nipponham Group values communication with stakeholders as it conducts CSR activities focused on five CSR material issues based on compliance. Furthermore, we believe that addressing these issues together with stakeholders will realize the establishment of a sustainable society.

■ The five CSR material issues refer to the following five (5) issues.

- Producing food that is safe and reliable.
- Supporting mental and physical well-being through food and sport.

- Maintaining workplaces that motivate employees.
 - Sustainable food supply for the next generation.
 - Preserving the environment.
- <http://www.nipponham.co.jp/eng/csr/environment/material/>
【Please see more details on our website.】

1. Relationship with Employees

(1) Establishment of the Action guidelines and the Nipponham Group's action standards

We believe that if the Group is where each employee is able to optimize his/her abilities to the full, it becomes the source of our competitiveness and the base of management that contributes to society. Based on this idea, we establish the Action guidelines and the Nipponham Group's action standards for employees of the Group so that the workplace will be open for good communications, and in the free and vigorous corporate culture, the employees as a whole group are united for the same objective and the Group will attain the corporate culture that allows the comprehensive strength of the Group as a whole to be brought out.

The Board of Directors and the Management take initiative in complying with the Action guidelines and the Nipponham Group's action standards, ensure that employees of the Group are aware of them and revise their contents as necessary depending on changes in circumstances after the discussion by the Board of Directors.

(2) Broad Awareness of the Action guidelines and the Nipponham Group's action standards

We distribute materials that contain the Action guidelines and the Nipponham Group's action standards to all employees of the Group so that they are fully aware of them. In addition, we provide training and hold study sessions regularly to have all employees acquire deeper understanding and recognize their importance.

(3) Monitoring

(a) We conduct employee awareness surveys of the Group at least once every two years.

Based on the results of the surveys reported to the Board of Directors, the Board of Directors confirms regularly whether the purposes of the Course of Action and the Action guidelines are fulfilled.

(b) Establishment of Point of Contact for Consultation

We establish a point of contact that employees of the Group can contact without any restriction of their organization within and outside the Group as a system for reporting any conduct that is or may be in violation of the Course of Action or the Action guidelines.

(c) We enact the "Nipponham Group Whistleblower Protection Rules" and clearly state in

it the confidentiality of and prohibition of unfavorable treatments against information providers through whistle-blowing in the Group. We ensure that all employees of the Group are fully aware of these rules.

(4) Ensuring Diversity

Base on the recognition that the existence of diverse perspectives and values of employees working in the Group leads to our success in business, we promote diversity among employees. As such, we promote active participation of women by setting a specific percentage of women in managerial positions which we target to meet by 2020.

2. Relationship with Customers (Consumers)

We believe that delivering the “Joy of Eating”, which consist of the “pleasures of good eating” and the “joy of health” through food, provides meaning to our Group’s existence in society. As such, we pursue customer satisfaction through providing safe and high quality food and services.

【Please see the Quality Policy and Consumer-oriented Voluntary Declaration on our website.】

1. The Quality Policy

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

2. Consumer-oriented Voluntary Declaration

https://www.nipponham.co.jp/csr/social_contribution/tradition/

3. Relationship with Business Partners

We pay maximum attention to the stable supply of safe and trusted food to customers of the Group, comply with the relevant laws and regulations and commit to fair and transparent business with all business partners.

When procuring raw materials, ingredients, etc., we exercise the utmost care to ensure not only the safety of such materials but also the compliance with the laws and regulations that are relevant to the business activities of suppliers of such materials.

【Please see the Nipponham Group CSR Procurement Policy on our website.】

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

4. Relationship with Society

We take our role and responsibility to the society with self-awareness and proud through business activities associated with eating, so that the Group meets the expectations and reliance of the stakeholders, contributes the sustainable growth of society and continues to hold essential existence in society.

In addition, based on the essential idea that we value the bounty of nature, we establish the Environment Policy, set forth and implement environmental goals in every mid-term business plan and announce its activities.

【Please see the Environment Policy and Specific Activities on our website.】

1. Environment Policy

<http://www.nipponham.co.jp/eng/csr/environment/policy/>

2. Specific Activities

① Environmental Initiatives

<http://www.nipponham.co.jp/eng/csr/environment/action/>

② Dietary Education Initiatives Contributing to Enjoyable and Healthy Life

<http://www.nipponham.co.jp/eng/csr/social/education>

③ Sports Initiatives

<http://www.nipponham.co.jp/eng/csr/social/sports>

④ Initiatives to Resolve Social Issues as a Member of the Local Society

<http://www.nipponham.co.jp/eng/csr/social/community/>

Section 5 **Appropriate Disclosure and Securing Transparency**

1. **Disclosure Standards**

- (a) We proactively disclose information to and faithfully and fairly deal with all stakeholders such as customers (consumers), business partners, shareholders, investors, local people and employees. When disclosing information, we make it easy for all stakeholders to understand.
- (b) We take responsibility to conduct our business safely and effectively and to explain our business accurately and continuously to the shareholders and investors who are the fund providers.
- (c) We explain information that draws high attention of the investors and shareholders and that is important for them to make investment decisions such as business strategies and plans as easily understandable as possible by using means such as specific figures, concise statements and charts.
- (d) In order to disclose information to all shareholders and investors timely and appropriately, we appoint a general manager, who is in charge of information management, and establish a department in charge of information disclosure and place

necessary personnel to such department.

Section 6 Miscellaneous

1. Enactment, Amendment and Abolishment

The Board of Directors enacts this Fundamental Policy. The Board of Directors examines this Fundamental Policy regularly and amends it as necessary depending on change of circumstances, etc.

Progress of Revisions:

Established on November 11, 2015

Revised on June 28, 2016

Revised on June 28, 2017

Attachments

Attachment 1 Criteria for the Independence of Outside Officers

"Criteria for the Independence of Outside Officers"

If any Outside Officer or any candidate for Outside Officer is judged to satisfy all the requirements in the following items, the Company shall determine that such any Outside Officer or any candidate for Outside Officer is independent of the Company:

1. The Outside Officer or candidate for Outside Officer is not, or has not been, a Director (excluding an Outside Director; the same applies hereinafter), Audit & Supervisory Board Member (excluding an Outside Audit & Supervisory Board Member; the same applies hereinafter), accounting advisor, Executive Officer, Corporate Officer, manager or other important employee (Note 1) (hereinafter referred to as a "Director") of the Company or any of its subsidiaries or affiliates ("NH Group");
2. The Outside Officer or candidate for Outside Officer is not a relative of any Director within the third degree of kinship;
3. The Outside Officer or candidate for Outside Officer is not a leading shareholder (Note 2) of the Company or a Director thereof or a director of any company having NH Group as its leading shareholder;
4. The Outside Officer or candidate for Outside Officer is not a director of any principal client (Note 3) of NH Group;
5. The Outside Officer or candidate for Outside Officer is not a recipient of a donation of 10 million yen or more from NH Group for the fiscal year under review (if the recipient of the donation is a corporate body, partnership or other entity, any individual who belongs, or have belonged for the most recent five years, to such entity);
6. The Outside Officer or candidate for Outside Officer is not 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 a Director's or Audit & Supervisory Board Member's remuneration, from NH Group for the fiscal year under review (if the provider of the service is a corporate body, partnership or other entity, any individual who belongs, or have belonged for the most recent five years, to such entity); and
7. No "relationship of interlocking outside officers" (Note 4) exists between the company to which the Outside Officer or candidate for Outside Officer belongs as a director and NH Group.

- (Notes) 1. "Important employee" means an employee assigned to the post of a general manager or a higher post.
2. "Leading shareholder" means any person holding, directly or indirectly, 10% or more of the total voting rights.

3. "Principal client" means a company whose amount of money paid or received in its trading with NH Group is 2% or more of net sales of NH Group or the client on a consolidated basis.
4. "Relationship of interlocking outside officers" means a receipt of the dispatching of any Outside Officer from the company that any director of the Group is currently serving as an outside officer.

Attachment 2 Policy of Determination of the Compensation, etc., and the Method of Calculation

Basic Policy on Director and Audit & Supervisory Board Member

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

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

Summary of Compensation of the Directors:

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

Summary of Compensation of the Audit & Supervisory Board Members:

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

Attachment 3 Policy on Determination of the Distribution of Retained Earnings, etc.

With regard to the determination of the distribution of retained earnings, etc., it is our policy to pay dividends according to business results on a consistent basis, while increasing its internal reserve in order to strengthen its corporate fundamentals as the basis for long-range development.

We intend to make effective use of the internal reserve as capital for investments which will maintain its competitiveness and attain sustained growth for the years to come.

We will pursue stable and continuous dividend growth, using a consolidated payout ratio of 30% under its basic policy to distribute profits according to its consolidated performance. For the time being, we plan to set the floor of the dividend to ¥16 per share.

We will acquire treasury stock in a flexible manner for the purpose of improving per-share shareholder value and ROE, in consideration of investments towards growth and its financial position.

Attachment 4 Content of the Fundamental Policy on Corporate Control

The shares of the Company may be transferred freely, in principle. On the stock market, the shares are traded freely and actively by many investors. Hence, fundamentally, free trading in the shares of the Company determines who will control the determination of its financial and business policies. Therefore, in the event that a plan of large purchase of the shares of the Company enough to control the determination of its financial and business policies is offered, management believes that to vote for or against the plan must depend on the free will of the shareholders, finally.

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

Appendix 1. Matters to be Resolved by the Board of Directors

I. Matters to be resolved

1. Matters stipulated in laws:

- (1) Decision of matters relating to convocation of shareholders meetings (Article 298, Paragraph 4 of the Companies Act);
*If exercising voting rights by way of an electromagnetic method is permitted at shareholders meetings, the decision of such permission (Paragraph 1, Item (4) of the same Article) shall also be resolved at the Board of Directors meeting.
- (2) Approval of financial statements, business report and supplementary schedules (Article 436, Paragraph 3 of the Companies Act);
- (3) Approval of consolidated financial statements (Article 444, Paragraph 5 of the Companies Act);
- (4) Appointment and dismissal of the Representative Director (Article 362, Paragraph 2, Item 3 of the Companies Act);
- (5) Approval of competitive transactions of the Directors (Article 356, Paragraph 1, Item 1 of the Companies Act);
- (6) Approval of transactions between the Company and the Directors for the benefit of themselves or a third party and other transactions by the Directors that result in a conflict of interests with the Company (Article 356, Paragraph 1, Items 2 and 3 of the Companies Act);
- (7) Reduction of the amount of the stated capital (Article 447, Paragraph 3 of the Companies Act);
*Only in cases where it reduces the amount of the stated capital concurrently with a share issue and the amount of the stated capital before the reduction is not less than the amount after the reduction.
- (8) Reduction of the amount of reserves (Article 448, Paragraph 3 of the Companies Act);
*Only in cases where it reduces the amount of reserves concurrently with a share issue and the amount of reserves before the reduction is not less than the amount after the reduction.
- (9) Decision of matters relating to share split (Article 183, Paragraph 2 of the Companies Act) and amendment to the Articles of Incorporation which increases a total number of authorized shares as a result of the share split (Article 184, Paragraph 2 of the Companies Act);
- (10) Matters relating to acquisition of treasury shares (Article 157, Paragraph 2 of the Companies Act and Article 197, Paragraph 4 of the Companies Act);
- (11) Matters relating to acquisition of treasury shares from subsidiaries (Article 163 of the Companies Act);
- (12) Matters relating to cancellation of treasury shares (Article 178, Paragraph 2 of the

Companies Act);

(13) Amendment to the Articles of Incorporation which reduces the number of shares per unit and abolishment of provisions relating to the number of shares per unit in the Articles of Incorporation (Article 195, Paragraph 1 of the Companies Act);

(14) Decision of subscription requirements of shares for subscription (Articles 199 and 201 of the Companies Act);

(15) Decision of subscription requirements of share options for subscription (Articles 238 and 240 of the Companies Act);

*In cases where share options for subscription are attached to bonds with share options, decision of matters relating to the bonds for subscription shall also be resolved at the Board of Directors meeting (Article 238, Paragraph 1, Item 6, Article 676 and Article 240 of the Companies Act)

(16) Matters relating acquisition of share options subject to call (Article 273, Paragraph 1, and Article 274, Paragraph 2 of the Companies Act);

*In addition to decision of acquiring share options subject to call, decision of the acquisition date shall also be resolved at the Board of Directors meeting.

*However, this item shall not apply in cases where it is otherwise provided as terms of the share options subject to call (Article 273, the proviso of Paragraph 1, and Article 274, the proviso of Paragraph 2 of the Companies Act)

(17) Matters relating to cancellation of own share options (Article 276, Paragraph 2 of the Companies Act);

(18) Approval of transfer of share options with restriction on transfer (Article 265, Paragraph 1 of the Companies Act);

*However, this item shall not apply in cases where it is otherwise provided as terms of the share options (Article 265, the proviso of Paragraph 1 of the Companies Act)

(19) Decision of matter relating to bond for subscription (Article 364, Paragraph 4, Item 5 of the Companies Act);

*Decision of the total amount of the bond for subscription (Article 676, Paragraph 1 of the Companies Act) and decision of other matters provided in Article 99 of the Ordinance for Enforcement of the Companies Act shall also be resolved at the Board of Directors meeting.

*In addition to the above matters, in cases where bonds for subscription are bonds with share options, decision of the other matters relating to bonds for subscription provided in Article 672, Item 2 onwards of the Companies Act shall also be resolved at the Board of Directors meeting (Article 238, Paragraph 1, Item 6 and Article 240 of the Companies Act. Same as item (15) above.)

(20) Disposal and acquisition of important assets (Article 362, Paragraph 4, Item 1 of the Companies Act);

- (21) Borrowing in a significant amount (Article 362, Paragraph 4, Item 2 of the Companies Act);
- (22) Election and dismissal of general managers and other important employees (Article 362, Paragraph 4, Item 3 of the Companies Act);
- (23) Establishment, changes or abolition of branch offices and other important organizations (Article 362, Paragraph 4, Item 4 of the Companies Act);
- (24) Establishment of system to ensure that execution of duties by the Directors complies with laws and regulations as well as the Articles of Incorporation (Article 362, Paragraph 4, Item 5 of the Companies Act);
- (25) In addition to the preceding item, establishment of the following systems prescribed by the Ordinance of the Ministry of Justice as systems necessary to ensure the properness of operations of the Company and the company group which comprises the Company and its subsidiaries (herein after, Company Group) (Article 362, Paragraph 4, Item 5 of the Companies Act and Article 100 of the Ordinance for the Enforcement of the Companies Act); and
 - i) systems related to the retention and management of information pertaining to the execution of the duties of Directors
 - ii) rules and other systems relating to management of the risk of loss of the Company
 - iii) systems to ensure that the execution of the duties of Directors is performed efficiently
 - iv) systems to ensure that the execution of the duties of employees complies with laws and regulations and Articles of Incorporation
 - v) systems to ensure the properness of operations of the Company Group
 - vi) systems to ensure that audits by Audit & Supervisory Board Members are performed effectively
- (26) Other matters provided for by laws and regulations.

2 Matters provided for by the Articles of Incorporation:

- (1) Appointment of administrator of shareholder registry and determination of the location for such administration (Article 10 of the Articles of Incorporation);
- (2) Election and dismissal of the Executive Directors and determination of order of priority of the Directors who becomes a substitute for the President/Director (Article 21 of the Articles of Incorporation);
- (3) Appointment and dismissal of corporate counselors and advisors (Article 27 of the Articles of Incorporation);
- (4) Establishment and amendments of the regulations of handling shares (Article 11 of the Articles of Incorporation) ;
- (5) Determination of the record date (Article 37, Paragraph 2 of the Articles of Incorporation) ; and
- (6) Determination on matters concerning dividends of surplus, etc. (Article 36 of the

Articles of Incorporation)

3 Important matters for management:

- (1) Decision on matters authorized by the resolutions at the shareholders meetings;
- (2) Establishment and amendments of the fundamental business policy;
- (3) Decision of medium to long term business plan
- (4) Establishment, amendments and abolition of the rules of the Board of Directors;
- (5) Decision of candidates for Directors and Audit & Supervisory Board Members;
- (6) Appointment of the Chairperson of the Board of Directors;
- (7) Establishment, amendments and abolition of the internal rules for the Corporate Officers, including the internal rules for compensation for the Corporate Officers;
- (8) Establishment of the optional committees for the Board of Directors; Appointment and dismissal of the committee members;
- (9) Evaluation of effectiveness of the Board of Directors; and
- (10) Other important matters for management.

4 Matters concerning the Executive Officers:

- (1) Establishment, amendments and abolition of the rules of the Executive Officers;
 - (2) Election and dismissal of the Executive Officers;
 - (3) Promotion, transfer and changes of assignment of business operations for which of the Executive Officers are primarily responsible;
 - (4) Establishment, amendments and abolition of the fundamental system that pertains to treatment of the Executive Officers, etc.;
 - (5) Decision on the policy of performance evaluation of the Executive Officers; and
 - (6) Approval of transactions between the Executive Officers and the Company (including self-dealing/indirect transactions).
- (5) Other matters as the Board of Directors approves as necessary.

II. Criteria to determine whether matters are those to be resolved by the Board of Directors

1. Whether it is “Disposal and acquisition of important assets” (See I., 1., (20) above) shall be determined by the following criteria. The affiliates here shall mean companies for which the effective shareholding ratio is more than 50% or companies of which the Company is involved in the management.

- (1) Disposal and acquisition of real properties: 5 Billion yen (or equivalents) or more per property
- (2) Investment: 5 Billion yen or more per investment
- (3) Lending: 5 Billion yen or more per lending
Provided, lending to affiliates is exempted.
- (4) Provision of securities: 5 Billion yen or more per transaction
- (5) Discharge of debts: 500 Million yen or more per transaction

Provided, discharge of debts for affiliates is exempted.

- (6) Indemnity: 500 Million yen or more per matter
- (7) Donation: 50 Million yen per donation
2. Whether it is “Borrowing in a significant amount” (I, 1., (21) above) shall be determined by the following criteria
 - (1) Borrowings: 5 Billion yen or more per borrowing
 - (2) Debt guarantees: 2 Billion yen or more per guarantee
3. “Election and dismissal of general managers and other important employees” (I., 1., (22) above) shall be human resources affairs for a Director who has a concurrent position of employees as well as human resources affairs for a President of a branch company (General Manager of a branch office) and a General Manager of a Division or Business Division.
4. “Establishment, changes or abolition of branch offices and other important organizations” (I., 1., (23) above) shall be (i) change of the head office, (ii) establishment, changes or abolition of branch offices and (iii) changes of fundamental organization (Division, Business Division etc. Organizations provided in the proviso of Article 5 of Fundamental Organization Rule).
5. Notwithstanding certain proposed business execution not meeting the criteria set out 1. through 4. above, having regard to the scale of a company at the time of the execution, a way or manner of such execution, and circumstances of the business and assets as well as all sorts of facts and circumstances including prior dealings, if such business execution is regarded as an important business execution for the Company, it shall be resolved at the Board of Directors meeting.

Appendix 2. Evaluation of Board of Directors

The Company has conducted analysis and evaluation on the effectiveness of the Board of Directors in accordance with the Nipponham Group Fundamental Policy on Corporate Governance since the financial year commencing April 1, 2015, for the purpose of identifying issues on the system and operation of the Board of Directors of the Company and leading to the efforts to improve the effectiveness of the Board of Directors. The summary of the evaluation conducted in the financial year commencing April 1, 2016 is disclosed as below.

1. Process of Evaluation

(1) Method of Evaluation

The evaluation for the financial year commencing April 1, 2016 was conducted by way of self-evaluation (questionnaires) by all of the Directors and Audit & Supervisory Board Members, for the purpose of evaluating improvements of the issues identified through the evaluation in the financial year commencing April 1, 2015 and confirmation of the progress as well as evaluating the activities of the Board of Directors for the financial year commencing April 1, 2016. Also, in conducting the evaluation, in order to adopt an objective

viewpoint from outside the Company, the “Board of Independent Officers” which was composed of all of the Independent Officers considered the implementation method and the draft questionnaire items, and determined the questionnaire items. In an attempt to ensure obtaining candid opinions from the Officers and objective analysis, answering method was anonymous and answering manner was evaluation by points with free answers

(2) Main Evaluation Items

1) Members of the Board of Directors

The number of the Directors, the composed members and concurrent positions of the Outside Officers, etc.

2) Operation of the Board of Directors

the frequency of holding of the Board of Directors meetings, the number of the proposals submitted to the Board of Directors meetings, and contents of the submitted materials and appropriateness of the volume of such materials, etc.

3) Proposals of the Board of Directors

Selection of the proposals, matters delegated to the management and timing of the proposals

4) System supporting the Board of Directors

Trainings to newly appointed Officers and Outside Officers, whether Audit & Supervisory Board Members had opportunities to obtain information appropriately, etc.

5) Corporate Governance System and Operation

The criteria of appointing Directors, the appropriateness of nominating process and ensuring the effectiveness of optional advisory committees, etc.

6) Communication with Shareholders

7) Comprehensive Evaluation of the Board of Directors

8) Additional Questions to Outside Officers

Whether there was a forum to gain an understanding in advance in relation to proposals submitted to the Board of Directors, etc.

(3) Compiling the opinions

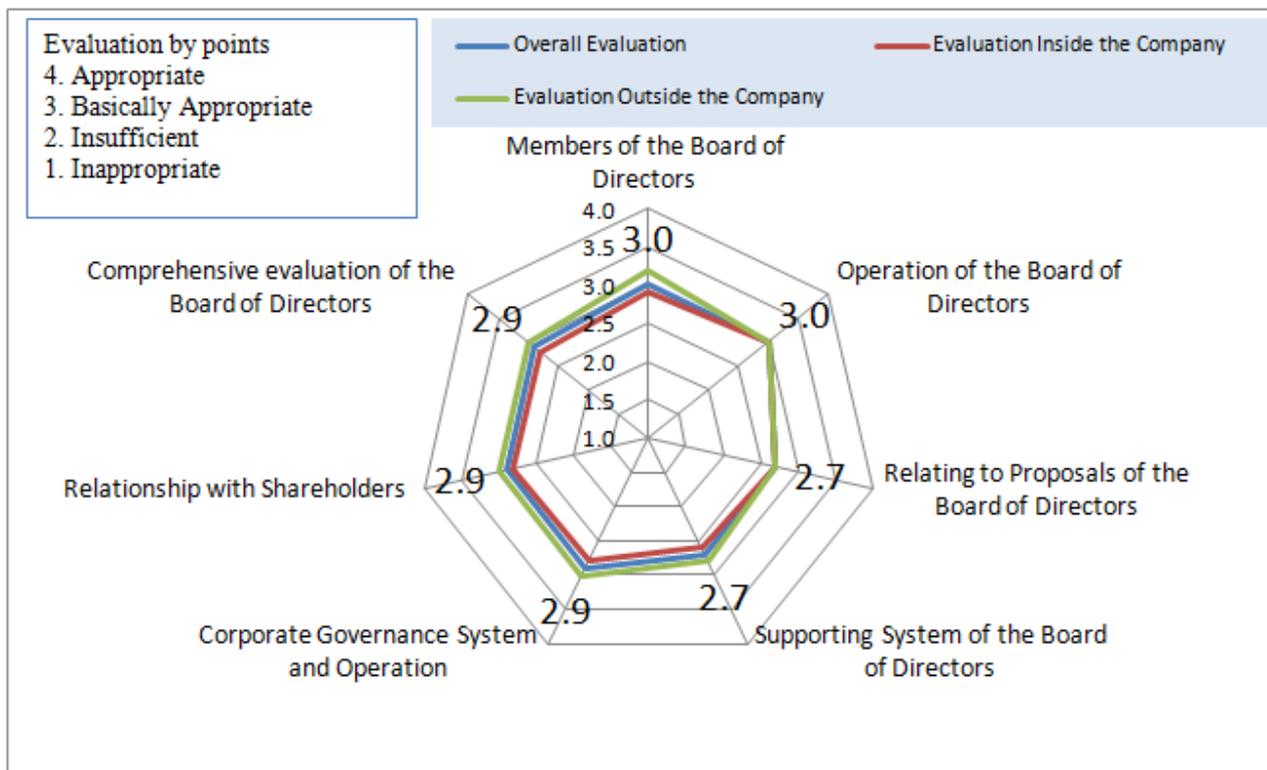
Based on the answers to foregoing questions, in order to conduct objective analysis and evaluation, and to adopt opinions from Outside Officers from the stage preparing the report, the secretariat of the Board of Directors discussed at the “Board of Independent Officers and Representative Directors” held on April 28, 2017, thereafter exchanged opinions at the Board of Directors meeting held May 6, 2017, and then summarized the results of the answers.

Based on the summary of such results of the answers, at the Board of Directors meetings held on June 14, 2017 and June 28, 2017, the analysis and evaluation were conducted regarding the effectiveness of the Board of Directors of the Company.

2. Outline of Results

(1) Summary of Points Evaluated

Number of Officers subject to questionnaires: 15 (breakdown: 10 Inside Officers [eight (8) Directors and two (2) Audit & Supervisory Board Members], five (5) Outside Officers [two (2) Directors and three (3) Audit & Supervisory Board Members])



(Points corresponding to each item show a comprehensive average)

(2) Outline of Results of Analysis and Evaluation

As a result of the analysis conducted by the Board of Directors of the Company, the Board of Directors confirmed that: (i) it is well balanced and composed of the appropriate number of persons with a diverse range of knowledge, expertise and experience; (ii) with respect to the operation of the Board of Directors, the frequency of holding meetings is appropriate; and (iii) the opinions from the Outside Officers are actively submitted to the Board of Directors meetings. Therefore, the Board of Directors evaluated that the effectiveness of the decision-making and the supervision of business operations by the Board of Directors have been properly secured in accordance with the Basic Views on Corporate Governance of the Company. Further, the five (5) out of ten (10) Inside Officers and all of five (5) Outside Officers recognized that it has have been “Improved from the Last Year” in the comprehensive evaluation (five (5) Inside Officers answered that “There Was No Change From the Last Year”.) and raised views that the discussions became active, the substance of

the discussions became deeper, and prior briefings for the meetings were enhanced. To enhance the discussions at holding dates of the Board of Directors meetings, the materials to be used were shared in earlier dates and also the total of nine (9) trainings for Officers were conducted in the financial year commencing April 1, 2016. As a result, the Board of Directors evaluates that such activities has led to acquisition of specific knowledge in respect of accounting, law and the business of the Company, and to the increased activities of the Board of Directors as a whole.

On the other hand, following the confirmation of the improvements and progress in terms of the identified issues through the evaluation of the effectiveness conducted in the financial year commencing April 1, 2015, the Board of Directors evaluates that there are still issues, despite steady progress of improvements.

(3) Efforts to resolve the issues

The Company will make efforts to resolve respective issues in the future as follows:

- 1) In order to further enhancing discussions at the Board of Directors meetings, opinions put forward at an advance discussion meeting which is held prior to a Board of Directors meeting and prior individual briefings will be shared among attendees of the Board of Directors meetings prior in advance.
- 2) The Board of Directors, based on its understanding that its primary role and function are to have productive discussions about specific management strategies and management plans, etc., recognizes that it should need to enhance discussions further in respect of medium to long term management challenges. To that end, the Board of Directors will have deepened discussions in respect of management policies and strategies such as a management vision, a medium to long term business plan, by way of proceeding to delegation of decision-making powers for individual business execution items to management meetings, etc.
- 3) The Board of Directors will continuously consider the ways of nomination and compensation system as well as a succession plan of the representative directors.

The Company will, taking advantage of advice from optional Executive Appointments Committee, Compensation Committee, Board of Independent Officers, and Board of Independent Officers and Representative Directors, etc., strengthen the monitoring function of the Board of Directors. The Company will continue enhancing the effectiveness of the Board of Directors in the future toward further enhancing the corporate value and achieving what the Company Group desires to be.