

## **Basic Corporate Governance Policy**

### **Chapter I. Purpose of Policy**

With a view toward increasing its corporate value over the medium to long term through sustainable growth, the Company formulates this Policy as its basic policy on corporate governance based on the resolution of the Board of Directors in line with the purpose and spirit of the Corporate Governance Code. If this Policy is revised in the future, the Company will publish the revised content in a timely and appropriate manner.

### **Chapter II. Basic Views on Corporate Governance**

#### **Article 1. Basic Views on Corporate Governance**

The Company will continuously work to enhance corporate governance in line with the following principles.

- (1) We respect and secure the rights and equal treatment of shareholders.
- (2) We collaborate appropriately not only with shareholders, but also with various stakeholders that are related to our business activities, such as business partners, local communities, and employees, while paying due attention to their interests.
- (3) We disclose corporate information appropriately in a timely manner, thereby ensuring transparency.
- (4) We operate our Board of Directors, which is the decision-making body of critical importance, in a manner which increases our corporate value.
- (5) We conduct constructive dialogue with shareholders.

### **Chapter III. Securing the Rights and Equal Treatment of Shareholders**

#### **Article 2. General Meeting of Shareholders**

1. The Company sends out a Notice of Ordinary General Meeting of Shareholders and posts it on the Company's website in a timely manner to ensure that shareholders have sufficient time to consider proposals for the General Meeting of Shareholders and exercise their voting rights appropriately. In addition, in the operation of the General Meeting of Shareholders, the Company takes care to set a date convenient for shareholders and to provide information in an easy-to-understand manner to help them make appropriate decisions.
2. The Company develops an environment for all shareholders, including those unable to attend the General Meeting of Shareholders, to exercise their voting rights appropriately, such as by using the platform for the electronic exercise of voting rights.

3. The exercise of voting rights at the General Meeting of Shareholders is, in principle, carried out by the shareholders recorded in the shareholder registry, unless there are special circumstances.
4. If, in light of the circumstances in which the voting rights have been exercised at a General Meeting of Shareholders, it is deemed that a considerable number of votes have been cast against a proposal made by the Company, the Company carefully analyzes reasons for such votes and endeavors to remedy the reasons for such negative votes by conducting dialogue with shareholders and taking other appropriate measures.

### **Article 3. Securing the Equal Treatment of Shareholders**

The Company treats all shareholders equally in proportion to their equity interests and discloses information in a timely and appropriate manner in order to prevent information gap between shareholders.

### **Article 4. Basic Policy on Cross-Shareholdings and the Exercise of Voting Rights of Cross-Shareholdings**

The Company formulates and discloses its policy on cross-shareholdings and the exercise of voting rights of shares held thereunder with a view to enhancing corporate value over the medium to long term.

## **Chapter IV. Consideration of Stakeholders' Interests**

### **Article 5. Code of Ethics**

To ensure that all employees act based on high ethical standards, the Company's Board of Directors establishes the Corporate Code of Conduct and endeavors to promote compliance.

### **Article 6. Relationships with Stakeholders**

1. To enhance corporate value over the medium to long term, the Company considers the interests of all stakeholders related to its business activities, including not only shareholders, but also business partners, local communities, and employees.
2. If the Company receives a report from a stakeholder that there is a concern about illegal or unethical events, it takes care to ensure that the stakeholder who made the report is not treated disadvantageously by the Company solely on the basis of such reporting. In addition, the recipient of the report shall notify the Internal Auditing Department of such fact.

### **Article 7. Policy on Transactions with Related Parties**

The Company takes care to ensure that, when it conducts transactions with the Company's directors, principal shareholders, and other related parties, such transactions do not harm the common interests of the Company and its shareholders. To this end, it formulates and discloses its policy on transactions between related parties.

## **Chapter V. Ensuring Appropriate Information Disclosure and Transparency**

### **Article 8. Information Disclosure Policy**

The Company discloses, in a timely and appropriate manner, the matters required to be disclosed by the Companies Act, the Financial Instruments and Exchange Act, and other relevant laws and regulations, as well as information useful to shareholders including non-financial information, even if such information is not required to be disclosed by such laws and regulations.

## **Chapter VI. Responsibilities of the Board of Directors, etc.**

### **Section 1. Responsibilities of the Board of Directors as Supervisory Organization**

#### **Article 9. Roles of the Board of Directors**

1. The Board of Directors of the Company, as entrusted by the shareholders, is responsible for ensuring efficient and effective corporate governance to enhance corporate value over the medium to long term.
2. To fulfill the responsibilities set forth in the preceding paragraph, the Board of Directors of the Company ensures the fairness and transparency of management by exercising its supervisory function over the general management of the Company. The board also nominates, evaluates, and determines the remuneration of senior management; assesses significant risks that the Company faces and develops countermeasures against such risks; and decides on the execution of important business operations of the Company.
3. The Company is a company with a board of corporate auditors specified by the Companies Act. Meanwhile, it adopts an executive officer system to ensure an appropriate division of roles between management and execution of business. The Board of Directors appoints executive officers and determines the scope of business to be delegated to them. In addition, the Board of Directors supervises the execution of business by the executive officers, evaluates their performance fairly and neutrally, and reflects the evaluation into their remuneration.

#### **Article 10. Roles of Independent External Directors**

Independent external directors have the following responsibilities as their primary roles:

- (1) To provide appropriate advice on the Management Policy and management plans with a view to achieving sustainable growth of the Company and enhancing corporate value over the medium to long term;
- (2) To express opinions from a fair and neutral perspective on the appointment and removal of senior management and their evaluation; and
- (3) To actively express opinions from the perspective of the common interests of shareholders and enhance the quality of the Board of Directors and its supervisory function.

#### **Article 11. Chairperson of the Board of Directors**

1. The Board of Directors of the Company is chaired by the director designated by the Board of Directors in accordance with the Articles of Incorporation.
2. To efficiently and effectively operate the Board of Directors, the Chairperson of the Board of Directors

gives consideration to securing adequate time for deliberation of each proposal and securing a system for each director to obtain timely and appropriate information with an aim to achieve active, constructive, and high-quality discussions at the Board of Directors.

## **Section 2. Effectiveness of the Board of Directors**

### **Article 12. Composition of the Board of Directors**

The Company's Board of Directors shall be composed of 12 members or less, including external directors.

### **Article 13. Qualifications and Appointment Procedures for Directors**

1. The Company's directors must have high ethical standards and excellent character. They must also have the knowledge, capability, and experience to carry out the Company's management appropriately and efficiently and to ensure the transparency and fairness of their decisions.
2. The Company considers the diversity of the composition of the Board of Directors from a perspective of sustainable growth and the enhancement of corporate value over the medium to long term.
3. The term of office of directors shall be one year.
4. Candidates for new directors shall be decided by the Board of Directors after taking into account the recommendations of the Committee for Appointment and Remuneration, etc.

### **Article 14. Independence Standards and Qualification for Independent External Directors**

In addition to the qualifications for directors described in the preceding article, the Company's independent external directors are required to meet the requirements for outside directors under the Companies Act and the independence requirements stipulated by Tokyo Stock Exchange, Inc. With respect to independence requirements, independent external directors are required to meet the standards established by Tokyo Stock Exchange, Inc., and to have neither an interest in the Company nor a risk of conflicts of interest with its general shareholders, from a practical perspective. In addition, independent external directors are also required to have the ability to make proactive and meaningful recommendations, and to fairly point out issues concerning the management and business challenges of the Company.

### **Article 15. Qualifications and Appointment Procedures for Auditors**

1. The Company's auditors must have high ethical standards and excellent character. They must also have the knowledge, capability, and experience to appropriately monitor and supervise the execution of duties and management by directors from a fair and neutral standpoint.
2. At least one of the Company's auditors shall have appropriate knowledge of financial accounting.
3. The Company considers the diversity of the composition of the Board of Corporate Auditors from a perspective of sustainable growth and the enhancement of corporate value over the medium to long term.
4. Candidates for new auditors shall be decided by the Board of Directors subject to the consent of the Board of Corporate Auditors. The same shall apply to the selection of candidates for substitute auditors.

**Article 16. Restriction on the Concurrent Service of External Directors and External Auditors**

External directors and external auditors shall limit the concurrent positions that they assume as directors or auditors of other listed companies to a reasonable number to ensure that they fully perform the roles as external officers of the Company.

**Article 17. Study and Training of Directors and Auditors**

1. To fully perform their roles, the Company's directors and auditors must always actively and proactively collect the necessary information on the Company's management strategies, financial position, corporate governance, compliance with laws and regulations, and other matters, and must continue studying hard.
2. The Company provides directors and auditors with training opportunities deemed necessary for them to fulfill their duties, establishes and discloses policies for such training in a timely and appropriate manner.

**Article 18. Establishment of Agendas to be Discussed by the Board of Directors, etc.**

1. The Chairperson of the Board of Directors proposes a schedule of Board of Directors meetings for the following half year to the Board of Directors for their approval. The same shall apply to agendas expected to be discussed in advance.
2. To ensure fruitful discussions, agendas and materials related to proposals at a meeting of the Company's Board of Directors are distributed to directors, including external directors, ahead of the date of the meeting, except those on highly confidential matters.

**Article 19. Access to Internal Information by External Directors and Auditors**

External directors and auditors may, as appropriate, request explanations and reports from internal directors, executive officers, employees, and others and the submission of internal materials, where necessary for the performance of their responsibilities.

**Article 20. Committee for Appointment and Remuneration, etc.**

The Company establishes the Committee for Appointment and Remuneration, etc. as a voluntary advisory body to the Board of Directors, consisting of external directors, including independent external directors, independent external auditors, and the President and Chief Executive Officer. The Committee for Appointment and Remuneration, etc. discusses particularly important matters for which objective judgment is required, such as the evaluation, appointment, remuneration, etc. of directors and executive officers. The Committee may hold meetings as necessary in addition to regular meetings and serves as a forum for the exchange of information and opinions on a wide range of matters related to the Company's business and corporate governance.

**Article 21. Effectiveness Evaluation**

Each fiscal year, the Board of Directors of the Company conducts an analysis and evaluation of its effectiveness and discloses a summary of its results. The Board of Directors determines the method of

conducting such analysis and evaluation based on discussions at the Committee for Appointment and Remuneration, etc.

### **Section 3. Remuneration System**

#### **Article 22. Remuneration, etc. of Directors, etc.**

1. The remuneration system for internal directors of the Company consists of monthly fixed remuneration, annual performance-linked remuneration, and stock-based remuneration, etc. through the Board Benefit Trust (BBT) so as to encourage them to achieve sustainable growth and enhance corporate value while considering the medium- to long-term interests of shareholders.
2. The remuneration system for external directors of the Company focuses on their fair and neutral supervisory function and consists solely of monthly fixed remuneration, without a performance-linked component.
3. The remuneration, etc. for individual directors is determined by the Board of Directors based on the recommendations of the Committee for Appointment and Remuneration, etc., to the extent not exceeding the maximum amount of remuneration, etc. for directors set forth in the proposal to be submitted by the Board of Directors to the General Meeting of Shareholders.
4. The remuneration, etc. for executive officers is determined by the Board of Directors in accordance with the standards for internal directors.

### **Chapter VII. Dialogue with Shareholders**

#### **Article 23. Dialogue with Shareholders**

1. The Company nominates a person responsible for overseeing dialogue with shareholders. The responsible person reports the shareholders' opinions to the Board of Directors, to an appropriate extent according to the importance and nature of the opinions.
2. In addition to disclosures based on relevant laws and regulations, the Company endeavors to disclose information, including non-financial information, that contributes to shareholders' investment decisions, in a timely and appropriate manner. In addition, the Company establishes a system to promote constructive dialogue with shareholders. In conducting such dialogue, the Company appropriately manages insider information, and in disclosing such information, the Company gives sufficient consideration in order to prevent substantive information gap between shareholders.

Version 2, established on September 29, 2016

Board of Directors