

# Denka Corporate Governance Guidelines

## (Preface)

Since its establishment in 1915, Denka Company Limited (the “Company”) has responded appropriately to market needs, starting with manufacturing and sale of calcium cyanamide (nitrogenous limestone), and followed by its advancement into acetylene carbide business, organic chemicals, cement business using Omi Industrial Complex, petrochemicals business at Chiba Plant, inorganic products and other electronic materials business at Omuta Plant, pharmaceuticals business, and various business fields, including vaccines and reagents, at Denka Seiken Co., Ltd.

In 2015, the Company celebrated its centennial. It recognizes that this achievement is due to the support and cooperation of its many shareholders and other stakeholders since its establishment.

In 2016, which marks the 101st anniversary of the Company, as well as the first year of a new century, looking upon the next centennial, we established “The Denka Value” corporate philosophy that serves as the basis for the Group’s corporate activities.

Under the new corporate philosophy “The Denka Value” and in compliance with this corporate governance guideline (“these guidelines”) , the Denka Group, as a transparent and open global corporation, strives to gain the support and understanding of its shareholders and stakeholders, and to promote its further growth and business activities as a sustainable company that can contribute to society.

\* References in brackets “( )” after provisions of these Guidelines are to the respective corresponding provisions of Japan’s Corporate Governance Code, established by the Tokyo Stock Exchange.

## Chapter 1. General Provisions

### Article 1 (Purpose)

The purpose of these Guidelines is to gain the trust of the Company’s shareholders and all its other stakeholders and ensure the best corporate governance to achieve sustainable growth and increased corporate value over the medium- to long-term, based on the Corporate Philosophy referred to in Article 2.

(General Principle 2, General Principle 4)

### Article 2 (Corporate Philosophy, Denka Principles, and Management Plan)

1. The Company shall establish “The Denka Value” corporate philosophy that serves as the basis for the Group’s corporate activities.

The corporate philosophy “The Denka Value” consists of the Denka Mission, which represents our uppermost mission statement, and the Denka Principles, a set of precepts guiding actions taken by every Group employee. The uppermost Denka Mission is defined as “taking on the challenge of expanding the possibilities of chemistry to create new value and contribute to sound social development.”

“The Denka Value” is a superordinate concept for all corporate activities, including management planning. Through the implementation of “The Denka Value,” the Company aims to respond to the expectations and trust of society going forward.

(Principle 2.1, Principle 3.1 i), General Principle 4 (1), Principle 4.1, Principle 5.2)

### “The Denka Value” (Corporate Philosophy)

#### ◇ The Denka Mission

Taking on the challenge of expanding the possibilities of chemistry to create new value and contribute to sound social development.

Note:Based on the corporate slogan “Possibility of Chemistry.”

#### ◇ Denka Principles

We:

- Boldly confront challenges with determination and sincerity.
- Think and take action today with the future in mind.
- Deliver new values, and inspire customers through innovative *monozukuri*.
- Respect the environment and create a cheerful workplace that prioritizes safety.
- Contribute to a better society, whilst taking pride in being a trusted corporate citizen.



2. The Company has established the Denka Group Ethics Policy, which includes compliance with laws and regulations, rules, the Articles of Incorporation, and social norms. With the Ethics Policy as the foundation of its daily activities, the Company strives to carry out its social responsibilities and ensure compliance with the Ethics Policy broadly across the Company, including the front line of its domestic and global operations.

(Principle 2.2, Supplementary Principle 2.2.1, Principle 4.3, Supplementary Principle 4.3.4)

#### Article 3 (Basic Approach to Corporate Governance)

1. To respond to the expectations and trust of its many stakeholders, including shareholders, customers, local communities, and employees, the Company strives to increase its corporate value by strengthening its business base through expansion of its earnings power and business operations, while ensuring that it holds a stance to continue being a company that is able to gain the trust and sympathy of society.

As it considers corporate governance to be the foundation for this, the Company works to invigorate its Board of Directors, strengthen its audit system, optimize its management system, and enhance its compliance system.

Specifically, it has introduced an Executive Officer System to speed up its decision-making, and by delegating powers and roles in the execution of business to the Executive Officers, clearly separates the execution of business by executive officers and the overseeing and supervision of such execution by the Directors. In addition, it has strengthened its corporate governance system by in principle abolishing executive roles for Directors (such as senior managing director and managing director). In this way, it has established a system in which each Director oversees and supervises business execution from an equal position.

With regard to its Outside Directors system, the Company appoints Outside Directors who are sufficiently independent and have extensive knowledge in their respective areas. In addition to carrying out supervision of management from an external perspective, they have established places for regular exchanges of opinions with top management. This enables them to provide sufficient advice through exchanges outside the Board of Directors meetings and enables the Company to monitor its management from an external perspective.

(Principle 3.1 ii))

2. The Company respects the rights of its shareholders. Together with ensuring fairness and transparency in management, it considers that an essential goal of corporate governance is to increase management vitality through an appropriate balance of proactiveness and prevention, and therefore the Company has formulated and strives to realize the following basic principles:

(Principle 3.1 ii))

#### (1) Relationship with Shareholders

- 1) We secure the rights and equal treatment of shareholders.

(General Principle 1, Principle 1.1)

- 2) We engage in constructive dialogue with shareholders.  
(General Principle 5)
- 3) We build good relationships with shareholders and other stakeholders.  
(General Principle 2)
- 4) We appropriately disclose financial and non-financial information and ensure transparency.  
(General Principle 3)

(2) Basic System for Corporate Governance

- 1) The Company has chosen a company with Audit committee structure. The execution of duties by the Directors and Executive Officers is audited by Audit committee.
- 2) The Company has adopted the Executive Officer System to separate management decision-making and supervisory functions from executive functions. The decision-making and supervisory functions are the responsibility of the Board of Directors and the Directors comprising the Board, and the Executive Officers are responsible for the execution of business.

The scope of operations delegated by the Board of Directors to the Directors (Excluding Directors who are Audit Committee members) and Executive Officers is separately disclosed in summary form in Corporate Governance Reports in accordance with the Board of Directors Regulations and the Executive Officers Regulations.

(Supplementary Principle 4.1.1)

- 3) The Company has also established a Management Committee composed of Directors (including Directors who are Audit Committee Members) and some Executive Officers, with the aim of engaging in deliberation and discussion on important management issues. With the Executive Officer responsible for each item participating in discussions on that item, the Company is pursuing more efficient discussions and swifter decision-making on important management matters.

- 4) To ensure the transparency and soundness of its business operations, the Company appoints up to 9 Directors (excluding Directors who are Audit Committee Members) and up to 6 Directors who are Audit Committee Members, and in order to build a management system that combines proactiveness and prevention, Independent Outside Directors comprise at least one third of the Directors at the Board of Directors.

Furthermore, regarding the Board of Directors as a whole, the Company believes that it is important to have an appropriate scale and diverse composition, including gender and internationality, by appointing internal Directors from persons who have sufficient expert knowledge and business experience in the Company's business and administrative divisions and appointing Outside Directors from persons with a high level of expertise and broad insight.

(Principle 4.8, Principle 4.11, Supplementary Principle 4.11.1)

- 5) The Directors Round Table is held once a month to promote more in depth discussion in relation to management matters of particular importance. The round table provides a place for uninhibited and constructive discussions, exchange of opinions and information, and enhancing of cooperation between internal and Outside Directors.

(Supplementary Principle 4.8.2, Principle 4.10)

- 6) The Company has also established the Nomination & Remuneration Advisory Committee composed of a majority of Outside Directors, as an advisory body to the Board of Directors. This has been done to promote transparent and objective management decisions, as the Board of Directors receives diverse opinions and advice from Outside Directors on important management issues such as those concerning governance, including nominations and remuneration.

(Principle 4.10, Supplementary Principle 4.10.1)

- 7) To strengthen its risk management and compliance systems, the Company appoints a Chief Compliance Officer (CCO) from among the Directors or Executive Officers.

(Principle 4.2, Principle 4.3, Supplementary Principle 2.3.1)

- 8) The Company has established a department in charge of Corporate Social Responsibility (CSR) to create broad recognition of and compliance with the Company's CSR, including at the front line of its domestic and global operations, and sincere handling of CSR throughout the Company.

(Supplementary Principle 2.3.1)

#### Article 4 (Positioning of these Guidelines)

These Guidelines are rules that rank next after the Companies Act, related laws and regulations, and the Articles of Incorporation, and they take precedence in application over other Company rules.

### Chapter 2. Relationships with Shareholders

#### Article 5 (Fiduciary Responsibility)

To fulfil their fiduciary responsibilities to shareholders, the Directors and the management of the Company act through appropriate cooperation with stakeholders for the improvement of common value of the Company and shareholders.

(Principle 4.5)

#### Article 6 (Respect for Voting Rights)

1. The Company recognizes that the General Meeting of Shareholders is a place for dialogue with shareholders and, from the perspective of shareholders, seeks to enable shareholders to appropriately exercise their rights.

(General Principle 1, Principle 1.1, Principle 1.2)

2. The Company establishes policies as set forth below for promoting constructive dialogue with shareholders and investors. It also works to gain the understanding of shareholders and investors by formulating management plans aimed at sustainable growth and increased corporate value over the medium- to long-term, setting up various opportunities and endeavouring to provide explanations.

(General Principle 5, Principle 5.1)

(1) The Investor Relations Department and the Administrative Department are the points of contact for responding to shareholders and investors, and actions are taken under the supervision of the Executive Officer in charge.

(Supplementary Principle 5.1.1, Supplementary Principle 5.1.2)

(2) Related departments actively cooperate in information sharing and other measures in order to provide timely and appropriate disclosure of information.

(3) Results briefings for share analysts and institutional investors, as well as business briefings and tours of the Company's plants as appropriate, are held to promote fuller understanding of the Company's business structures, management plans and results by shareholders and investors. Also, yearly corporate briefings are held for individual investors.

(4) Opinions and matters of concern communicated during dialogue with shareholders and investors are reported as appropriate to the Executive Officers in charge and, if necessary, to the Board of Directors.

(5) The Company has established Regulations on Insider Information Management and Prevention of Insider Trading as measures for the management of insider information, and conducts appropriate information management based on these regulations.

3. The Company works to enable all its shareholders to appropriately exercise their voting rights.

Notices of Convocation of General Meetings of Shareholders and reference documents are sent, in principle, three weeks prior to the date on which the meeting is to be held. Also, to ensure that the shareholders have time to examine the contents, that information is disclosed on TDnet and the Company's website during the period between the Board of Directors' approval of convening of the General Meeting of Shareholders and the sending of the Notices of Convocation.

Furthermore, in keeping with the Company's shareholder composition, the Company participates in the Electronic Voting Platform, and the Notices of Convocation are translated into English and published on TDnet and the Company's website.

(Supplementary Principle 1.2.1, Supplementary Principle 1.2.2, Supplementary Principle 1.2.4)

#### Article 7 (General Meetings of Shareholders)

1. The time, date and place of the General Meetings of Shareholders are established by the Company with a view to enabling more shareholders to attend the meetings and greater reflection of shareholders' intentions.

- (Supplementary Principle 1.2.3)
2. The Board of Directors analyses the voting results for proposals from the Company at General Meetings of Shareholders to obtain a detailed understanding of the reasons for approval or opposition to proposals, and it makes use of such analysis at constructive dialogue between management and shareholders and others.  
(Supplementary Principle 1.1.1)
  3. To foster a relationship of trust with shareholders, the Directors and Executive Officers provide sufficient explanations of the Company's policies and measures to the shareholders and do their best to respond to questions at General Meetings of Shareholders.  
(Principle 1.1, Principle 1.2)

#### Article 8 (Returns to Shareholders)

1. Recognizing that profit sharing is a basic right of shareholders, the Company has established policies concerning dividends from surplus and other returns to shareholders which are disclosed on the Company's website.  
(Principle 1.3)
2. In accordance with the Articles of Incorporation, interim dividends from surplus are decided by the Board of Directors, and policies for year-end dividends are decided by the Board of Directors, and they are then deliberated and determined by the General Meeting of Shareholders.

#### Article 9 (Protection of Shareholders' Rights)

As the Board of Directors have fiduciary responsibilities to all the shareholders, before implementing a capital policy resulting in a change of control or significant dilution, the Company examines the policy carefully to avoid unfairly harming the interests of existing shareholders, makes sure that the appropriate procedures are taken, and provides sufficient explanations to the shareholders.

(Principle 1.6)

#### Article 10 (Basic Strategy for Capital Policy)

1. The Company holds shares in cases where it judges that doing so is in accordance with the creation of stable business relationships and will maintain and strengthen business alliances in line with growth strategies and contribute to increased corporate value over the medium- to long-term, and it will sell any shares that do not conform to this policy.  
(Principle 1.4)
2. The Company comprehensively reviews the shares annually at the Board of Directors meeting in compliance with the policies in the previous paragraph from a variety of perspectives, including the financial condition of the issuer of said shares, the value of transactions with the Company and its economic rationality and a comparison with the Company's capital cost. The purpose of holding said shares shall be stated in the securities report.  
(Principle 1.4)
3. Regarding the exercising of voting rights in relation to shares held as strategic shareholdings, in principle, the Company respects the business policies and strategies of the issuing company. After consideration of the issuing company's management situation by the department in charge of the management of those shares, the Company carefully examines proposals individually from the perspective of whether they will ultimately contribute to increased shareholder value before making its decision for or against the proposals.  
In the following cases in particular, the Company will enter into dialog with the issuing company as necessary and make a careful decision as to whether or not it will vote for the proposals:
  - (1) in the event that a marked deterioration in the business performance continues for a set period of time;
  - (2) in the event of a serious scandal;
  - (3) in the event of any other proposal that could cause damage to shareholder value.  
(Principle 1.4)
4. The Company does not implement the so-called anti-takeover measures. In the case of tender offers, the Company sufficiently and clearly explains the position of the Board of Directors and takes appropriate procedures in accordance with the Basic Policies regarding the Control of the Company previously decided by the Board of Directors.  
(Principle 1.5)

#### Article 11 (Securing Equal Treatment of Shareholders)

The Company treats all shareholders equally according to the features and number of their shares, and does not provide property benefits or other special benefits to specific shareholders.

#### Article 12 (Prevention of Transactions that are Contrary to Shareholders' Interests)

1. To protect the interests of shareholders, the Company strives to prevent abuse of their positions by its Directors, Executive Officers, employees and other related parties and transactions that are contrary to the interests of the Company and the shareholders.  
(Principle 4.3)
2. The Company requires, in the Board of Directors Regulations, that the prior consent of the Board of Directors must be obtained for any competing transactions and dealing with the company and the results must be reported afterwards. In the case of continuing transactions, the results of competing transactions and dealing with the company in the previous fiscal year are reported to the Board of Directors once a year, and prior approval for the current fiscal year is sought.  
Also, related party transactions are determined in the same way as general transaction terms, and are disclosed in the notes to financial statements and securities reports in accordance with laws and regulations.  
(Principle 1.7)
3. The Company appropriately discloses material facts concerning the transactions set forth in the preceding paragraph.  
(General Principle 3, Principle 4.3)
4. To prevent insider trading by persons related to the Company, the Company has established and strictly enforces regulations concerning the handling of undisclosed material facts.  
(Principle 4.3)

#### Chapter 3. Appropriate Cooperation with Stakeholders other than Shareholders (for sustainable enhancement of corporate value)

#### Article 13 (Appropriate Cooperation)

1. The Company fully recognizes that its sustainable growth and creation of corporate value over the medium- to long-term are the result of the provision of resources and contributions by its various stakeholders, including employees, customers, business partners, creditors and local communities, and it endeavours to appropriately cooperate with these stakeholders.  
The Company's Directors and Executive Officers exercise leadership in establishing a corporate culture and climate of respect for the rights and positions of stakeholders and sound business ethics.  
(General Principle 2)
2. To gain the support of shareholders, employees, customers, business partners, creditors, local communities and other stakeholders when addressing sustainability issues, including those social and environmental, the Company handles those matters with sincerity and fairness broadly across the Company, including the front line of its domestic and global operations, based on the Denka Principles set forth in Article 2.  
(Principle 2.3, Supplementary Principle 2.3.1)
3. For its sustainable growth, the Company promotes diversity (utilization of diverse human resources), based on the basic principle that it is necessary for each of our employees with their diverse personalities and values to fully demonstrate their abilities.  
(Principle 2.4)
4. The Company has established the Denka Group Ethics Policy to enable itself to identify and mend organizational issues that may arise, and has set up the Ethics Committee to ensure thorough compliance with the Ethics Policy and oversee compliance. The Committee quickly and appropriately addresses reports received through the Compliance Hotline.  
Reports are received from internal administrative office as well as from the Audit Committee Department and the labor union, which operate on a neutral basis. Whistleblowers can also make reports to an independent law firm. Furthermore, the Company clearly states in the Denka Group Ethics Policy that whistleblowers must not be subject to any discriminatory treatment or disadvantage due to their actions.  
(Principle 2.5, Supplementary Principle 2.5.1)
5. The Company has adopted a defined benefit corporate pension plan, and management of

the reserve for the corporate pension fund is based on the regulations. Specifically, the Company determines the asset composition ratio in order to achieve the necessary management objectives in accordance with the basic policy for management, and also decides the most appropriate management trustee institution. The department in charge of managing the corporate pension fund appropriately monitors the management trustee institution with regard to management performance, conflicts of interest and exercise of voting rights.

(Principle 2.6)

## Chapter 4. Ensuring Appropriate Information Disclosure and Transparency

### Article 14. Information Disclosure

1. To build long-term relationships of trust with domestic and overseas shareholders, institutional investors and all its other stakeholders, the Company's basic policy is to disclose and promptly, accurately, fairly and equally communicate not only statutory disclosure matters but also management policies and financial information, information about business initiatives, and information which includes non-financial information, such as the management environment, necessary for investment decisions.

(General Principle 3)

2. The Company discloses, in Corporate Governance Reports, policies and outlines of procedures decided upon by the Board of Directors for remuneration of Directors and Executive Officers.

(Principle 3.1 iii))

3. The Company discloses, in Corporate Governance Reports, policies and procedures for the appointment or dismissal of Director candidates and the appointment of Executive Officers by the Board of the Directors. Based on this, to explain the appointment and nomination of individual Director candidates, the reasons for the appointment of outside and internal officers are included in the reference documents for General Meetings of Shareholders.

(Principle 3.1 iv), Principle 3.1 v))

4. Due to the percentage of overseas investors included among its shareholders, the Company endeavours as much as possible to disclose and provide information in English to a reasonable extent.

(Supplementary Principle 3.1.2)

## Chapter 5. Responsibilities of the Board of Directors, etc.

### Article 15 (Roles and Responsibilities of the Board of Directors)

1. As one of the roles and responsibilities of the Board of Directors is the making of strategic proposals for the realization of the Company's Corporate Philosophy "The Denka Value," the Board formulates management plans, etc. and makes decisions for the execution of important business based on those plans, etc. Also, in case that the goals of the management plans are not achieved, the Board of Directors is responsible for analysing the causes and providing clear explanations to the shareholders, which are reflected in the plans for the following fiscal years.

(General Principle 4, Principle 4.1, Supplementary Principle 4.1.2)

2. The Board of Directors makes decisions on important matters stipulated in laws and regulations, the Articles of Incorporation and the Board of Directors Regulations, and supervises the execution of business by the Directors and Executive Officers.

(Supplementary Principle 4.1.1)

3. To increase management vitality by enhancing the agility and flexibility of business execution, the Board of Directors resolves on the assignment of duties and authority of the Executive Officers responsible for business execution. As well as delegating business execution to Executive Officers within that scope, the Board of Directors receives reports on status of their execution of business. It also assists in the execution of business by creating an environment that supports risk-taking.

(General Principle 4 (2), Supplementary Principle 4.1.1, Principle 4.2)

4. The Board of Directors exercises supervision to ensure that timely and accurate information disclosure is provided, and appropriately establishes the internal control and risk management systems.

(Principle 4.3)

5. The Board of Directors recognizes that it also has responsibilities in terms of management for the future, and based on the Company's Corporate Philosophy and changing trends in the future economic environment, it receives reports and suggestions

from the Nomination & Remuneration Advisory Committee regarding succession planning for the President & CEO, and by sharing that information, it will be proactively involved in the formulation and management of such planning, and will appropriately supervise the planning so that it is carried out systematically over a sufficient period of time.

(Supplementary Principle 4.1.3)

6. The Board of Directors endeavours to create an environment where there is always a free exchange of opinions and positive debate, and it respects the raising of issues by Outside Directors.

(Principle 4.12)

7. The Board of Directors encourages active deliberation by ensuring the following matters in the operation of Board of Directors meetings:

(Supplementary Principle 4.12.1)

- (1) Prior distribution of materials for Board of Directors meetings. This includes ensuring that materials relating to agenda items to be resolved are distributed to Directors, including Outside Directors, in advance to allow sufficient time for examination so that vigorous debate can take place on the day of the meeting.
- (2) Providing Directors with sufficient information from the Company other than the materials for the Board of Directors meetings as necessary. Also, the Board of Directors confirms that information is smoothly provided by the Company.
- (3) Deciding in advance on the yearly schedule for the Board of Directors meetings.
- (4) Appropriate setting of the number of agenda items for deliberation and the frequency of Board of Directors meetings.
- (5) Ensuring more deliberation time mainly for vigorous discussions with Outside Directors in relation to agenda items to be resolved.
- (6) Promptly incorporating suggestions and requests from Outside Directors into the operation of the Board of Directors.

8. The Company analyzes and evaluates the effectiveness of the Board of Directors annually through individual Directors. The results are then disclosed in the Corporate Governance Report.

(Supplementary Principle 4.11.3)

9. The remuneration for Directors (Excluding Directors who are Audit Committee members) is linked to each Director's roles and responsibilities, and will be resolved by the Board of Directors, with a draft prepared by the Representative Director, and the Board of Directors having received reports and suggestions from the Nomination & Remuneration Advisory Committee.

Remuneration for Directors is composed of fixed remuneration, performance-linked remuneration, and stock compensation. However, performance-linked remuneration and stock compensation are not paid to Outside Directors. Additionally, although the amount of performance-linked remuneration paid is determined based on consolidated operating income for each fiscal year, in the event that such consolidated operating income does not meet a certain amount, or a serious violation of compliance occurs, it may not be paid or may be reduced.

(Supplementary Principle 4.2.1)

10. The remuneration for Executive Officers is linked to each Executive Officer's roles and responsibilities, and will be resolved by the Board of Directors, with a draft prepared by the Representative Director, and the Board of Directors having received reports and suggestions from the Nomination & Remuneration Advisory Committee.

Additionally, remuneration for Executive Officers is composed of fixed remuneration and performance-linked remuneration, and the amount of performance-linked remuneration paid is determined based on consolidated operating income for each fiscal year. However, in the event that such consolidated operating income does not meet a certain amount, or a serious violation of compliance occurs, it may not be paid or may be reduced.

(Supplementary Principle 4.2.1)

#### Article 16 (Roles and Responsibilities of Directors)

1. Directors (Excluding Directors who are Audit Committee members) are appointed each year at the General Meeting of Shareholders for a term of one year. Directors who are Audit Committee Members are appointed at the General Meeting of Shareholders for a term of two years.
2. Directors have a duty of loyalty and a duty to act with the due care of a prudent manager.
3. In the execution of their duties, the Directors take the utmost care to gather full

- information, request explanations at the Board of Directors meeting, do their best to actively express and discuss their opinions with other Directors, and exercise their voting rights after ensuring that the decision-making process is reasonable.
4. The Directors seek to resolve management issues of the Company that have come to their knowledge by exercising their rights to propose agenda items for Board of Directors meetings and request the convening of Board meetings in a timely and appropriate manner.
  5. In order that Directors focus on carrying out their roles and responsibilities, any posts concurrently held by them as officers of other listed companies are disclosed in reference documents for General Meetings of Shareholders and business reports in accordance with laws and regulations.  
(Supplementary Principle 4.11.2)
  6. In order for Directors to carry out their roles and responsibilities, in cases where they judge that they have insufficient information, they may ask the Executive Officer in charge of the relevant department to provide additional information. Also, if considered necessary, they may seek the opinions of lawyers or other external experts at the Company's cost.  
(Principle 4.13, Supplementary Principle 4.13.1, Supplementary Principle 4.13.2)
  7. The Company selects candidates of Outside Director for appointment as independent officers based on judgement focused on substantiality, such as whether they can be expected to contribute to increasing the Company's corporate value. Details are specified in the Attachment and are based on the externality requirements prescribed in the Companies Act and the independence criteria set by the Tokyo Stock Exchange.  
(Principle 4.9)
  8. The Company conducts tours of its offices and plants and training sessions about the Company's business, particularly for newly-appointed Outside Directors, to enable them to gain information about the Company. Also, all newly appointed Directors including outside directors are encouraged to participate in external seminars to learn necessary legal and other knowledge for the purpose of increasing their understanding of the roles and responsibilities required of them. In addition to providing and arranging these opportunities and assisting with the costs, the Company provides training in the same way to incumbent officers as necessary in order to continually update their knowledge.  
(Principle 4.14, Supplementary Principle 4.14.1, Supplementary Principle 4.14.2)

#### Article 17 (Roles of Executive Officers)

1. Executive Officers are appointed for a term of one year. Each year, candidates for appointment as Executive Officers are recommended by the Representative Director, and the Board of Directors then deliberates on the candidates and makes the appointments after having received reports and suggestions from the Nomination & Remuneration Advisory Committee.  
(Principle 4.10, Supplementary Principle 4.10.1)
2. Executive Officers are appointed in accordance with the appointment criteria set out in the Executive Officers Regulations (1. Abundant business experience and familiarity with the business of the Company; 2. Excellent management sense; 3. Superior guidance, leadership, vitality and planning abilities; 4. Personality and insight suited to an Executive Officer; and 5. Good physical and mental health).  
In addition, Executive Officers are dismissal in accordance with the dismissal criteria set out in the Executive Officers Regulations(1. when there is an act that damages the Company's credibility and honor; 2. when the Company's trade secrets or technical secrets have been leaked; 3. when the Company has been damaged as the result of willful intent or gross negligence; 4. when the President's instructions are not followed for no logical reason; 5. when there is a sharp slump in business results; and 6. when there is any other adverse act equivalent to the preceding 1. to 5.)  
(Principle 3.1 iv)v))
3. Executive Officers who concurrently serve as Directors (Excluding Directors who are Audit Committee members) have supervisory responsibilities, in their capacity as Directors (Excluding Directors who are Audit Committee members), in relation to the overall management of the Company, and as Executive Officers are responsible for the execution of business of which they are in charge.
4. The number of Executive Officers appointed is the appropriate number that can most efficiently and effectively deliver the execution of business functions in accordance with the decisions of the Board of Directors.

#### Article 18 (Roles and Responsibilities of Outside Directors)

1. The main roles of Outside Directors for the sustainable growth and medium- to long-term increase of corporate value of the Company are as follows:
  - (1) Providing advice in relation to overall management, based on their abundant experience and broad insight;
  - (2) Monitoring the Board of Directors and the execution of business by Executive Officers;
  - (3) Monitoring conflicts of interest between the Company and its Directors, Executive Officers and other persons; and
  - (4) Reflecting the views of minority shareholders and other stakeholders to the Board of Directors.

(Principle 4.6, Principle 4.7)
2. The Outside Directors are continually provided with information regarding the status of changes to the Company's Corporate Philosophy, corporate culture, management environment and other matters through the Board of Directors Administrative Office (Administrative Department).

(Principle 4.13)
3. As appropriate, Outside Directors hold an Outside Officer Liaison Meeting consisting solely of outside officers, and strive to exchange information and develop a shared awareness about matters concerning the Company's corporate governance and business.

(Supplementary Principle 4.8.1)

#### Article 19 (Roles and Responsibilities of Audit Committee)

1. Audit Committee audits in relation to the execution of duties by Directors, internal control, operations and accounting by exercising authorities in relation to requests for Company business reports, investigations relating to operations and accounting, and the appointment/dismissal, or non-reappointment of an external accounting auditor in accordance with laws and regulations.

(Principle 4.4)
2. The Audit Committee make appropriate decisions from an objective standpoint in accordance with their fiduciary responsibilities to shareholders.

(Principle 4.4)
3. The Audit Committee determines their opinions on matters such as the appointment of and remuneration for Directors (excluding Directors who are Audit Committee Members), in addition to matters to be stated at the General Meeting of Shareholders.

(Principle 4.4)
4. The Audit Committee appoints standing Audit Committee Members (hereinafter referred to as "Standing Audit Committee Members").
5. In order for Audit Committee to carry out their roles and responsibilities, the Company selects Audit Committee Member candidates who have the appropriate experience and skills required for those duties, and based on the judgment that at least one of the Audit Committee Members in particular has finance and accounting expertise.

(Principle 4.11)
6. To carry out their roles and responsibilities, Audit Committee obtain reports relating to necessary matters in a timely and appropriate manner from the Company's Directors, Executive Officers, employees and the external accounting auditor, and strive to share necessary information with the external accounting auditor and internal audit organizations to improve auditing quality and ensure the efficiency of audits.

(Supplementary Principle 3.2.2, Principle 4.13, Supplementary Principle 4.13.3)
7. The Audit Committee establishes the necessary basic policies, regulations and procedures for the execution of its duties.
8. To ensure the objectivity of audits, staff of the Audit Committee Department who perform duties based on resolutions of the Audit Committee are guaranteed independence from the management of the Company, such as Directors (Excluding Directors who are Audit Committee members) and Executive Officers, in terms of operational directions, orders and personnel evaluations.

(Principle 4.13)
9. The Audit Committee strives to enhance its effectiveness through factors such as the independence of Outside Directors who are Audit Committee Members and the information-gathering capacities of Standing Audit Committee Members. Furthermore, the Audit Committee ensures collaboration with Outside Directors (excluding Directors who are Audit Committee Members) in order for Outside Directors (excluding Directors who are Audit Committee Members) to fulfil their roles and

responsibilities.

(Supplementary Principle 4.4.1)

#### Article 20 (Information Gathering System)

1. The Company's internal auditing organizations provide reports to the Board of Directors in relation to internal control, and regularly exchanges information with the full-time Audit Committee.

(Supplementary Principle 4.13.3)

2. The Secretary Department, Audit Committee Department, Internal Auditing Department and Administrative Department cooperate with each other and provide necessary information to Outside Directors.

(Supplementary Principle 4.13.3)

#### Article 21 (Internal Control System)

1. Recognizing that enhancement of the Company's internal control is an important element in gaining the trust of all its stakeholders including shareholders, the Board of Directors has established the Basic Policy Concerning Internal Control in accordance with the Companies Act and the Ordinance for Enforcement of the Companies Act.

(Principle 4.3, Supplementary Principle 4.3.4)

2. In accordance with the Basic Policy Concerning Internal Control and other resolutions of the Board of Directors relating to internal control, the Executive Officers in charge have established the system necessary for compliance with laws and regulations, ethical norms and codes of conduct, business effectiveness and efficiency and reliability of financial reports, and they ensure that it functions effectively, including at the front line of the Company's domestic and global operations.

(Principle 2.2, Principle 4.3)

#### Article 22 (External Accounting Auditor)

1. To ensure the reliability and effectiveness of financial reports and the conducting of appropriate audits, the Company takes the following measures in relation to the external accounting auditor:

- (1) It ensures that there is sufficient time for auditing;
- (2) Regular meetings are held between the external accounting auditor and the President & CEO and Executive Officers in charge;
- (3) It provides information relating to activities of Audit Committee, and works on the settlement of accounts and internal control in cooperation with the external accounting auditor and the Internal Auditing Department.
- (4) If a report is received from the external accounting auditor to the effect that misconduct or material facts in violation of laws and regulations or the Articles of Incorporation have been discovered, the Company ensures that the appropriate procedures are taken by Audit Committee.

(Principle 3.2, Supplementary Principle 3.2.2)

2. The Audit Committee formulates policies concerning the appointment and dismissal of the external accounting auditor, and evaluates the external accounting auditor through confirmation in the process of receiving financial and other reports.

(Supplementary Principle 3.2.1)

### Chapter 6. Other Provisions

#### Article 23 (Exemptions)

In the event that an exemption from these Guidelines is necessary, the Board of Directors must specify the reason and make it clear that appropriate measures are being taken in accordance with the intent of these Guidelines.

#### Article 24 (Amendments)

Amendments to these Guidelines are to be made by the resolution of the Board of Directors.

Established on November 9, 2015

Revised in June 22, 2016

Revised in June 22, 2017

Revised in November 8, 2017

Revised in November 7, 2018

Revised in June 20, 2019

(Attachment)

### Independence Standards for Outside Directors

The independence standards for the Company's Outside Directors that they must be persons who do not fall under any of items 1 to 5 below.

1. An operating officer(\*1) of a main customer(\*2), main supplier(\*3) or main lender(\*4) that is a main business partner of the Company.
2. A consultant, accountant, lawyer or the like who has received money or other property from the Company exceeding a yearly amount of 10 million yen, other than officer's remuneration, in the most recent fiscal year.
3. In the event that the party receiving the property referred to in item 2 above is an organization, a person belonging to an organization in which the amount paid by the Company to that organization in the most recent fiscal year comprised 2% or more of that organization's net sales or gross revenue.
4. A person who fell under items 1 to 3 above within the period of the past year.
5. A person who is the spouse or a relative within the second degree of kinship of a person listed below (excluding immaterial persons):
  - (1) A person falling under items 1 to 4 above;
  - (2) A person who is currently, or was within the period of the past year, an operating officer at the Company or a subsidiary of the Company; or

\*1 Operating officer: an Executive Director, Operating Executive, Executive Officer, or other employee or the like.

\*2 Main customer: a customer that paid to the Company an amount that comprised 2% or more of the Company's net sales in the most recent fiscal year.

\*3 Main supplier: a supplier to which the Company paid an amount that comprised 2% or more of that supplier's net sales in the most recent fiscal year.

\*4 Main lender: a lender that, at the end of the most recent fiscal year, was essential to the Company's financing and is relied upon by the Company to the extent that there is no substitute.